INABATA & CO., LTD.

Integrated Report 2022

INABATA & CO., LTD.

December 16, 2022

INABATA

Integrated Report 2022

The Inabata Group will continue to constantly take on challenges—in an era of drastic change—by using the sound and solid strength it has cultivated for more than 130 years, with the aim of improving sustainable corporate value.

Starting from importing dyes in 1890, we have expanded our business around chemicals that form the foundation of all kinds of industries, responding to the changing needs of our clients and society.

The Design of the Cover and Introduction Pages

The headshots on the cover, laid out over the background of the earth, are of Inabata Group employees working in various countries around the world. As a company that operates in Japan and 18 other countries overseas, our employees are our greatest asset. The down-to-earth daily activities of each and every one of our employees, who are in close contact with customers and local communities, are the source of the Inabata Group's value creation.

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Editing Policy

We prepare the Integrated Report as an important tool that enables Inabata's stakeholders to understand the company's business activities and distinctive initiatives for value creation. For the Integrated Report 2022, with "to challenge" as the theme, the report was edited to focus on the Inabata Group's employees working on the frontlines to achieve the goals of the medium-term business plan NC2023.

Guidelines referenced:
The International Integrated Reporting Framework (IFRS Foundation)
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation by Ministry of Economy, Trade and Industry (METI), etc.

Relevant period:
From April 2021 to March 2022 (Some information may not be limited to this period)

Relevant organizations:
Inabata & Co., Ltd. and its domestic and overseas Group companies

IK INABATA

Love *(ai)* and Respect *(kei)*

Katsutaro Inabata, Founder

Mission

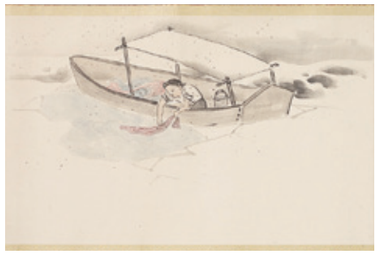
People come first, based on the spirit of "love *(ai)*" and "respect *(kei)*," and together we strive towards contributing to the development of society.

Vision

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

IK Values

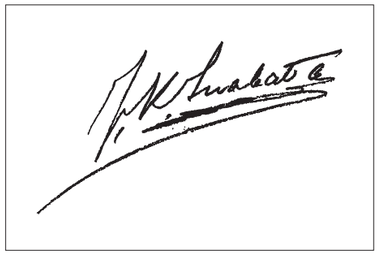
- To cherish integrity and respect for people (ethics)
- To continually challenge the limits with high ideals, big dreams and great passion (aspiration)
- To prize dialogue and teamwork, and to treasure professional growth of employees (organization)
- To become the best partner of our clients, providing solutions from the clients' standpoint (role)
- To grow with people across borders, sharing and respecting diverse values with the aim of co-prosperity (symbiosis)



Katsutaro Inabata washing silk threads in the Rhone river in the winter during his study abroad (by Sekka Kamisaka)

Inabata Senryoten at the time of founding

The IK logo emblazoned on Inabata Shoten's *tenugui* towel



Founder Katsutaro Inabata's signature

The Founder's Passion and the Origin of Inabata

Our founder, Katsutaro Inabata, was born in Kyoto in 1862 as the eldest son to a family that ran the long-standing Japanese sweet shop, Kameya Masashige, which was a purveyor to the Imperial Household. At an early age of 15, Katsutaro was selected to visit France to study, sponsored by the Kyoto Prefectural government which was aiming for industrial development. He not only studied dyeing techniques at an engineering school in Lyon, but also learned practical skills by working at the Marnas dyeing factory. He studied applied chemistry afterward, focusing on dyeing techniques at the University of Lyon. Katsutaro returned to Japan in 1885 at the age of 23 and became a government employee with Kyoto Prefecture. At 24, he started teaching at a dyeing institute in Kyoto, where he leveraged the advanced knowledge and skills in synthetic dyes and dyeing techniques he had learned in France. In 1890, at the age of 28, he founded Inabata Senryoten along with his wife and started a business as a dye distributer for St. Denis, a French company.

Apart from running his company, Katsutaro also devoted himself to domestic production of dyes. In 1916, when Japan Dyestuff Manufacturing Co., Ltd. was established under national policy, Katsutaro was also involved in its establishment and was appointed as auditor. When the dyeing industry was undergoing a crisis under the recession during World War I, Katsutaro emphasized the need to understand that a national business such as dyeing surpassed the concepts of profit and loss. In 1926, he took over as president and committed himself to the development of the industry.

The DNA of "love *(ai)*" and "respect *(kei)*"

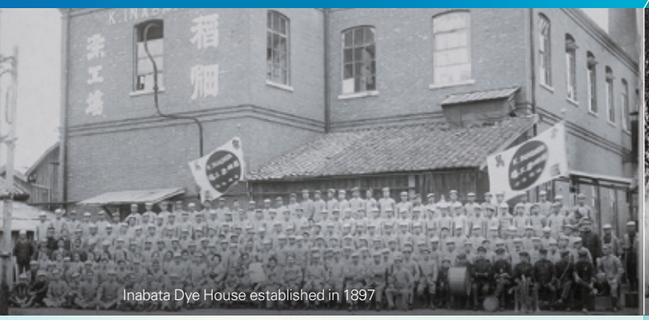
In 2010, 120 years after Inabata was founded, the company had grown to a global corporation with about 3,600 employees on a consolidated basis. Katsutaro's great-grandson and our sixth president, Katsutaro Inabata, felt the need to have a shared value among ourselves to demonstrate the company's strengths. Selected employees from the company put their heads together and formulated the new management philosophy, vision, and values that the company should stand for 10 years later. What is the purpose of our existence? What matters the most is the spirit of love and respect that we have inherited. These values have been loved and been our company's unchanged motto since its founding, along with the symbol of "IK," which is taken from the initials of our founder. Another meaning behind our logo IK is that love in Japanese kanji is pronounced "*ai*," and respect "*kei*." "Honesty is the only way to earn trust of society"—This is one of the words left behind by our founder, which describes the spirit of love and respect. Our company's history of over 130 years boasts a lineage of diverse businesses that contribute to social interests relevant to the times and that spirit has become the unwavering guideline for sustainable growth in the medium to long term.

We have continued to evolve as a company with value,
while empathizing with the needs of our customers and society.

1890– Early Period

Amid the Great Depression,

the company took on the challenge of domestic production of dyes with a commitment that went beyond profits



Inabata Dye House established in 1897

After the Sino-Japanese War, when the entire Japanese industry was in recession, our founder devoted himself to producing dyes domestically while managing the Inabata Senryoten.

He established Muslin Boshoku in 1895. After which he started business with Société Alsacienne de Constructions Mécaniques of France, which was considered the best spinning and weaving machines manufacturer at the time. He, then, established Inabata Dye House, gathered the best machinery and technology, and became the factory manager himself. Even during harsh times, he advocated the need to commit to the understanding that a national business such as dyeing surpassed the concepts of profit and loss and contributed to the development of the business.

1890 Inabata Senryoten established in Kyoto
1897 Inabata Dye House established
1918 Inabata Shoten (Inabata & Co., Ltd.) established
1922 Osaka Chamber of Commerce and Industry appoints Katsutaro Inabata as its 10th president (until 1934)
1926 Katsutaro Inabata assumes the presidency of The Japan Dyestuff Manufacturing Co., Ltd.
1943 "Inabata Sangyo" becomes the Japanese company name
1944 The Japan Dyestuff Manufacturing merges into Sumitomo Chemical Co., Ltd. Inabata & Co., Ltd. becomes the exclusive distributor of dyestuffs, chemicals, and pharmaceuticals for Sumitomo Chemical Co., Ltd.

1945– Growth Era

After the devastation caused by World War II,

Inabata built a foundation as a chemical trading company and grew into a publicly listed company

New Osaka Head Office completed in 1954

In the midst of the post-war recession, Inabata expanded its business fields to include synthetic resins and construction materials and grew to become a listed company by the 1960s. In 1976, the company established Inabata Singapore as its first post-war overseas base, and subsequently developed trading companies and manufacturing and processing plants in Southeast Asian countries. In addition, it adopted a corporate division system in order to strengthen its structure in anticipation of business expansion. With the establishment of the dyestuffs, chemicals, plastics, and machinery divisions, the business structure that forms the foundation of today's Inabata Industry was established.

1961 Stock listed on Second Section of the Osaka Securities Exchange
1962 Stock listed on Second Section of the Tokyo Stock Exchange
1966 Pharmaceuticals division expands its business by enhancing its structure
1970 Introduced a corporate division system and established dyestuffs, chemicals, plastics and machinery divisions
1973 Listed on the first section of the Tokyo Stock Exchange and the Osaka Securities Exchange
1976 Inabata Singapore (Pte.) Ltd. set up to become the first overseas office after World War II
1979 Overseas division established

1984– Reform Era

After losing its pillar of earnings,

Inabata improved its portfolio management and aggressively expanded overseas

Press conference announcing the launch of Sumitomo Pharmaceuticals

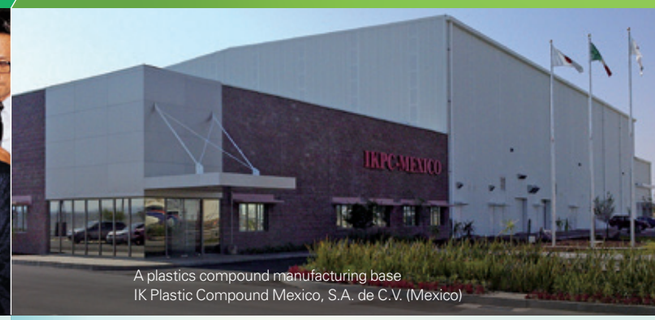
Sumitomo Pharmaceuticals Co., Ltd. (now Sumitomo Pharma Co., Ltd.) was established in October 1984 as a joint venture with Sumitomo Chemical Co., Ltd. The pharmaceutical business, which had been in operation for nearly 40 years since 1946, was separated from Inabata. However, the bulk pharmaceuticals business was succeeded by the chemicals division, as it handled a wide range of products to meet the needs of society. Moreover, Inabata focused on aggressive overseas expansion while rebuilding its management base. It particularly focused on the resin compounding business to build a new earnings pillar.

1984 Pharmaceuticals division separated, Sumitomo Pharmaceuticals Co., Ltd. (now Sumitomo Pharma Co., Ltd.) established as a joint venture with Sumitomo Chemical Co., Ltd.
1988 Food division established
1990 New Osaka Head Office building completed
1999 Business reorganized into IT & Electronics, Housing Materials, Chemicals, Plastics, and Food segments
2000 Inabata certified ISO 14001 (environment management system)
2005 Inabata certified ISO 9001 (quality management system)

2010– The Fourth Founding Period

As the value of trading companies was being challenged,

Inabata developed diverse ways to add value

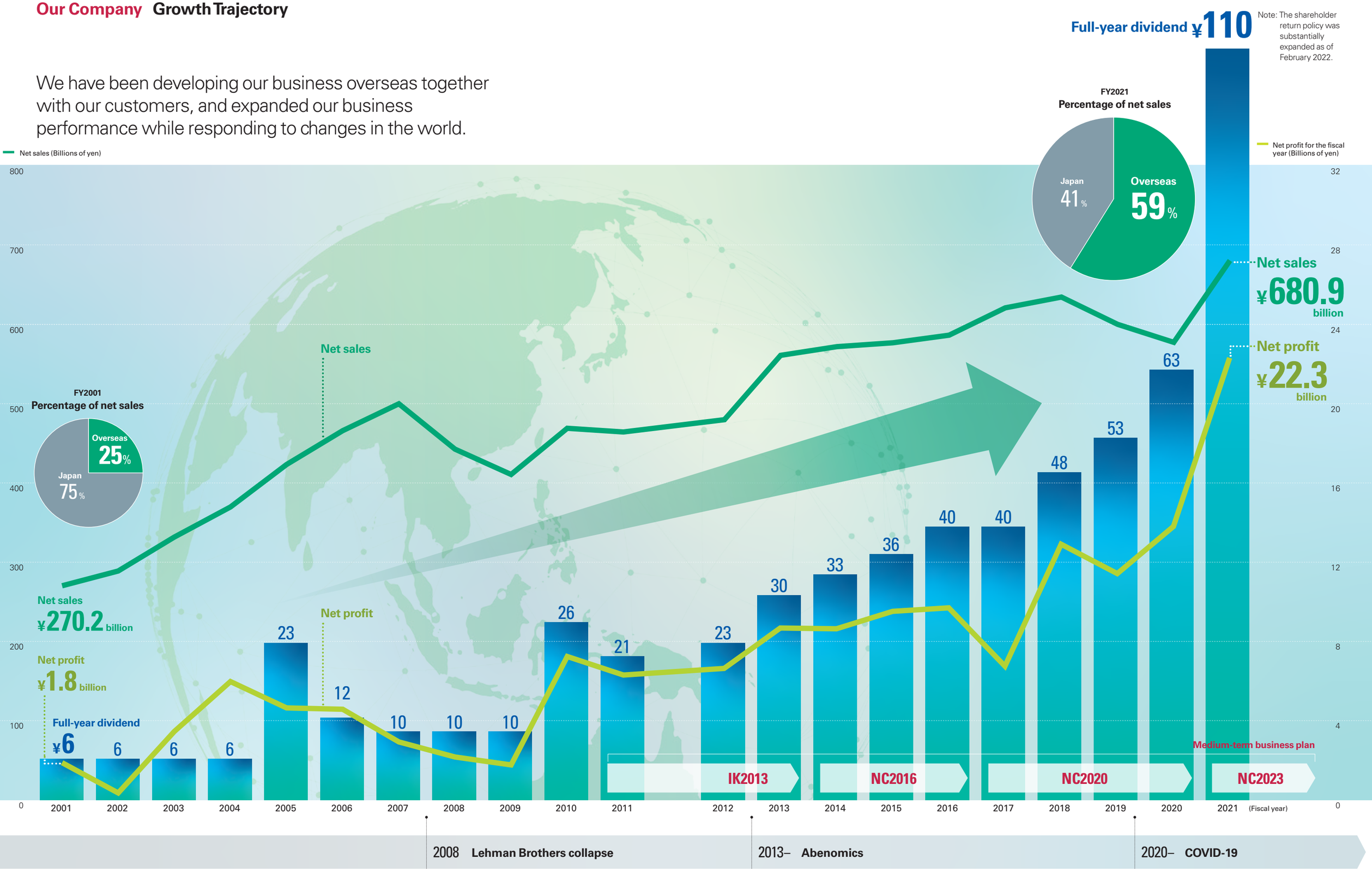


A plastics compound manufacturing base
IK Plastic Compound Mexico, S.A. de C.V. (Mexico)

In 2010, Inabata celebrated the 120th anniversary of its founding. As it was expanding its manufacturing and processing bases, the company responded to diverse needs in the rapidly changing market by developing not only a trading function but also a manufacturing and processing function that directly participates in production. Today, it is a global company operating in about 60 locations in 18 countries. In 2017, Inabata formulated the IK Vision 2030, which describes how it envisions itself in 10 to 15 years. With the spirit of "love" and "respect" handed down from generation to generation since its founding, the company continues to evolve, eyeing the future.

2010 Mission, Vision, and IK Values are newly established to coincide with Inabata's 120th anniversary
2012 Business domains reorganized into Information & Electronics, Chemicals, Life Industry, Plastics, and Housing & Eco Materials segments
2019 Business domains reorganized into four areas: Information & Electronics, Chemicals, Life Industry, and Plastics
2022 Listed on the Tokyo Stock Exchange Prime Market

We have been developing our business overseas together with our customers, and expanded our business performance while responding to changes in the world.

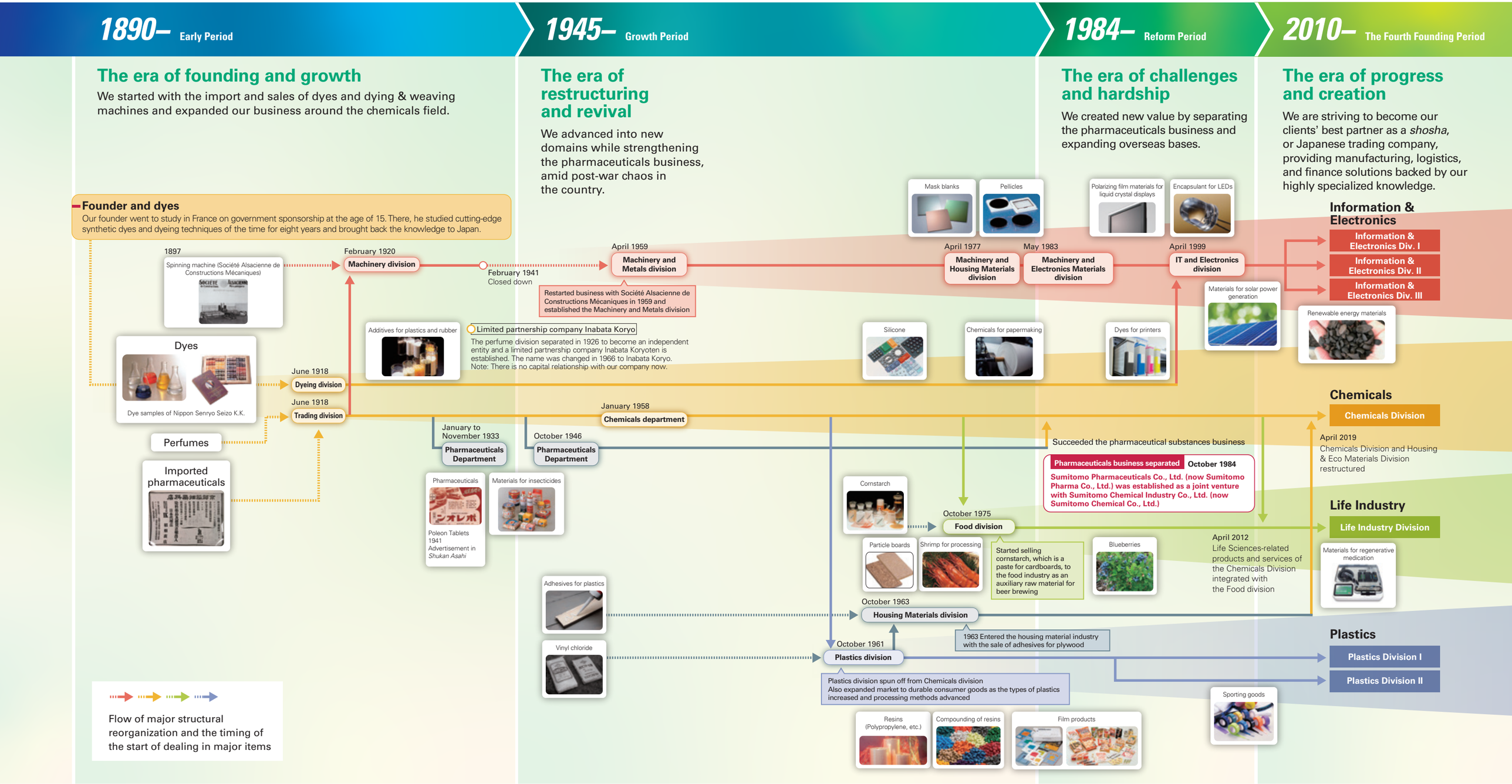


Note: Net profit = Net profit attributable to owners of parent (the same applies hereafter in this Integrated Report)

Our Company

The Evolution and Structural Reorganization of the Chemicals Business

Since starting from importing dyes in 1890, we have expanded our business around chemicals that form the foundation of all kinds of industries, responding to the changing needs of our clients and society.



We are advancing further by building a strong foundation in growth fields.

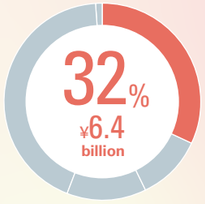
FY2021	Net Sales	Operating Profit
Consolidated Results	¥680.9 billion	¥20.0 billion

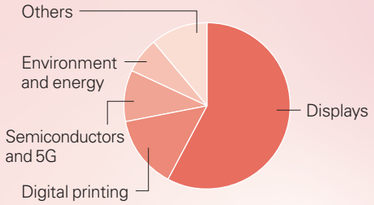
Composition of Products and Materials (Based on the Amount of Net Sales)

Information & Electronics

Segment Assets ¥113.1 billion

Number of manufacturing and processing subsidiaries 1

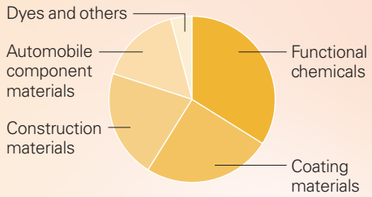




Chemicals

Segment Assets ¥49.0 billion

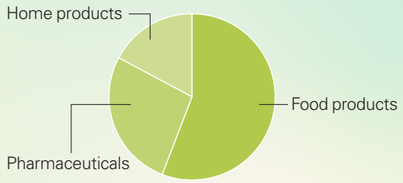
Number of manufacturing and processing subsidiaries 2



Life Industry

Segment Assets ¥21.1 billion

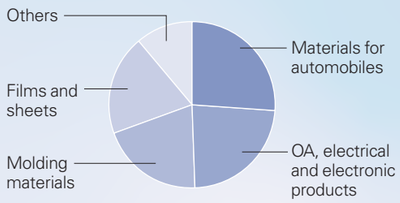
Number of manufacturing and processing subsidiaries 2



Plastics

Segment Assets ¥164.8 billion

Number of manufacturing and processing subsidiaries 16



Note: The amount of net sales for other segments was 0.0% and operating profit was 0.6%.

Related Data

As of March 31, 2022

Overseas network

18 overseas locations

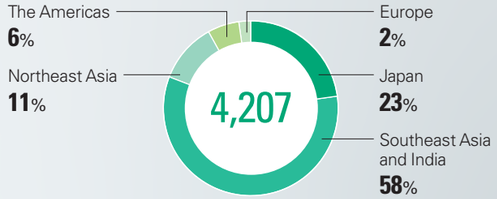
About 60 bases

Number of employees

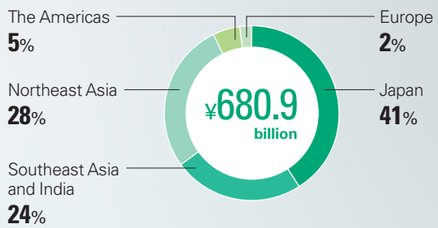
Unconsolidated 672

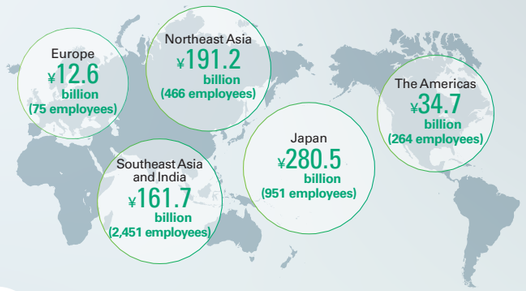
Consolidated 4,207

Number of employees by region



Sales by region





Consolidated subsidiaries

Domestic: 7

21 of them are manufacturing and processing subsidiaries

Overseas: 36

Sales of manufacturing and processing subsidiaries ¥65.7 billion

Note: Simple aggregate value

We will continue our challenge to create even greater value.

In order to elevate "how we envision ourselves" in our long-term vision to an even higher level, we have revised the targets of the medium-term business plan upward, and we will continue our challenge to create value.

Target for FY2023

New medium-term business plan

New Challenge 2023 (NC2023)

Consolidated net sales (after revision)

¥800.0 billion

The three-year medium-term business plan, NC2023, is the second stage of our long-term vision.

As a result of Group-wide efforts to carry out this plan, the results for the first year (FY2021) exceeded the target figures for the final year FY2023.

In light of these current business conditions and future prospects, we have revised our numerical targets and indicators for the final year of the plan. With the new targets, we will continue to aim to increase corporate value.

Quantitative targets

FY2023	Initial	After revision
Net sales	¥670.0 billion*1	¥800.0 billion*2
Operating profit	¥16.5 billion	¥20.5 billion
Ordinary profit	¥17.0 billion	¥21.5 billion
Net profit	¥16.0 billion	¥22.5 billion
ROE	8 % or more	10 % or more
Net D/E ratio	0.3 x or less	0.5 x or less
Equity ratio	50 % or more	Approx. 40–50 % or more

Estimated exchange rate Initial rate: USD1 = 105.00 yen Revised rate: USD1 = 120.00 yen
*1 Initial sales target on a pre-application basis for the new revenue recognition standard: 700.0 billion yen
*2 Revised sales target on a pre-application basis for the new revenue recognition standard: 830.0 billion yen

Key initiatives

1. Further development of core businesses and horizontal expansion into growth sectors
2. Multi-faceted approach to markets with potential for future growth and steady monetization efforts
3. Intensification of investment targeting future growth
4. Further improvement of global management information infrastructure
5. Continuous review of assets and further improvement of capital and asset efficiency
6. Enhancement of human capital utilization efforts

Basic Policy on Shareholder Return

Progressive dividends / Target for total return ratio of about 50%

- **Fundamentally, we will ensure that dividend per share does not decline year on year by continually increasing our dividends.**
- **The target for total return ratio will be set at roughly 50%.**
  However, in a fiscal year where a substantial amount of cash inflow has been generated by the sale of strategic shareholdings, we will consider future capital needs, the company's financial condition, stock price, market conditions, and other factors in a comprehensive manner, and implement shareholder returns without necessarily being bound by the above target for total return ratio.

Our vision for 2030

Long-term vision

IK Vision 2030

Consolidated sales

¥1 trillion or more

IK Vision 2030 outlines how the Group envisions itself around 2030. We will continue to enhance our trading company functions, which are the foundation of our company, and actively invest in business fields and domains where we can harness our strengths at each stage of the medium-term business plan to achieve our long-term vision. We aim to further improve our profitability by optimizing our business portfolio in response to changes.

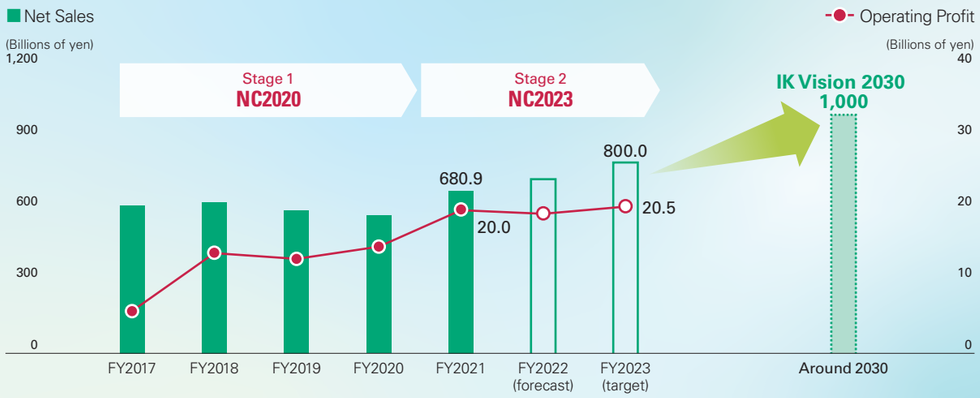
Further enhancing multifaceted capabilities such as manufacturing, logistics, and finance, in addition to trading

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

Sales and operating profit generated outside of Japan

70% or more

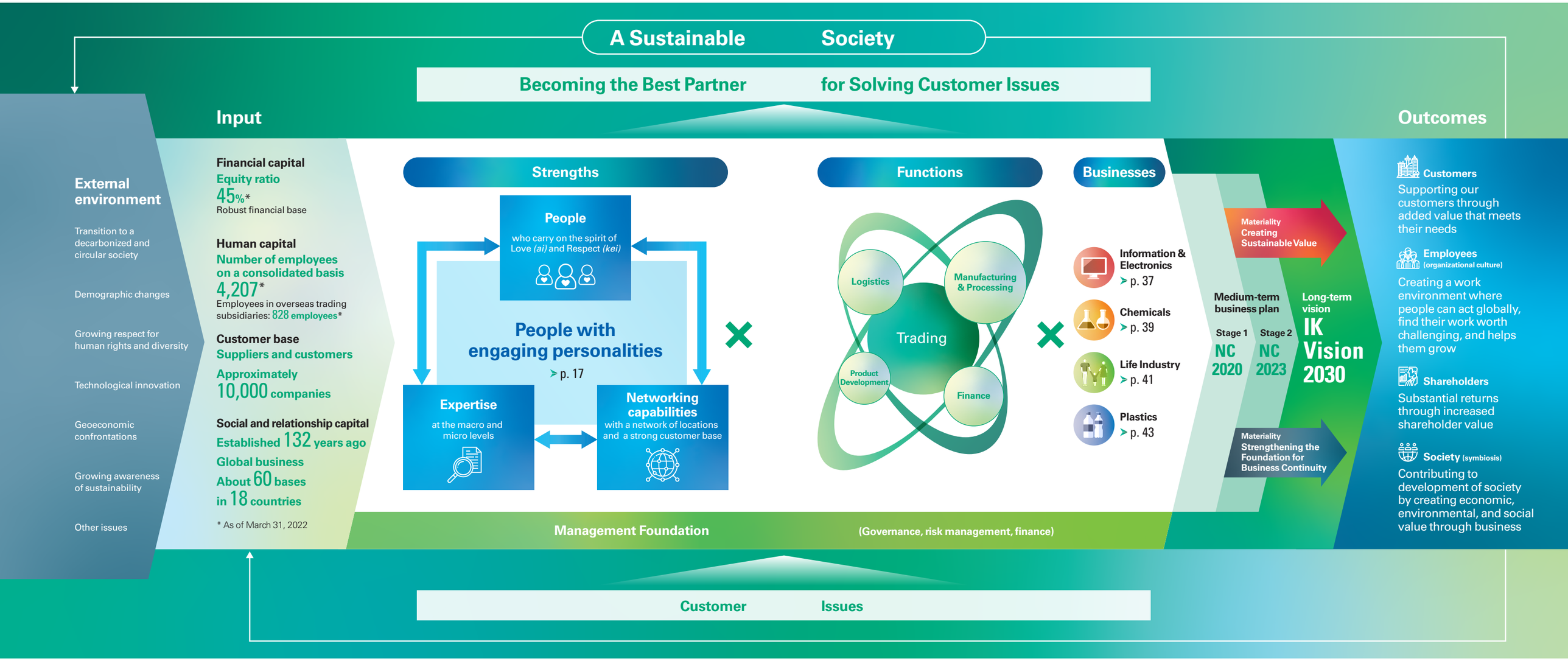
Net sales and operating profit trends



With our human assets and highly specialized knowledge at the core, we will create new value by leveraging our multifaceted capabilities as a *shosha*, or Japanese trading company.

As our customers expand their global presence, our strength lies in our ability to provide specialized services by supplying them a wide range of materials that meet local needs. Our value creation originates from our human assets of about 4,200 employees in Japan and 18 other countries around the world, as well as knowledge gathered from our everyday business activities.

Our global-minded staff with highly specialized expertise in chemicals and other fields combine their advanced knowledge with various functions, such as manufacturing and processing, distribution, finance and product development, to resolve issues faced by customers and generate new businesses in different regions in the fields of information and electronics, chemicals, life industry, and plastics.



Materiality (major issues for management)

Strengthening the Foundation for Business Continuity

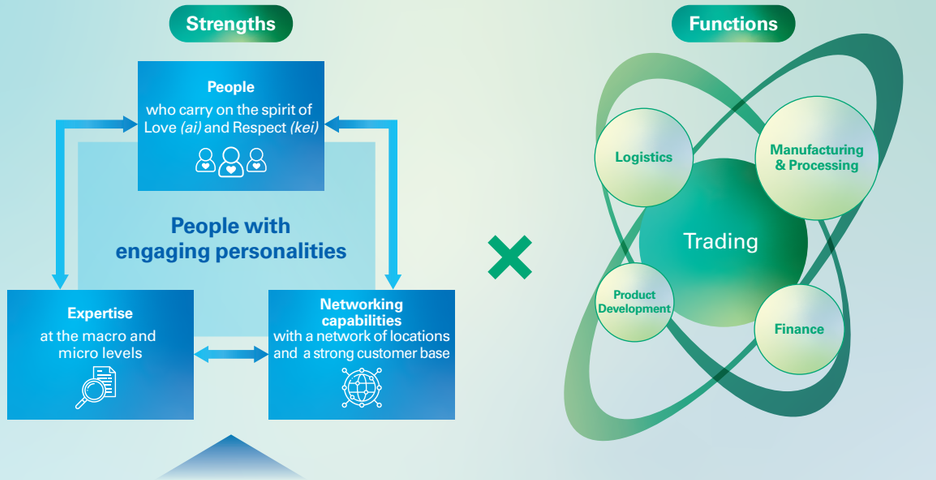
- Respecting human rights in the spirit of love *(ai)* and respect *(kei)* and growing together with local communities
- Fostering and strengthening the human capital driving the value creation
- Enhancing governance and risk management

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

We create and provide the value our customers need by performing a variety of business functions, with trading at the core.

Inabata maintains a diverse range of business functions with trading at its core, drawing on the strengths we have cultivated over more than 130 years of history as a source of people with engaging personalities. By maximizing its capabilities to formulate and implement optimal schemes, we provide added value which meets the needs of our customers and the demands of society.



Strengths

People

Based on a spirit of "love *(ai)*" and "respect *(kei)*" which holds people in high regard, we have high ethical standards and passionate aspirations. We approach problem-solving from a global perspective and endeavor to be trusted by our clients to become their best partners, and the source of our sustainable value is our team of engaging people with high levels of interpersonal skills.

Expertise

The source of our value creation is the most up-to-date information, obtained by staying close to our customers. We add value to the information we steadily collect from daily sales activities from macro and micro perspectives, and provide value by leveraging our strengths.

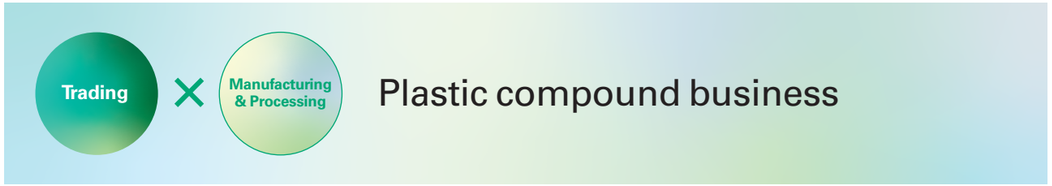
Networking capabilities

Our value creation is supported by a customer base of more than 10,000 companies, built up over more than 130 years, as well as our network of trading companies and manufacturing and processing bases, which has grown to approximately 60 locations in 18 countries since the 1970s through proactive global expansion.

Our financial base

A strong financial base is necessary to provide financing functions to meet clients' challenges, such as reducing capital burden and avoiding foreign exchange risks. For the NC2023, we will maintain our financial soundness by targeting a net debt-to-equity ratio of 0.5 times or less.

Business Model Example **1**



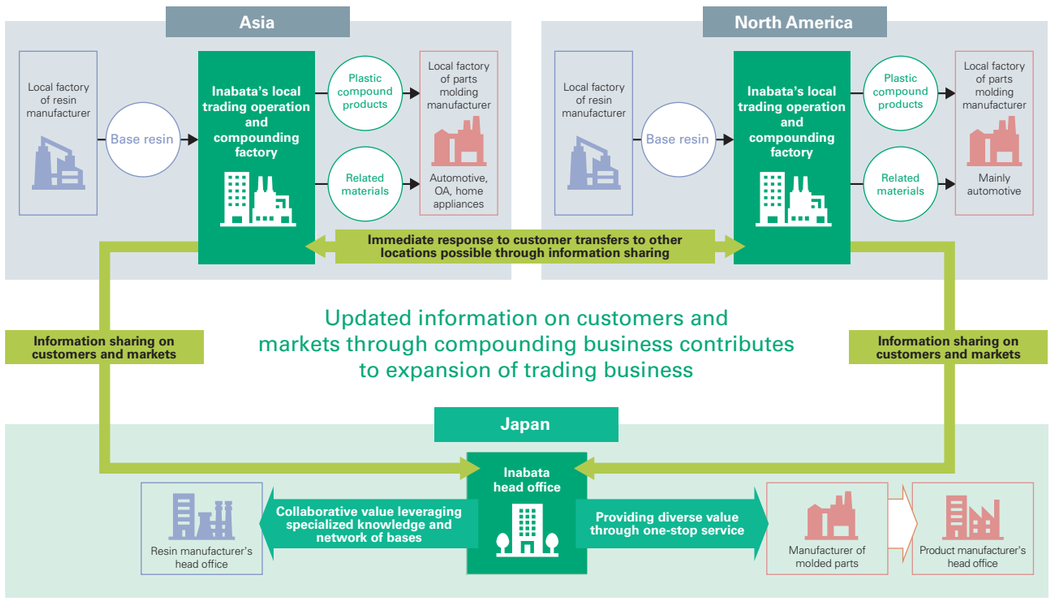
Plastic compound business

The plastics business, which is one of Inabata's key businesses, expanded overseas using the strength of the plastic compound manufacturing business (compounding business) and grew to a segment that accounts for 46%* of our consolidated net sales. As Japanese electronics manufacturers transferred their production bases to Southeast Asia in the latter half of the 1970s, we followed suit, building our first overseas manufacturing and processing base in Singapore. And as our customers in the office automation (OA) and automotive industries broadened their businesses globally, we expanded our network of trading companies and manufacturing and processing bases in Southeast Asia, China, and Mexico. Many of our major customers have production bases around the world and need supply and distribution services for materials of the same quality.

By starting the compounding business at seven locations in seven countries, mainly in Asia, we are able to offer not only trading functions but also the added value that our customers expect, and this has become the strength for which we are preferred by our customers.

What are plastic compounds?

Business model for the plastic compound business



Having a manufacturing function enables us to gain more in-depth access to our customers' production plans, new product development, and other information, which is a huge strength in the trading company business.

* Of the 680.9 billion yen in consolidated net sales for FY2021, sales in the plastics segment amounted to 316.2 billion yen (46.4%).

Business Model Example **2**

Trading × Collaborative creation

Vertically integrated business in the food sector (Awaji Island Project)

Against the backdrop of a declining and aging population, the number of workers in Japan's agriculture and fishery industries is continuing to decline. We view this situation as a business opportunity, and we are working to develop a "vertically integrated business" in the food sector in conjunction with our local partners.

The Inabata Group's integrated management of agricultural and fish products—from procurement to processing, transportation, and sales—not only optimizes the process, but also improves their added value and develops new sales channels. By expanding these businesses, we hope to contribute to the revitalization of the local economy.

As an example, our consolidated subsidiary, Inabata Fine Tech, is currently moving forward with two projects on Awaji Island in Hyogo Prefecture. In recent years, fish hauls in the Seto Inland Sea to Osaka Bay, where Awaji Island is located, have been sluggish for reasons such as rising sea water temperatures. The company therefore established the themes of creating local employment, securing stable income for fishery businesses, and developing new fishery resources on Awaji Island for these projects. The company is working to develop sustainable businesses which offer Awaji Island-branded processed seafood products through collaboration with local fishing cooperatives and processing companies.

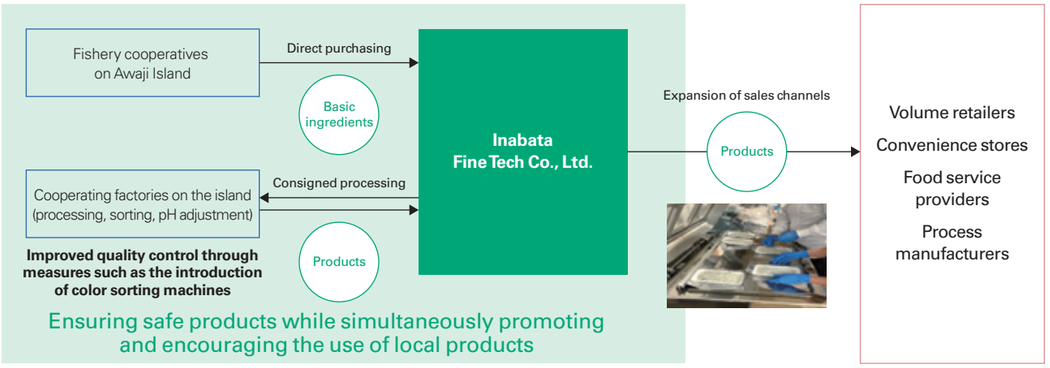
• Awaji Island Wakame Seaweed Project

With the cooperation of a local seafood processing company and a fishery cooperative, Inabata Fine Tech conducts integrated and systematic cultivation of wakame seaweed, supplies safe and reliable products, creates local brands, and develops new sales channels. The company is also working to minimize loss by developing products which utilize the parts of the seaweed that go unused.

• Awaji Island *Shirasu* Baby Sardine Project

We purchase basic ingredients from fishing cooperatives on Awaji Island and conduct integrated management of all processes, up to product processing, with the cooperation of local fishery processing companies. We have also introduced color sorting machines to improve quality and are working on development of value-added products, such as kit products for prepared food items by volume retailers.

***Shirasu* Baby Sardine Project**



By leveraging the combined strengths of the Inabata Group, which has offices throughout Japan and overseas, we are expanding sales channels for our products and proposing new applications.

Business Model Example **3**

Trading × Logistics

Own warehouse operation in Indonesia

In Indonesia, which has seen remarkable economic growth in recent years, the logistics infrastructure had not kept up with the rapid increase in the flow of goods, and the problem of overdue deliveries had become a serious problem.

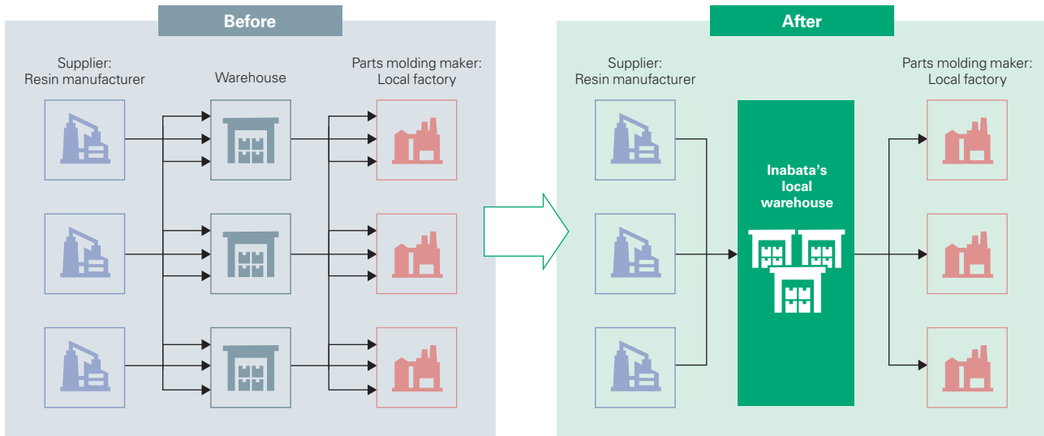
Inabata Indonesia set up large warehouses with a storage capacity of 5,000 tons to solve this problem in 2016, and it has expanded them even more at present, managing warehouses with a scale of 10,000 tons. It has developed a new warehouse business in Indonesia by managing its own inventory storage and transportation of plastics products, which was earlier being outsourced to local warehouses.

If the logistics route is complicated, such as going through multiple locations, it can adversely affect the efficiency of design in the production process. To eliminate these concerns, the company selected an optimal location for constructing the warehouse. The ground at the site is stable and located along the main road connecting the port and the industrial park. To improve the efficiency of logistics, the company carefully selected a site where it would be possible to consolidate warehouses for inventory storage.

Moreover, the company was also able to achieve the same level of logistics management as in Japan and meet customer expectations by using a warehousing company with which we have a long relationship of trust in Japan as our local partner for our own warehouse operations.

Inabata's warehouse (Indonesia)

Logistics solutions using our own logistics warehouses



Consolidating warehouses that had been scattered across locations to cover all the steps up to product storage in-house

Before establishing our own warehouse operation, we were using five warehouses belonging to local warehousing companies. However, by consolidating our own warehouses to three locations, we have greatly improved our logistics efficiency. This has not only solved the problem of delayed deliveries but has also enabled us to respond with even shorter delivery times.

Inabata Indonesia has succeeded in differentiating itself from its competitors as a sales agent capable of storing customers' products at its warehouse.

Katsutaro Inabata
President

We will continue to aspire toward sustainable growth, in order to be a trading company that is needed by society in a timeless way.

Business performance for FY2021

Achieved record sales and profits, and exceeded the final target for the NC2023 in the first year of the plan

In April 2021, we launched our three-year medium-term business plan, the New Challenge 2023 (NC2023), which is the second stage for our long-term Vision, the IK Vision 2030. In FY2021, the first year of the plan, the U.S. and the EU region showed increasing signs of an economic rally as the spread of COVID-19 infections subsided. In China, the overall economy has been improving, despite the impact of factors such as the city lockdown in Shanghai. Meanwhile, in Japan, although the recovery of consumer spending, employment, and other sectors has been delayed, the economy is on a recovery trend as corporate earnings continue to improve.

Amidst these circumstances, in order to accomplish the NC2023, all Group companies worked together to implement key initiatives, which included further developing our core businesses such as information & electronics and plastics, strengthening development in markets with future growth potential such as mobility and new energy, and reviewing our strategically held shares. As a result, our consolidated net sales in FY2021, reached a record high, a significant recovery from the previous fiscal year, when they suffered a decline due to the impact of COVID-19. In terms of profit, operating profit, ordinary profit, and net profit each reached record highs, even though it was the first year of the three-year plan, and exceeded the targets for the final year, FY2023.

In light of these recent business conditions, changes in the business environment since the NC2023 was formulated, and future prospects, we have taken our target figures and indicators for FY2023, and revised them upward.

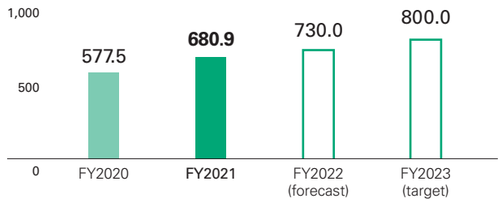
Business environment and market outlook

A difficult year for the company due to soaring prices for resources and energy, as well as a backlash from the strong performance of the previous fiscal year

With COVID-19 still far from over and the growing impact of the situation in Ukraine on the global economy, it is expected that the business environment for FY2022 will

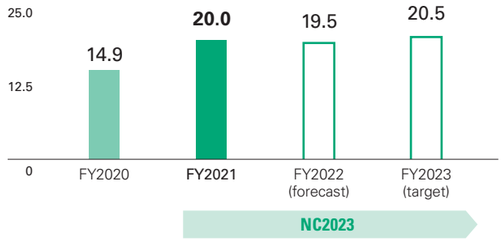
Net sales

(Billions of yen)



Operating profit

(Billions of yen)



Business performance for FY2021

Net Sales	Operating Profit	Ordinary Profit	Net Profit
¥680.9 billion	¥20.0 billion	¥21.6 billion	¥22.3 billion
ROE	**Net D/E Ratio***	**Equity Ratio**	**(Reference) Exchange Rate**
12.8 %	0.17 times	45.0 %	US$1 = ¥112.39

* Net D/E ratio = (interest-bearing debt – cash and deposits) / equity capital

Post-revision targets for the final fiscal year of the NC2023 (FY2023)

Net Sales	Operating Profit	Ordinary Profit	Net Profit
¥800.0 billion	¥20.5 billion	¥21.5 billion	¥22.5 billion
ROE	**Net D/E Ratio**	**Equity Ratio**	**Assumed Exchange Rate**
10% or more	0.5 times or less	Approx. 40–50%	US$1 = ¥120

Key initiatives for the medium-term business plan NC2023

1. Further development of core businesses and horizontal expansion into growth sectors
2. Multi-faceted approach to markets with potential for future growth and steady monetization efforts
3. Intensification of investment targeting future growth
4. Further improvement of global management information infrastructure
5. Continuous review of assets and further improvement of capital and asset efficiency
6. Enhancement of human capital utilization efforts

remain even more uncertain. Furthermore, it is possible that the transitory factors that contributed to our stronger-than-expected performance in the previous fiscal year—such as continued high-level production of flat panels, which is expected to exceed actual demand from flat panel manufacturers, duplicate orders in anticipation of shortages of semiconductors and raw materials, and stockpiling of inventory—have subsided, and there may be a coming backlash.

We have positioned FY2022, as a "year to take on challenges" in order to overcome this complex and uncertain situation, and reach a new stage of growth. Rather than being satisfied with our current good performance, the entire group will make sure to implement the key initiatives of NC2023 with a greater sense of urgency to achieve the targets for the final fiscal year, which were revised upwards.

NC2023 key initiatives

Promoting the sustained expansion of core businesses and the establishment of future growth businesses

There are six key initiatives in the NC2023. I would like to explain the three pillars of our growth strategies: further development of core businesses and horizontal expansion into growth sectors, a multi-faceted approach to markets with potential for future growth and steady monetization efforts, and intensification of investment targeting future growth.

With regard to further development of core businesses and horizontal expansion into growth sectors, our sales of flat panel-related materials increased amid continued growth in demand for PCs and information equipment, and sales of new materials related to organic LEDs grew, particularly for smartphones. As the business environment remains difficult, with automobile companies revising their production plans downward due to the COVID-19 pandemic, we are steadily increasing our share of major products in the automotive and mobility fields, including electronic device materials for in-vehicle use and resins for vehicle-related parts. We will continue to develop our core flat panel and automotive-related businesses, and at the same time, strengthen our expansion into growth areas, such as next-generation flat panels and materials for electric vehicles (EV) and plug-in hybrid electric vehicles (PHEV).

As for the markets with potential for future growth in the second initiative, the commercialization of renewable energy-related businesses is progressing on schedule. Specifically, we are working on products such as components and materials for systems for photovoltaic power generation and storage, as well as biomass fuel sales. Furthermore, we have also entered the hydrogen energy field through activities such as domestic sales of hydrogen generators and fuel cell systems from overseas ventures.

Going forward, we intend to further enhance these environment-related businesses. As part of these efforts, we have launched a recycling business for plastics products. Although it is not yet a large-scale business, we have established collection networks at the regional level, in cooperation with logistics companies, to manufacture and sell recycled raw materials and products. In the future, we plan to establish this as a circular business model and expand it to other regions, including areas outside Japan.

With regard to the third initiative, intensification of investment targeting future growth, the Business Planning Office was established in July 2021 as a new head office organization to search for investment projects from a broader perspective, in addition to the conventional search for investment projects spearheaded by the sales department. In collaboration with outside consultants, we screen a wide range of investment opportunities, and results are beginning to show, with several investment opportunities emerging that we had heretofore not encountered. After carefully considering risks and opportunities, as well as the cost of capital, we intend to utilize the funds created through measures such as the reduction of strategically held shares to proactively make investments that will lead to the expansion of our trading company business.

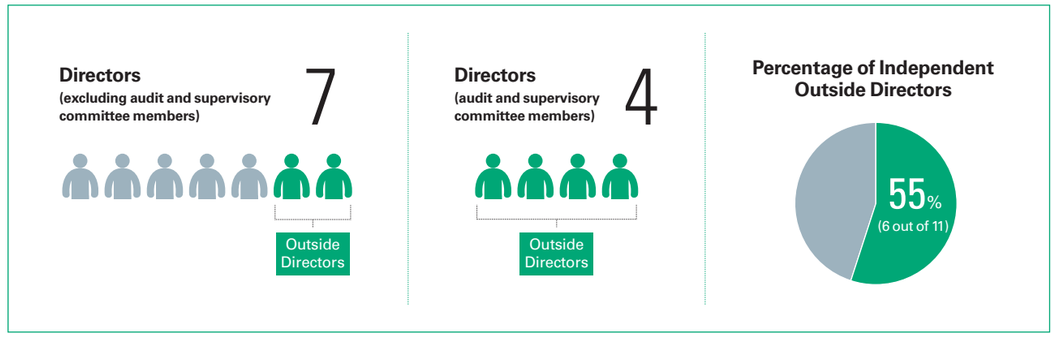
In our long-term Vision, the IK Vision 2030, we laid out a goal of having at least one-third of our sales and operating profit from business segments other than the Information & Electronics and Plastics segments, but instead, the percentage of sales and operating profit from the Information & Electronics and Plastics segments has increased as a result of engaging in the aforementioned growth strategies. However, this is also a sign that there are still many new seeds for growth in the Information & Electronics and Plastics segments. On the other hand, I feel that we are seeing an increase in projects which cut across segments, such as the Environment and Energy, Automotive and Mobility, and Life Science and Medical fields. Since segment classifications are not necessarily absolute, our policy is to focus on strengthening lateral cooperation between segments and steadily nurture the seeds of new businesses, rather than adhering to numbers like "one-third." Going forward, we would like to pursue an optimal business portfolio, with an eye toward a reorganization of our segment classifications.

Strengthening our management foundation to support sustainable growth

Transitioning to a company with an audit and supervisory committee, and implementing further improvements to supervisory functions

We have been striving to make improvement of our global management information infrastructure as part of our efforts to strengthen our management foundation to support sustainable growth. We plan to create an

Composition of the Board of Directors



environment that enables seamless handling of management information both domestically and internationally in conjunction with the renewal of our core systems in Japan.

We are also working on the use of RPA (Robotic Process Automation) mainly at overseas offices, and at present, we have deployed it to part of daily operations at several offices. We are seeing steady results in areas such as the automation and streamlining of inventory management, and going forward, we plan to expand the number of locations where the system is installed, while aiming for even more effective utilization. We will make active use of these latest technologies to promote digital transformation (DX). In the future, we will further enhance the Group's trading company functions by establishing a system that can respond in a prompt and flexible manner to customers placing and receiving orders in complex ways.

Furthermore, enhancing and improving corporate governance is another important management issue. We have been continuously working to make improvements, and in order to further strengthen the supervisory function and further accelerate management decision-making, we made the decision to transition from a company with an audit & supervisory board to a company with an established audit and supervisory committee, which was approved at the Ordinary General Meeting of Shareholders in June 2022. After the transition, the majority of the Board of Directors will consist of outside directors, and we would like to strengthen the Board's supervisory function in its capacity as a monitor of business execution, which will lead to further enhancement of corporate value.

In addition, we will continue to focus on efforts to ensure diversity on the Board of Directors.

Furthermore, we are also focusing on reviewing our holdings and further streamlining our funds and assets.

During the three-year period of the NC2023, we intend to reduce the balance of strategically held shares by 50%, relative to the remaining balance as of March 31, 2021. This plan is progressing as planned in the first year of the NC2023. In addition, we have added a new policy to reduce our strategically held shares by 80% over the next five years through March 31, 2027. We intend to allocate the profit from the sales to investments aimed at growth and enhanced shareholder returns from a long-term perspective.

Promotion of sustainability management

Through our business activities, we will work to solve a variety of issues and contribute to making a sustainable society a reality

People come first, based on the spirit of "love *(ai)*" and "respect *(kei)*," and together we strive towards contributing to the development of society. This is the management philosophy we have adopted, and we have continued to manage our business with a respect for people which is based on trust. We believe that this philosophy of respecting people and society can contribute to making a sustainable society a reality, which is the goal of the world today. Based on this management philosophy of respect for people, that we have held since our founding, and in order to contribute to addressing a broader range of social issues through our business activities and achieve sustainable growth, we established the Sustainability Basic Policy in November 2021, and identified the materiality (important issues) among various environmental and social issues that we should address in June 2022. Going forward, we plan to establish specific numerical targets and action plans for each issue of the materiality and incorporate them into our management plan.

Climate change and other environmental issues are long-term risks that will have a significant impact, not only on our company, but on society as a whole. We believe that it is our company's responsibility as a corporate citizen to make Group-wide efforts to reduce greenhouse gas emissions, reduce waste, and recycle resources. At the same time, the trend toward a decarbonized and circular society is also a business opportunity for us. We intend to further expand businesses that contribute to reducing our environmental negative impact, such as renewable energy-related businesses and sales of recycling-oriented materials and products.

Another important long-term issue is training and enhancing human capital. For a trading company whose greatest management resource is our people, the greatest risk is an inability to develop human resources. Starting this fiscal year, we launched a system to broaden career path options by introducing an internal open recruitment system and an FA system. We have also changed our approach to training younger employees newly graduated to a method in which employees are given experience in both sales and administrative offices each year after joining the company in order to cultivate their overall capabilities. We also plan to introduce an overseas trainee system for young employees, although its introduction has been delayed due to the COVID-19 pandemic.

Diversity promotion is also an indispensable element for making the most of our human resources. We have set numerical targets for the ratio of women in management positions and the ratio of women in staff positions (career-track positions) as indicators for the promotion of the active advancement of women, but unfortunately, the numerical targets themselves are not high, nor is achieving those targets an objective in itself. Led by Director Hagiwara, who joined the Board of Directors in the previous fiscal year, we have set up opportunities for engaging in dialogue with women in Staff positions (career-track employees) and also with their supervisors. If, through these efforts, we all develop a mutual awareness of the environment for each of our employees to maximize their potential and the issues they face, then continue to work steadily to resolve those issues, we believe that the entire company will be revitalized.

In addition, in order for employees to remain active and energetic, it is essential for them to be in good physical and mental health, and to have a work environment that allows them to work flexibly according to their individual circumstances. We announced our Health and Productivity Management Declaration in July 2022 and also made telecommuting—which was initiated to prevent the spread of COVID-19—a standard system. In this way, we will continue to focus on creating a pleasant working environment.

We will continue to aspire toward sustainable growth in order to be a trading company that is needed by society in a timeless way, and we ask for the continued support of all our stakeholders.

Sustainability initiatives

October 2021
- Established the Sustainability Committee

November 2021
- Established the Inabata Group Sustainability Basic Policy and Sustainability Code of Conduct

March 2022
- Established the Inabata Group Human Rights Policy

April 2022
- Participated in the United Nations Global Compact

June 2022
- Announced the Carbon Neutrality Declaration 2050
- Identified our materiality

July 2022
- Established the Health and Productivity Management Declaration

Kenichi Yokota

Director and Senior Managing Executive Officer in charge of Administrative Affairs

We will make proactive investments for future growth, and develop businesses with high added value that can demonstrate the significance of our existence as a specialized trading company.

Revised the final targets of the medium-term business plan upward after achieving our financial targets in the first year

In FY2021, the first fiscal year of our medium-term business plan, the NC2023, our consolidated financial results made a significant recovery from the previous fiscal year, which suffered a decline due to the impact of COVID-19. Not only did net sales and each profit category reach record highs, but we also greatly exceeded our financial targets for FY2023, the final fiscal year of the plan. In response to these circumstances, we have revised our financial targets and indicators upward for FY2023, taking into account current business conditions, changes in the environment since the plan was formulated, and future prospects, as well as the changes to our shareholder return policy, which were announced in February 2022.

In addition to setting higher targets for net sales and each profit category, we have also set an ROE target of 10% or more for capital efficiency. In order to meet the expectations of our stakeholders and achieve sustainable growth as an excellent company, we have wanted to achieve an ROE of 10% or higher as a normal state of affairs for a long time. We believe this is a feasible enough target, given that our performance for FY2021 far exceeded our initial forecast, and we plan to continue to sell strategic shareholdings. We have changed our net D/E ratio target from below 0.3 times to below 0.5 times, which is in consideration of accelerating growth investments, but even the revised target of 0.5 times is quite low for a trading company. From the perspective of maintaining our credit rating, we believe it is a reasonable figure.

Furthermore, we have put forth a plan to reduce our balance of strategic shareholdings as of March 2024, when the NC2023 will conclude, by 50% relative to the balance as of March 31, 2021, and this plan has been well received by our investors. This reduction has progressed as planned in the first year, and we will aim to achieve this goal by March 2024, but it is also a fact that 50% of our shares still remain. For that reason, in order to further improve capital efficiency over the medium to long term, we have added a new policy to reduce our strategic shareholdings by approximately 80% by March 2027, relative to the balance as of March 31, 2021, in order to further improve the efficiency of our capital over the medium to long term.

Revisions of target figures and indicators for the final fiscal year of the NC2023

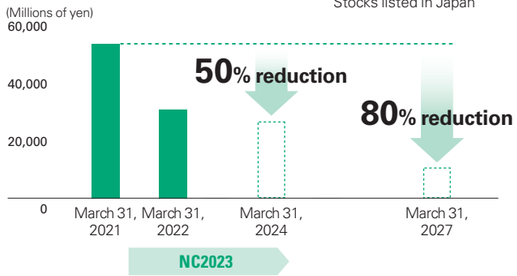
	FY2023 Initial	FY2023 After revision
Net Sales	¥670.0 billion	¥800.0 billion
Operating Profit	¥16.5 billion	¥20.5 billion
Ordinary Profit	¥17.0 billion	¥21.5 billion
Net Profit	¥16.0 billion	¥22.5 billion
ROE	8% or more	10% or more
Net D/E Ratio	0.3 times or less	0.5 times or less
Equity Ratio	50% or more	Approx. 40–50%
Exchange Rate	US$1 = ¥105	US$1 = ¥120

Policy on reducing strategic shareholdings

- Reduce the balance of strategic shareholdings by 50% relative to the balance at the end of March 2021 over the three-year period of the NC2023 (Continuation of our existing policy)
- Further reduce strategic shareholdings over the medium to long term, and reduce the balance of strategic shareholdings over the next five years (by the end of March 2027) by approximately 80% relative to the balance at the end of March, 2021 (Addition of a new policy)
- In general, we plan to allocate the capital obtained from the sale of strategic shareholdings for shareholder returns and investment for future growth, rather than for internal reserves

Strategic shareholdings*

* Strategic shareholdings: Stocks listed in Japan



Promoting the intensification of investment targeting future growth, backed by our ten-year investment track record and a robust financial base

We have reflected on our past inability to achieve sufficient results despite aggressive business investment, and so over the past ten years, we have had a stronger awareness of the cost of capital and made solid business investments, focusing on projects that are closely related to our existing businesses and which can easily demonstrate synergy with them. As a result, many of our projects have generated steady returns and achieved organic growth, while generating synergies with existing businesses. During this period, we have also made progress in strengthening our financial base and achieved a measure of legitimacy in terms of credit rating.

Furthermore, based on these ten years of achievements and our current financial situation, we have determined that we have entered a new stage—a stage in which we will accelerate investment for growth—which is why one of the NC2023's key initiatives is "the intensification of investment targeting future growth." We have decided to take the course of action of maintaining the organic business growth we have achieved to date, while making more aggressive growth investments going forward, including global M&A.

Given the rapidly changing environment of today, we cannot get a full grasp of promising investment opportunities with only the information obtained from the activities of each sales department. We therefore established the new Business Planning Office in July 2021 to serve as a head office organization responsible for screening M&A and other investment opportunities. At the same time, we appointed staff members in each sales department to serve as the Office's counterparts working with sales representatives in the field, and they work together to identify new investment opportunities and promote business planning by leveraging each department's expertise and network.

When making proactive investments, risk management becomes even more important. Following a significant write-off for doubtful accounts in FY2017, we took the opportunity to further enhance our risk management system. For future investments, we will continue to make investment decisions based on criteria for hurdle rates and the cost of capital, in addition to closely monitoring the progress and profitability of businesses after investing in them.

Pursuing organic growth of core businesses and the establishment of new pillars for the next generation

In terms of our course of action for making investments, we plan to focus on value-added business development where we can demonstrate our strength as a specialized trading company. For example, in the plastics business, our entry into the plastic compounding business in Asian countries in the 1970s is a typical example of our company's success. In addition to the functions of a trading company—doing logistics, providing information,

and making proposals—we added value by also performing processing functions at the local level, and established systems which let us respond swiftly to customer needs in our capacity as a specialized trading company. We then supported organic business growth in the plastics business by responding to brisk overseas expansions by Japanese manufacturers and implementing phased investments. We intend to continue making investments in these core businesses to further add value and enhance profitability. Of course, another major theme is to establish "next-generation pillars" following the two major segments of Information & Electronics and Plastics. We will therefore actively work on businesses with high added value which capture the zeitgeist, such as a graying society and environmental and energy issues becoming increasingly critical, with an eye toward areas where we can generate synergy with our existing businesses.

For example, in the Life Industry Segment, we are focusing on the food business, which includes agriculture. We are boosting profitability by working on businesses that are vertically integrated from production and processing to sales, such as large-scale cultivation of blueberries and garlic on our own farms.

In the environmental and energy field, we will not only supply solar cell components and fuel for biomass power generation, but also provide solutions to solve our customers' various issues by utilizing our advanced expertise and wide-ranging network. Furthermore, the life science and medical field is a niche and highly specialized business area which is relatively safe from price competition.

In this way, we aim to achieve organic business growth in both our core and new businesses by making proactive investments in businesses with high added value where we can demonstrate our unique strengths and significance as a specialized trading company, while simultaneously building a new growth platform for the future of the Group.

Equity ratio, net D/E ratio, ROE

	FY2019	FY2020	FY2021
Equity Ratio	45.2%	49.2%	45.0%
Net D/E Ratio	0.16 times	0.06 times	0.17 times
ROE	7.4%	8.6%	12.8%

Investments and lending

(Billions of yen)	FY2019	FY2020	FY2021
Growth Investment	1.85	0.86	1.20
Fixed Investment	2.01	2.40	2.01
Total	3.86	3.26	3.21

Continuing to pay progressive dividends and revising the total return ratio upwards, with the aim of further enhancing shareholder returns

In March 2021, in conjunction with the launch of the NC2023, we revised part of our shareholder return policy to introduce progressive dividends. In fact, we have been effectively paying progressive dividends up to this point, such as maintaining the dividend amount even when net profit was halved due to a significant write-off for doubtful accounts, as in FY2017. However, now that we have officially included progressive dividends in our policy, we have received many positive comments from investors, who have said things such as "Progressive dividends give me a different sense of security."

Furthermore, we announced in February 2022 that we would raise the total return ratio from 30–35% to approximately 50%. This was also very well received by investors, and our share price has gone up, compared to where it was prior to the announcement.

Under this new policy, we will continue to focus on further improving profitability and increasing the efficiency of our capital, and pursue increased corporate value with the aim of further enhancing shareholder returns.

Transitioning to a company with an audit and supervisory committee and implementing further improvements to its supervisory function

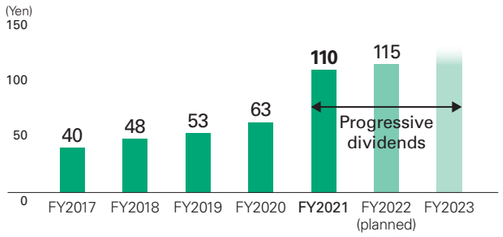
As of June 2022, we have transitioned from a company with an audit & supervisory board to a company with an audit and supervisory committee. This is to further strengthen its supervisory function and to create a structure for governance that enables more rapid management decision-making. Compared to the previous system of a company with an audit & supervisory board, a company with an audit and supervisory committee is a governance structure which is more easily understood by foreign institutional investors.

All four Directors who are members of the Audit and Supervisory Committee are now outside directors, and the post-transition Board of Directors is composed of a majority of independent outside directors (see p. 60). By incorporating diverse perspectives and external knowledge, and having the Board operate in a monitoring capacity as a supervisor of business execution we aim to ensure fairness and transparency in management and enhance corporate value to an even greater extent. In addition, at a company with an audit and supervisory committee, the internal control system is used to conduct audits in a systematic way. In order to ensure that audits can be conducted reliably and smoothly, we have clarified the chain of command between the Audit and Supervisory Committee and the Internal Audit Office within the company.

Basic Policy on Shareholder Returns

- Continuation of progressive dividends
  Fundamentally, we will ensure that dividend per share does not decline year on year by continually increasing our dividends.
- The target for total return ratio will be set at roughly 50%.
  However, in a fiscal year where a substantial amount of cash inflow has been generated by the sale of strategic shareholdings, we will consider future capital needs, the company's financial condition, stock price, market conditions, and other factors in a comprehensive manner, and implement shareholder returns without necessarily being bound by the above target for total return ratio.

Dividends per share



Note: As of August 2022

Aiming for sustainable growth by contributing to climate change solutions, while responding appropriately to climate change risks

In order to accelerate sustainability management, including these governance reforms, we established the Sustainability Basic Policy in 2021 and identified materiality (key issues) in 2022. Among these issues, contributing to a decarbonized and circular society is an important issue that is unavoidable if we are to survive. The Sustainability Committee has begun to analyze and assess the risks that climate change poses to our company, as well as the opportunities it offers, but we recognize that there are considerable risks due to our involvement in agricultural production in the food sector, to cite one example. However, the company as a whole does not have major fixed assets, which we believe enables us to respond flexibly to risks.

On the other hand, in terms of opportunities, we expect business opportunities to increase significantly due to factors such as the growing demand for renewable energy and the widespread use of EVs. While appropriately responding to climate change risks, we will proactively work to provide materials and solutions which contribute to solving environmental issues, such as energy and electricity-related businesses, expanding our lineup of products that reduce environmental negative impact, and plastic recycling businesses.

Of course, training and strengthening our human capital and promoting diversity and inclusion—which form the foundation of our business continuity—are of paramount importance to us as a specialized trading company. We conduct employee engagement surveys because it is essential for our company's growth that our greatest asset, our employees, have a sense of understanding and trust in the company and a high level of motivation. We are using the results from last year's survey to improve employee engagement through continual surveys and improvements, such as the introduction of new training programs. To promote diversity, we are moving forward with initiatives to promote career advancement for women, such as holding workshops for women employees in Staff positions and explanatory meetings regarding the transition from assistant positions (general positions) to staff positions (career-track positions). We will continue working to train and strengthen our human capital and to create an environment in which diverse personnel can play an active role, and strive to appropriately disclose non-financial information, which includes this human capital.

Going forward, we will continue to pursue an optimal balance between improving our financial position, investing in growth, and returning profits to shareholders in order to earn the support of our shareholders, investors, and other stakeholders.

Challenges for the Future

Inabata has adopted six key initiatives in the NC2023, our medium-term business plan. We will introduce our challenges for what we envision for our future, from the perspectives of key persons.

Challenge 1

Promoting M&A

Inabata, which adopted "intensification of investment targeting future growth" in the NC2023, established the Business Planning Office to be the unit which would carry out the actual work of M&A. We will introduce the purpose for which it was established, specific initiatives, and its prospects going forward.

Hiroyuki Hatamoto (on right)
General Manager, Business Planning Office
After serving in various roles at megabanks in Japan and overseas branches, the credit, audit, and other divisions, he joined Inabata in 2009. He was assigned to the Risk Management Office, where he served as Senior Manager, General Manager, and Executive Officer, and in July 2021, he became the General Manager of the Business Planning Office.

Tongtong Onuma (on left)
Business Planning Office
After graduating from a university in Dalian, China, she joined an accounting firm. During her involvement in various M&A activities, she encountered Inabata, which is expanding globally with a focus on Asia. She joined the company in 2021, believing that she could utilize her experience at Inabata for long-term career development.

Establishing the Business Planning Office to effectively utilize M&A investments

To achieve what we envision for our future as written in our long-term Vision, the IK Vision 2030, we formulated the medium-term business plan, the NC2023, in which we adopted "intensification of investment targeting future growth" as a key initiative.

As Hiroyuki Hatamoto, General Manager of the Business Planning Office, explains, "Until now, our basic strategy has been one of organic growth, utilizing our existing management resources. However, in order to achieve what we envision for our future, it is also very effective to secure external human resources and technology through the use of M&A, in addition to a growth strategy utilizing existing resources.

Our goal is to build an operational foundation for making that growth investment a reality. Although this endeavor will take some time, due to the highly specialized nature of the field, we have decided to use our practical experience as learning materials to accumulate M&A-related knowledge and expertise across the entire company."

Utilizing our ability to perceive business opportunities for M&A investments

The Business Planning Office is working to create an organizational culture that will allow sales divisions to accumulate practical skills related to investment operations and deploy them internally, in alignment with General Manager Hatamoto's statement that "Our medium-term goal is for sales divisions to utilize the M&A network themselves in order to gain a foothold in finding deals for each division, and to laterally deploy information related to other divisions, so that the entire organization will be able to discover new themes."

"The general M&A process consists of three phases: sourcing, execution, and post-merger integration (PMI)," says Tongtong Onuma of the Business Planning Office, who joined Inabata in 2021 as a mid-career hire. "We began by sourcing, that is, searching for target companies that fit our business strategy, evaluating and analyzing them, and then approaching the selected companies."

With regard to sourcing, nine people, mainly young managers, were selected from each sales division to serve as points of contact for the Business Planning Office, and training sessions on sourcing operations were held with the support of outside consultants.

"In the first place, sales divisions are capable of identifying business opportunities in the value chain," says Hatamoto. "The goal of this training was to have participants acquire the knowledge and expertise they need to apply this capability to M&A investments."

Devising an M&A approach that fits Inabata's business strategy

At present, we are repeatedly exchanging information with both members of the sales divisions and specialist external vendors to select specific targets to approach.

"The Business Planning Office seeks to be in communication with both sales divisions and specialist external vendors, and functions as an intermediary for cross-organizational coordination. We are currently exchanging information with investment banks and M&A brokerage firms to increase the number of deals we bring in, and sharing this information with sales divisions," says Onuma.

Going forward, if the number of approached companies increases steadily, we intend to finally increase the number of business executions—which means concluding basic agreements, conducting due diligence, and closing on deals—and PMI, which refers to the process of integrating management after a deal has been closed.

Hatamoto says, "I believe that in the future, the sales division members who participated in the project will serve as leaders in the field, becoming hunters and growing more experienced with the entire process, from sourcing operations and executions to PMI. I believe that we must increase the number of such personnel as much as we can."

However, he states that M&A is just one method for implementing our business strategy.

"It is important for us to determine what we truly want, whether that is human resources, technology, or business areas, and to devise an M&A approach that fits our business strategy," he says.

Onuma also says that M&A is just a process and what is extremely vital is monitoring after M&A.

The key point is whether the expected synergy is implemented or not. I would like to support the M&A activities of each sales division from this perspective, as well," she says.

General M&A process

Sourcing (Pre-M&A)	Execution	PMI
Making initial searches, conducting evaluations and analyses, and approaching target companies in a way consistent with our business strategy	Carrying out and managing the M&A process (approaching companies, concluding basic agreements, conducting due diligence, closing deals)	Integrating management after closing deals

Challenge 2

Contributing to the Circular Economy

—Recycling Materials Business

The business of further promoting the recycling of plastic resources has become increasingly important in response to issues such as the marine plastic waste problem, climate change issues, and tightening regulations from other countries on waste imports.

Shin Yoshida
Deputy Senior Manager, Industrial Materials Dept., Plastics Division II
Since 1994, has been involved in the plastics industry at specialized chemical trading companies. Worked in China from 2004 to 2011 before joining Inabata in 2013. Currently works in the Industrial Materials Dept., Plastics Division II.

Attempting to create a new market where recycled plastic means added value

With environmental awareness growing around the world in recent years, including initiatives to accomplish the SDGs, the negative environmental impact of plastics such as marine waste has come to be viewed as a problem.

In this context, I was toying with ideas about what I could do as a person involved in the plastics industry, when I noticed plastic waste that had been discarded at a client's factory. I wondered if it would be possible to recycle them, and this is what sparked the business.

We believe that the recycling materials business we are working on is one of the ways for us to make a breakthrough in the current situation surrounding plastics. Over the past few years, we have seen a growing number of owners for brands, who value their brand image and make products such as food, cosmetics, toiletries, and daily necessities, say that they would like to use recycled plastic.

Our recycling materials business handles materials in a way distinctly different from other conventional companies. While there are variations in the type of plastics and fluctuations in quality and supply because they are typically meant for mass production, we are able to reduce production losses and fluctuations in the quality of our pelletized plastics by carefully selecting and managing the plastic waste we collect. We also test the physical properties and elution of the produced pellets, and in doing so, we aim to create a new market, where recycled plastic means added value, by being able to offer stable quality, stable supply, and safe products.

We are currently enhancing our manufacturing facilities in Okayama and considering further expansion to more locations. We are also looking at overseas sales, and we expect our sales scale in FY2025 to be more than 10 times what it was in FY2021.

With regard to environmental issues, as a company whose core business is plastics, we in the Industrial Materials Dept. must not merely reduce the use of plastics, but also propose new ways to use them. As a first step in that endeavor, we would like to promote our business of recycled plastic, which is an eco-friendly product.

Resource recycling business model

1 Large quantity of plastic waste created by plastics manufacturers

2 Processing into recycled plastic materials at partners' recycling plants

3 Commercialization of recycled plastic materials in Japan and overseas

4 Production of diverse products and collection of waste products

Pursuing businesses that will be supported by society, in light of the global trend toward a circular economy

In September 2021, Inabata joined the Alliance to End Plastic Waste (AEPW), an international alliance dedicated to building a circular economy for plastics, which includes solving the plastic waste problem. AEPW, a non-profit organization, has established a worldwide network of leading companies in the global plastics value chain and works together with national government agencies, environmental and economic development NGOs, and civil society.

By utilizing AEPW as a place to obtain the latest information on trends and technologies related to the containment of plastic waste from around the world, we will seek out businesses that will be supported by society.

Though the negative impact of plastics on the environment tends to attract attention, we do not believe that all plastics are necessarily bad, but rather that they are useful materials. We would like to advocate for activities to promote a circular economy, from the standpoint that we are well-versed in the good and bad qualities of plastics through our long years of business.

Challenge 3

Fostering Global-Minded People

Inabata has established developing "global staff" as one of its key initiatives, and has established an organization to promote that endeavor. These are some of our strategies to further enhance our greatest asset, our human resources.

Hiroyuki Furubayashi
General Manager, Human Resources Office
Joined the company in April 1991 and was assigned to the Human Resources Section, Human Resources Department, General Affairs Office; transferred to the Sales Department in July 1995, and subsequently held positions such as president of Group companies in Singapore, Vietnam, and the Philippines. Took up his current position in June 2019.

We need the ability to tell stories to our customers and attract their interest

"In the field, the most important thing is whether or not you can provide customers and suppliers with things like new perspectives and intriguing business opportunities, and tell stories which excite customers and those around them."

That is the message of Hiroyuki Furubayashi, who is in charge of human resources, with regard to what is needed by Inabata's human resources, who are our greatest asset as a trading company.

"Uncertainty in social and economic situations has increased worldwide, particularly in recent years. It is precisely in this so-called VUCA (volatility, uncertainty, complexity, and ambiguity) era, with unclear trends and rapid changes, that personalities who can attract customers have become necessary."

Developing "global staff" through the introduction of new systems and visualization

Based on that attitude, Inabata has been proactively working to develop human resources. Notably, we have been focusing on developing "global staff," which is also a key initiative in the NC2023.

"Inabata has established offices in 18 countries overseas, and we are expanding our business operations. However, naturally, each country has different values. That is why we are trying to share our sense of values—the IK Values—with all countries around the world, in order to serve as a common standard."

The Human Resources Department has conducted workshops to spread the IK Values at our overseas locations since 2018. While they were suspended by the COVID-19 pandemic, we intend to look at the situation going forward and restart them in the future.

We will introduce a new overseas trainee system, under which employees who work in Japan and are around the age of 30 will be dispatched to overseas subsidiaries for about six months to gain experience with operations at the local level.

"I want these employees to gain overseas business experience firsthand, and learn about the kinds of gaps that can never be filled. As they feel resigned and humbled, I would like them to obtain the experience of giving up, if I can say so without worrying about being misunderstood. I am convinced that by objectifying themselves in this way, they will bring about positive and meaningful change in their future career development and the way they work."

In promoting this initiative, a new Global Human Resources Management Department was established. As Furubayashi explains, the purpose of this new department is to provide a "cross-organizational perspective."

"Up to this point, our human resources strategy, including human resource development and transfers, has been mainly led by those in the field. Of course, entrusting these tasks to frontline personnel was not a mistake. In fact, I believe it was a good thing. However, doing this had the detrimental effect of creating biases in personnel allocation and work distribution. We thought it was necessary to have a department which would take a step back and manage the situation from a bird's eye view. In addition, we decided on the name 'Global Human Resources Management Department,' which means that we will collectively manage situations across all the countries of the world from a global perspective."

At the Global Human Resources Management Department, we are also moving forward with visualizing our human resources by compiling data such as their backgrounds, ambitions, and plans for development.

"We would like to use this data as a resource when considering the optimal personnel allocation for the entire company, based on the unique traits and abilities of each employee."

Promoting diversity adds value to the trading company business

Diversity is one more thing that our company has been actively promoting in recent years. In order to make working easier for all employees, regardless of age and gender, beginning in July 2022, we extended the retirement age to 65 years old, and introduced a re-employment commission system for those who are 65 and over. "Some of our existing customers, with whom we have long business relationships, ask for the experience and perspectives of senior employees. We will entrust such customers to senior employees, so that younger employees can take on more new challenges." In addition, we are focusing on initiatives to promote women's participation in the workplace, such as workshops for that purpose. "For a trading company business like ours that handles standardized chemical products, which makes it difficult for us to distinguish ourselves, the key is how we can set Inabata apart—in other words, how we can add value through the charm of people and the ideas they have—and I believe that women's perspectives are important in this regard." In order to support diverse work styles, a new system has been introduced that allows employees to balance work and childcare and work and nursing care. According to Furubayashi, this is because diversity is also necessary for the development of a trading company business.

Utilizing the employee engagement survey to continue enhancing our systems and culture

The employee engagement survey, launched in 2021, was conducted again in 2022.

"We have improved both our response rate and our scores. However, our goal is not to increase the engagement rating, but to learn where we are lacking, to construct or improve systems, and to engage in organizational development."

The 2021 survey showed that our education and training has been inadequate, so we are increasing our investment in human resources, enhancing development for general employees and managers, and providing career training.

"I believe that the amount of money we spend on each employee will increase accordingly. However, we have to develop our people in order for the company to grow."

Finally, Furubayashi had this to say in response to the question, "What is the goal of Human Resources?"

"I believe that there is no set time goal for people to grow. I believe that it is our role as the Human Resources team to continue maintaining and enhancing the systems and culture which enable each of our employees to work happily and energetically with an autonomous and independent viewpoint, and to really feel that they are growing."

Information & Electronics

With display components, digital printing materials, materials for semiconductors and other products as our income-generating pillars, we are also venturing into new fields such as agriculture, automobiles, and life sciences. We are also focusing on IoT and renewable energy-related products, which are expected to grow in the near future.

Toyohiro Akao
Director,
Senior Managing Executive Officer

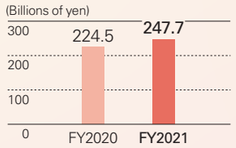
Masahiro Sugiyama
Director,
Managing Executive Officer

Segment performance overview

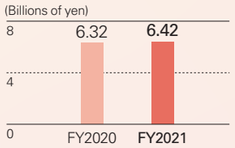
Initial plan for the first year of the NC2023

Sales ¥226.0 billion Operating profit ¥5.05 billion

Sales



Operating profit



- Sales and operating profit both exceeded the figures in the initial plan and the targets for the final year.
- In the LCD-related business, sales increased due to strong production of panels for TVs and notebook PCs.
- In the LED-related business, sales of related materials increased.
- In the inkjet printer business, sales in the consumer field were strong, due to continued demand for home printing.
- In the photocopier-related business, sales of related materials increased.
- In the solar cell and rechargeable battery-related business, sales of related materials increased.
- In the semiconductor and electronic components business, sales of related materials and semiconductor equipment were strong.

Goals and strategies for the NC2023 medium-term business plan

Focusing on developing and expanding sales of new products such as products and materials with reduced environmental negative impact

In the area of components for flat panel displays, a profit driver for our business, we are focusing our business resources on the Chinese market to expand sales of LCD-related materials such as polarizing plates and alignment films, as well as light-emitting materials and other OLED-related materials, as each display manufacturer shifts their production bases to China. Alongside this effort, we are also responding to new materials for next-generation displays, such as micro-LED materials.

Regarding to digital printing-related products, another profit driver, we will continue to focus on industrial inkjet materials, which are expanding. For toner materials, we will also work on new materials to comply with the increasingly strict environmental regulations in Europe and other regions and expand sales of products with reduced environmental negative impact. At the same time, we will steadily increase our profits from materials for consumer inkjet printers and office-use multifunction peripherals (MFPs) and printers, which have been the main stay of our business, while monitoring demand conditions.

In the area of materials related to semiconductors and 5G—where mask blanks are our main products—we are focusing on sales of advanced electronics products and other products, as well as initiatives in new fields, such as materials for power semiconductors. We will aim to establish new businesses in the IoT and MaaS-related markets, which are expected to grow.

We will continue to expand sales of lithium-ion battery-related products—one of the growth drivers for the future of this business, amidst the rapid growth of the EV market—as sales of certain components are growing dramatically. We will also continue to promote initiatives for hydrogen production equipment and fuel cells for mobility, with an eye toward expanding the market going forward.

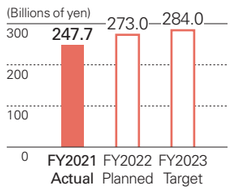
Renewable energies, which are attracting increasing attention worldwide, are situated as a business that will play a key role in our future growth. Notably, sales of solar cell-related materials and components to overseas panel manufacturers in China and other countries are growing. We are also focusing on biomass power generation, which is expected to generate stable profits over the long term as a business that contributes to the reduction of CO_2 emissions. In the future, we will supply wood chips and other materials, and aim to establish a supply chain for biomass power generation with electric power companies and partner companies.

Profit drivers
- Materials related to flat panel displays
- Digital printing-related products

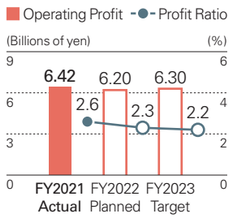
Growth drivers
- Materials related to lithium-ion batteries
- Renewable energy

NC2023 targets (after revision)

Sales



Operating profit and profit ratio



Business environment and strategies

Displays	Digital printing	Semiconductors and 5G	Environment and energy
Business environment (■ Opportunities ◆ Risks)			
■ Continued growth of the Chinese market ■ Expansion of display parts for automobiles ◆ Addressing intensifying competition and changes in trends	■ Expansion of the industrial inkjet market ◆ Advancement of paperless environments	■ Expansion of IoT- and MaaS-related markets ◆ Intensifying global competition	■ Increase in global interest in renewable energy ◆ Addressing variations in related laws and regulations in different countries and regions
Strengths			
• Collaboration with major Japanese materials manufacturers	• Top-level information network in each industry as a trading company • A global network to maintain closeness with customers and the capability of providing processing and distribution services	• Specialized skills in mask blanks, which is one of our key products	• A wide array of renewable energy materials
Activities and strategies			
• Fully utilize business resources focused on the growing Chinese market • Expand product line-up centered on components related to displays	• Set up at the earliest possible opportunity a supply system for new materials with rising demand • Start new transactions with material makers and expand product line-up	• Expand product line-up for automobiles and strengthen supply system • Expand our handling of 5G-related materials	• Start multidimensional new businesses catering to different regions and needs • Develop employees with specialized knowledge

From the frontline of business in NC2023 focus areas

Environment and energy sector: Lithium-ion batteries

At present, the world is in the process of shifting from gasoline and diesel vehicles to electric vehicles. The accompanying demand for lithium-ion batteries has grown significantly as a result, and we are selling battery materials used in lithium-ion batteries to major battery manufacturers. Since we must deal with strict quality, cost, and delivery requirements for automotive batteries, we are providing logistics support and building a supply system accompanying factory localization of Japanese manufacturers.

We will continue to aggressively expand our customer base for existing lithium-ion battery-related products and develop new products to handle.

Hiroaki Kawase
Sales Section I,
Sales Department III
Information & Electronics
Division III

Chemicals

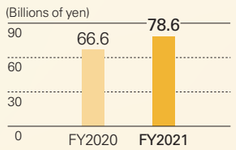
With firm roots in our founding business of dyes, we deal in chemicals that serve as a platform for all kinds of industries. We have a track record of separating businesses that show growth and pursuing new potential. We paved our way into global markets when the domestic market matured. In April 2019, we integrated the Housing & Eco Materials Division, which was dealing with materials that are close to final products, to provide optimum products and services to the entire value chain.

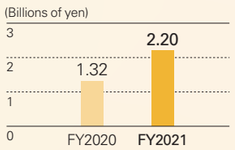
Masahiro Sugiyama
Director,
Managing Executive Officer

Segment performance overview

Initial plan for the first year of the NC2023

Sales ¥68.0 billion Operating profit ¥1.20 billion





- Sales and operating profit both exceeded the figures in the initial plan and the targets for the final year.
- Sales of raw materials for resins and additives were generally strong.
- Sales of automobile component materials were strong.
- Sales of paint, ink, and adhesives for construction applications were strong.
- Sales of chemicals for paper manufacturing were strong for sanitary paper and corrugated containerboard.
- In construction materials, sales of European timber were strong as the number of housing starts recovered.

Goals and strategies for the NC2023 medium-term business plan

Making proposals that leverage our global procurement capabilities and network of bases, and promoting sales expansions for eco-friendly products

In the area of functional chemicals, the profit driver for this business, which centers around raw materials for resin and additives, there are increasing opportunities for proposals to help customers secure alternative products against a backdrop of global logistics disruptions, such as container shortages. In addition, environmental regulations are becoming stricter, and there is a trend of customers searching for alternative suppliers to their existing suppliers, who are unable to meet these regulations. In this environment, we will make proposals that take advantage of our global procurement capabilities, network of bases, and ability to coordinate information with other businesses. In conjunction, we will enhance our manufacturer functions and expand our business by promoting initiatives to strengthen our structure with an eye toward acquiring suppliers. In addition, we will aim to expand our business by supporting the overseas and domestic sales of major manufacturers with whom we have concluded exclusive distributorship agreements.

In the area of business related to coating (paints and inks), which is another one of our profit drivers, raw materials for urethane coatings for automobiles are continuing to grow globally. We will build a global structure for cooperation—mainly through our own processing plants in China—and increase the number of contract processing companies in other countries in order to accelerate growth.

In our business related to automobile component materials, which is a growth driver, we will expand our lineup of components and our sales of materials for lithium-ion batteries and related products to a wider range of customers, including materials for battery thermal interfaces, in the EV market, which continues to be healthy. In addition, demand for in-vehicle multi-displays, for which screens are becoming larger and more irregularly shaped, is growing, particularly in Europe. We are expanding sales of curved glass and resin sheets coated with functional optical films for antireflection and other applications. In order to realize a circular economy in the automotive industry, we will continue our efforts to build a circular business model in collaboration with the manufacturers to whom we supply products.

We have positioned new products, including eco-friendly resin materials, as a long-term growth business to meet recycling needs. In addition to switching to biodegradable resins for packaging materials, we will continue to expand our business in a variety of areas including coating and adhesive materials, as well as materials for packaging paper itself based on the demand for companies to switch to paper packaging.

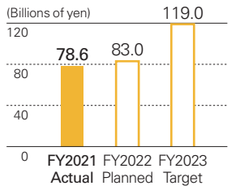
With regard to construction materials, we are working to expand direct transactions with major house makers and construction materials manufacturers, and also providing support for the establishment of export sales systems. In addition, we are enhancing our proposals for eco-friendly materials by leveraging our domestic and overseas networks.

Profit drivers
- Raw materials for resins and additives
- Business related to coatings (paints and inks)

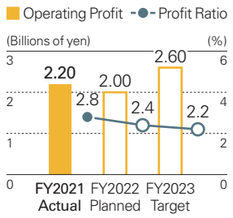
Growth drivers
- Business related to automobile component materials
- Eco-friendly raw materials for resin

NC2023 targets (after revision)

Sales



Operating profit and profit ratio



Business environment and strategies

Functional chemicals	Coating materials	Automobile component materials	Construction materials

Business environment (■ Opportunities ◆ Risks)

Functional chemicals	Coating materials	Automobile component materials	Construction materials
■ Increase in need for materials and new formulations in light of environmental regulations ◆ Unstable supply of materials and price fluctuations	■ Increase in demand centered on developing countries ◆ Response to global industrial restructuring	■ Expansion in demand for new materials along with the structural revolution of automobiles ◆ Supply instability and price hikes due to logistical dysfunction ◆ Industry-specific quality control standards and responsibility of supply	■ Need for construction and distribution innovations in light of labor shortage ◆ Sluggishness of the domestic market

■ Sales demand from foreign makers

■ Enhancing awareness of the circular economy

Strengths

- Knowledge of chemicals and a customer base nurtured over 130 years
- Organize a global supply chain suitable for our customers
- A wide range of products and materials spreading from upstream to downstream
- Local handling through overseas manufacturing and processing bases of the Group

Activities and strategies

Functional chemicals	Coating materials	Automobile component materials	Construction materials
• Develop and offer new materials and new formulation solutions • Accelerate overseas expansion using the Group's strengths • Strengthen BCP structure	• Collaborate with Japanese companies expanding overseas • Expand business by leveraging consigned production and processing companies	• Expand EV-related products and multi-display-related products and materials • Build a circular business model	• Collaborate with major house makers and building materials manufacturers for domestic and international expansion

• Propose a supply chain leveraging our strengths

From the frontline of business in NC2023 focus areas

Mobility sector: EV-related products

The shift to EVs in automobiles has been accelerating in recent years. Moreover, with the abundant use of electronic devices in in-vehicle components, an unprecedented variety of needs and issues have become apparent. Amidst such circumstances, I am creating businesses by proposing new items and technologies to users, such as measures to deal with the heat generated by electronic devices such as batteries, larger and curved automotive displays, and sustainable materials for the future of the global environment. In the automobile industry, which is undergoing a once-in-a-century transformation, we are taking on daily challenges in collaboration with members of our overseas bases in order to propose solutions that only a company such as Inabata, which specializes in chemicals, can provide.

Keita Endo
Mobility Chemicals Department
Chemicals Division

Life Industry

After handing over the pharmaceuticals business to Sumitomo Pharmaceuticals Co., Ltd. (now Sumitomo Pharma Co., Ltd.) in 1984, we began selling pharmaceutical substances as our main business in this field. The origin of the food business goes back to the sale of cornstarch to the food industry. In 2012, we launched the life industry segment because we believe that medical products as well as food products contribute to creating a healthier and more comfortable life for consumers.

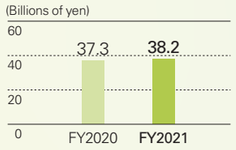
Toyohiro Akao
Director,
Senior Managing Executive Officer

Segment performance overview

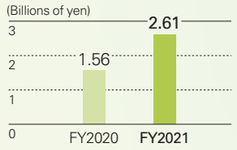
Initial plan for the first year of the NC2023

Sales ¥38.8 billion Operating profit ¥1.90 billion

Sales



Operating profit



- Operating profit exceeded the figure in the initial plan and the target for the final year, due in part to strong sales of seafood products in the United States.
- In the life science business, sales of cosmetic substances and materials for daily goods were strong.
- Domestic sales of pharmaceutical substances were weak, partly due to the impact of COVID-19.
- In the food product business, sales of processed marine products recovered. Sales of processed products intended for conveyor-belt sushi were strong. In the U.S., sales of seafood products increased due to a rapid recovery in the restaurant industry.
- In the agricultural products business, sales of frozen vegetables and fruit for mass merchandisers and home delivery were strong.

Goals and strategies for the NC2023 medium-term business plan

Pursuing a wide range of profit-making possibilities, with food products and advanced pharmaceuticals as growth drivers

Sales of materials for medicines, the profit driver for this business, have been weak, as the frequency of hospital visits by patients with minor illnesses has been declining due to the impact of COVID-19. There are also negative factors with regard to materials for home products, such as the soaring prices of materials from China and unstable supply, but we will implement new initiatives, which includes introducing multiple suppliers, promoting alternative material proposals, and starting to deal with new products, such as testing equipment for infertility treatment patients.

Another profit driver for this business is the food product business. In the frozen agricultural products business, we will continue to expand our initiatives with mass merchandisers and home delivery as the main focus, based on the growing sales of frozen vegetables and fruit—such as domestically produced spinach and blueberries from overseas—which are driven by stay-at-home demand. In the area of processed marine products, sales of Japanese and Southeast Asian products to major U.S. supermarkets have been growing at DNI Group, LLC, a U.S. company that became our subsidiary in 2020. In the North American market, the Inabata Group's trading functions will be linked with its U.S. subsidiary to promote the expansion of products we handle and the introduction of new products, in order to further increase profits. In addition, the construction of new business models in the food processing and agriculture areas is essential for the further growth of our food product business. In the upstream area, we will get blueberry and garlic production and a direct sales business off the ground in Hokkaido. We are also working to further add value and differentiate ourselves from others through measures such as ensuring traceability from production to sales in wakame seaweed cultivation and whitebait processing, which are also contributing to the revitalization of the Awaji Island region. Going forward, we will continue to strengthen our manufacturing and processing functions through business alliances with other companies, investments, and other measures. Alongside these efforts, we will add depth to our profits by being widely involved in sales channels from upstream to downstream through initiatives such as expanding private brand product consignment, developing our own branded products, and considering the launch of an e-commerce (EC) business.

In the area of advanced medicine, which is expected to grow in the future, we will continue sales promotion activities for peripheral materials and components for regenerative medicine targeted at universities and research institutes, both in Japan and overseas. In addition, we are promoting a new nucleic acid medicine business centered on the provision of materials for liposome* formulations, and exploring a wide range of profit-making possibilities in the future, such as collaborating with logistics companies to implement rapid cell transport to the United States.

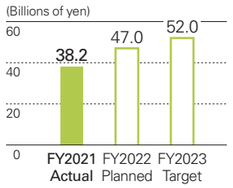
* Capsules made of an artificial membrane which mimics the lipid bilayer that forms the basic structure of cell membranes. They are used in products such as drug delivery systems, in which drugs and other substances are sealed inside capsules to transport them within the body.

Profit drivers
- Pharmaceutical substances (new medicines)
- Materials for home products
- Agricultural products
- Processed marine products (manufacturing and sales)

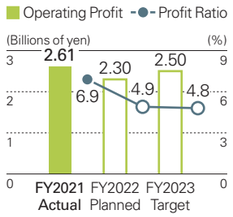
Growth drivers
- Advanced medicine, such as regenerative medicine and nucleic acid medicine
- Building new business models (agriculture, processed food businesses)

NC2023 targets (after revision)

Sales



Operating profit and profit ratio



Business environment and strategies

Pharmaceuticals	Home products	Food products
Business environment (■ Opportunities ◆ Risks)		
■ Expansion of advanced medicine and regenerative medicine markets ◆ Unstable supply of materials and soaring prices	■ Expansion in demand for Japanese products in drugstores in the Asia region ◆ Speed of change in market trends	■ Increase in interest in safety of food products ■ Boom of Japanese food overseas ■ Easing of agriculture and fishery regulations in Japan ◆ Sluggish domestic demand ◆ Quality risks specific to food products
Strengths		
• Collaboration with superior suppliers and information network on latest research and development • Processing and distribution services using Group bases in each field • Teams and individuals with expertise		• Years of knowhow on a broad business range from production to distribution
Activities and strategies		
• Expand peripheral solutions in advanced and regenerative medicine • Catch up with and provide information on PMD Act and cellular medicine • Propose alternative sources and introduce multiple suppliers	• Support expansion and development of Japanese products for Asian markets • Maintain hygiene management-related products business, which is a stable profit base • Catch up with latest development trends	• Accelerate expansion to overseas markets • Strengthen upstream businesses such as blueberry production • Develop products in conjunction with upstream businesses and expand collaboration with processing manufacturers

From the frontline of business in NC2023 focus areas

Life science sector: Substances for pharmaceuticals and cosmetics, regenerative medicine

With the Japanese customer base expanding overseas, the Life Science Department exports hundreds of materials that can only be procured in Japan. These are primarily materials for cosmetics and pharmaceutical substances, as well as packaging materials. In recent years, we have taken on the challenge of not only selling materials, but also planning and proposing high-quality cosmetics and health food products with high added value, in order to meet the needs of our overseas customers in Southeast Asia and other regions for end products.

Our division is also focusing on business development in the field of regenerative medicine, and we are working to develop regenerative medicine-related products in China in collaboration with our Chinese locations. We aim to further expand our life science business by expanding into rapidly growing Asian countries.

Reiri Mikami
Osaka Sales Section,
Life Science Osaka Sales Department
Life Industry Division

Plastics

We started dealing in imported vinyl chloride resin in 1949, and in 1959 we became the first in Japan to import and sell polypropylene. Currently, we sell everything from commodity resins and high-performance resins. We operate seven compound plants abroad, as well as five plants in Japan and overseas for manufacturing films. As the plastic waste problem intensifies, we are also striving to develop products focused on materials with reduced environmental negative impact such as biodegradable plastics as well as composites of CNF and plastic.

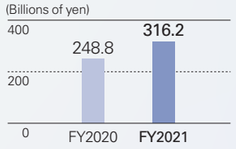
Koji Nakano
Managing Executive Officer

Segment performance overview

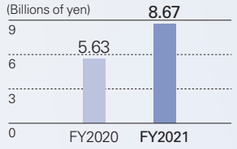
Initial plan for the first year of the NC2023

Sales ¥267.0 billion Operating profit ¥6.25 billion

Sales



Operating profit



- Sales and operating profit both exceeded the figures in the initial plan and the targets for the final year.
- Sales of resins were generally strong, including those related to daily goods, food packaging, and game consoles.
- Sales of resins for automobile products recovered, both in Japan and overseas, although they were affected by production cutbacks.
- Sales of OA-related products increased.
- Sales of polyolefin resins were strong.
- In the plastic films business, sales for convenience stores and for leisure activities recovered.
- For plastic sheet products, sales of grip tape for sports use recovered, mainly overseas.

Goals and strategies for the NC2023 medium-term business plan

Leveraging the power of our global network to promote new initiatives in each business area

Resins for automobiles, OA equipment, and home appliances are the profit driver for this business. In particular we will continue enhancing our customer-oriented business style for the automobile industry, especially in China and Southeast Asia, while also digging deeper to make proposals for products other than resins and EV-related products. In addition, we will strengthen our sales and production systems with the aim of acquiring new business deals in markets with growth potential, such as South America and India, as well as in the European market, where we have lagged behind in developing new markets. Through these efforts, we will increase sales to a wide range of global users, both Japanese and non-Japanese, and drive further business growth. At the same time, in the area of resins for office automation (OA) and home appliances, we are focusing our efforts on the growing need for products and materials with reduced environmental negative impact, such as recycled resins and biomass resins. We will continue to meet the demands of our customers around the world, centered on our global production base network for plastic compounds, which is having a positive impact on our overall business. (Business model for the plastic compound business: p. 18)

In the area of plastic films, another profit driver, we will take on a leadership role as a top-tier trading company in terms of Japanese market share to expand the scale of our business and reorganize the industry through alliances and M&A. In response to the growing need for eco-friendly products, we have also launched a recycling business for plastic waste. Taking advantage of our domestic and overseas networks, we aim to develop new markets and create new business models by leveraging our Group's integrated system for collecting and pelletizing plastic waste, as well as manufacturing and selling recycled products.

For sports materials, where our mainstay product is grip tape for tennis rackets, we will expand our sales channels and applications to overseas manufacturers to further boost our global market share and expand sales of new products such as sportswear.

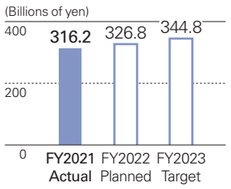
In this business—one of the most globalized in our company—further overseas business expansion is essential for our future growth. We will continue promoting new initiatives in each business area by utilizing the strength of our global network through cooperation with trading companies and manufacturing and processing companies.

Profit drivers
- Resins for automobiles, OA equipment, and home appliances
- Film-related business, including manufacturing and processing

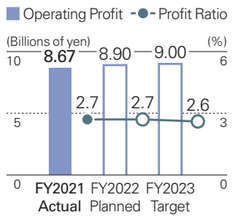
Growth drivers
- Sales to global users in automobile-related industries
- Greater expansion into foreign business (areas and sectors)

NC2023 targets (after revision)

Sales



Operating profit and profit ratio



Business environment and strategies

Materials for automobiles	Molding materials	OA, electrical and electronic products	Films and sheets	Sporting materials

Business environment (■ Opportunities ◆ Risks)

- ■ Need for environmental considerations with weight reduction and the shift to EV
- ■ Expansion in demand for materials due to compositional changes in automobile industry
- ◆ Industry-specific quality standards and the supplier responsibility

- ■ Potential for expansion of overseas business
- ■ Withdrawal of a major general trading company that was a rival
- ◆ Fluctuations in domestic demand

- ■ Stable demand among Japanese OA devices manufacturers
- ◆ Reduction in supply volume due to reduction in component size

- ■ Potential for developing new markets for sheet products
- ◆ Intensifying competition for film products in domestic market

- ■ Expansion of global market
- ◆ Shrinking domestic market due to diminishing population

■◆ Increase in need for a circular society

Strengths

- A customer base built over the company's long history
- Detailed local response capability using network of bases around the world
- Ability to provide added value including plastic compounding in own factories and VMIs
- Ability to propose mono materials and eco materials from outside of Japan
- Ability to develop and propose new products using own manufacturing bases in Japan and abroad
- High share in niche markets

Activities and strategies

- Strengthen and expand overseas business structure
- Strengthen and expand plastic compounding and distribution function
- Respond to a circular society
- Expand biodegradable biomass plastic business
- Demonstrate leadership with the aim of restructuring the industry
- Offer products for overseas markets as well as other sporting fields

From the frontline of business in NC2023 focus areas

Mobility sector: Region-focused sales

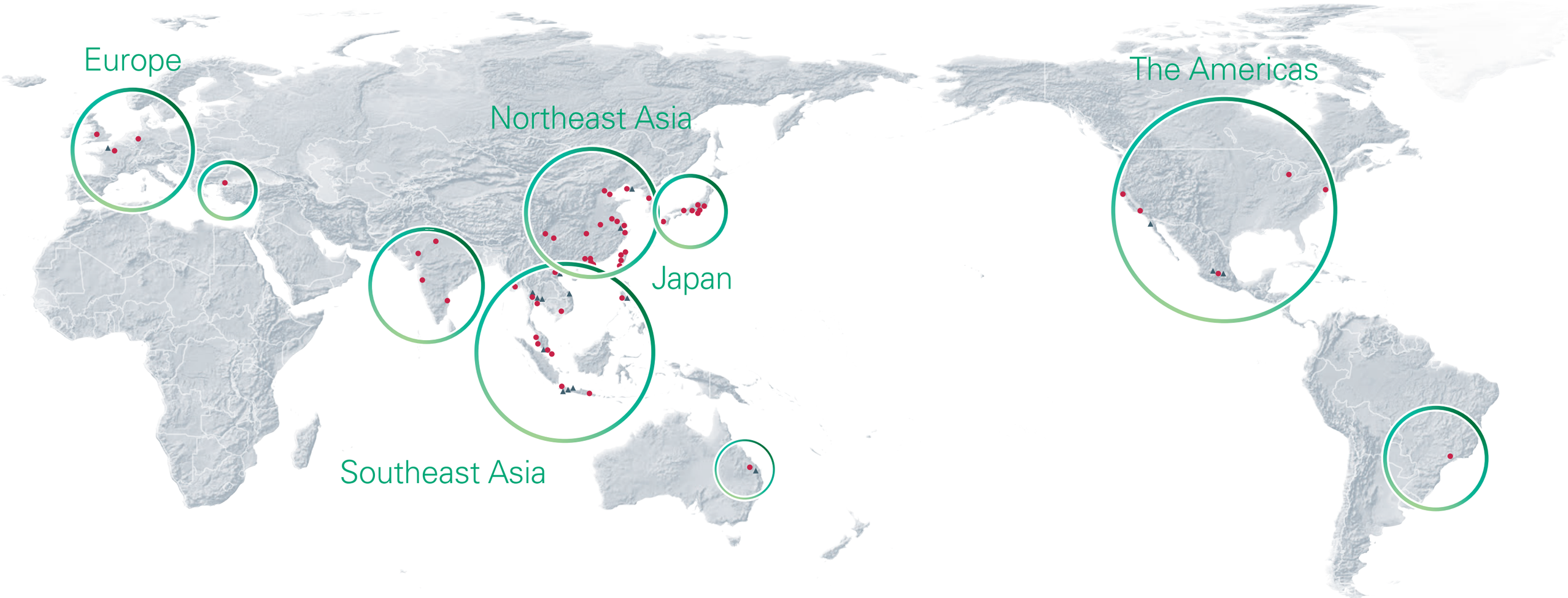
In order to develop an automotive userbase and strengthen sales in the central and eastern area of Shizuoka Prefecture, the Automotive Products Department II opened the Shizuoka Sales Office in April 2022. This has made it easier for representatives to visit customers in the Shizuoka area, compared to making business trips from Tokyo.

Going forward, we want to form deeper relationships of trust with our customers by visiting them more frequently and engaging in region-focused sales. Since many customers in the Shizuoka area are expected to grow significantly in the future, we would like to contribute to the department as a whole making full use of our robust product lineup to expand sales.

Yusuke Morii
Sales Section I,
Automotive Products Department II
Plastics Division I

Inabata's network extending across about 60 bases in 18 countries worldwide

● Trading company ▲ Manufacturing & processing base



Europe

Germany Dusseldorf

France Wissous (suburb of Paris) Normandy

U.K. Shrewsbury (suburb of Birmingham)

Turkey Istanbul

Southeast Asia / India / Australia

Singapore

Malaysia Kuala Lumpur, Penang, Johor

Indonesia Jakarta, Surabaya, Bekasi (suburb of Jakarta)

Philippines Binan (suburb of Manila)

Vietnam Hanoi, Ho Chi Minh City, Haiphong, Da Nang

Thailand Bangkok, Samut Prakan (suburb of Bangkok), Ayutthaya, Sriracha (suburb of Laem Chabang)

Myanmar Yangon

India Gurugram (suburb of Delhi), Chennai, Pune, Ahmedabad

Australia Brisbane

Northeast Asia

China Hong Kong, Shanghai, Wuxi, Ningbo, Chengdu, Nanjing, Hefei, Chongqing, Beijing, Dalian, Tianjin, Guangzhou, Dongguan, Wuhan, Shenzhen

Taiwan Hsinchu, Tainan, Taichung, Taipei

South Korea Seoul

Japan

Tokyo, Osaka, Nagoya, Shiojiri, Shizuoka, Hamamatsu, Kirishima

The Americas

United States New York, Los Angeles, Detroit, Novato (California)

Mexico Queretaro, Tijuana, Silao

Brazil Sao Paulo

Note: Figures for sales and operating profit are based on FY2021, and the consolidated number of employees is as of March 31, 2022.

Southeast Asia and India

Sales ¥161.7 billion **Operating profit** ¥6.2 billion
Consolidated number of employees 2,451

We have 10 manufacturing and processing bases in the region and are focused on expanding business in each segment.

Koji Nakano
Managing Exective Officer, General Manager, Southeast Asia

Southeast Asia is an important region where our processing bases for plastic compound, our key business, are concentrated. We produce plastic compound products, mainly for the three major fields of electric and electronic products, office automation (OA), and automobiles and motorcycles, at 28 bases across 9 countries. In the future, we seek to expand our business in the automotive field, which is rapidly growing in Southeast Asia, while also focusing on developing new products and materials for the fields of energy, agriculture, and food products. Within the energy field, we particularly wish to work on products and materials to reduce environmental impact and generate solar power.

Major businesses
- Plastics for automobiles, home appliances, OA equipment
- Raw materials for printers
- Rubber materials and additives for the automotive industry
- Raw materials and products for packaging

● Trading company ▲ Manufacturing & Processing base

Action

Initiatives for a decarbonized society

We began handling biomass raw materials to be used for power generation fuel for Japanese electric power companies as part of our "expansion of products with reduced environmental impact," a key initiative in our medium-term business plan, NC2023. In addition, we linked the manufacturing and processing functions of group companies in Japan and overseas, including those in Thailand, to develop garbage bags composed of biomass raw materials. As a *shosha* that handles resin products, we will continue developing environmentally friendly products, while also helping to bring about a sustainable society by launching sales activities in India in the solar power generation business.

Northeast Asia

Sales ¥191.2 billion **Operating profit** ¥3.7 billion
Consolidated number of employees 466

We are expanding Inabata's core businesses by harnessing our network spread over 20 cities in China, Taiwan, and South Korea.

Takaharu Ookura
General Manager, Northeast Asia

In this core region that accounts for 28% of our consolidated sales, we offer businesses leveraging our network spread over 20 cities in China, Taiwan, and South Korea. Starting mainly with flat panel display components, we are focused on plastics for automotive, OA, and electrical and electronic products. We expect further increase in profits in our China business, where we seek to proactively invest our management resources in growth sectors, such as semiconductors, energy, automobiles, medical products and medicine, agriculture food products, high-tech materials, and environment-related products.

Major businesses
- Plastics for automobiles, OA equipment, and the E&E field
- Components for flat panel displays
- Functional chemicals compliant with environmental regulations

● Trading company ▲ Manufacturing & Processing base

Action

Improve DX solution offerings by deepening our partnerships with partner companies

Amidst the acceleration of DX in each field in accordance with the rapid spread of IoT technology, we will deepen our partnerships with Texar Inc. and ZIFI Sense Info Tech Co., Ltd. to provide products, technologies and solutions related to the ZETA* standard, a LPWA technology. In the automobile field, we will work to expand sales of new EV-related products.

* ZETA is a standard for the latest IoT-suitable Low Power Wide Area (LPWA) network developed by ZifiSense Info Tech Co., Ltd.

The Americas

Sales ¥34.7 billion **Operating profit** ¥1.4 billion
Consolidated number of employees 264

In addition to developing our businesses in the United States and Mexico, we are working toward expansion in South America with a focus on Brazil.

Max Inoue
General Manager, The Americas

We are involved in businesses in the automotive, environmental and energy, food products and life science fields, which are our key areas. We mainly deal in electronics materials, plastics and digital printing materials. In addition, we are developing food-related businesses at a subsidiary, DNI. Our theme is to expand the plastics business throughout the region of North America, as we have expanded into home appliance and aviation businesses, among others, in addition to selling plastics for the automotive industry in Mexico. In Brazil, we are focused on selling plastics for automobiles and motorcycles, and functional chemicals.

Major businesses
- Electronics materials (including semiconductors)
- Digital printing material (inkjet, toner)
- Functional chemicals • Plastics
- Processed products in agriculture and marine industries
- Components related to the environment and energy industry
- Raw materials for medical products

● Trading company ▲ Manufacturing & Processing base

Action

Improving facilities at our plastics compounding plant in Mexico

In Mexico, which is continuing to grow as a major production base for automotive parts in the Americas, we will move forward with investments to improve the production facilities at our company's plastic compound factory (IK Plastic Compound Mexico, S.A. de C.V.), and aim to expand our sales base for plastics products by integrating manufacturing and sales.

Europe

Sales ¥12.6 billion **Operating profit** ¥0.5 billion
Consolidated number of employees 75

We operate businesses centered on chemicals, energy, automobiles, life sciences and other fields, taking advantage of our unique mobility.

Kenichi Oba
President, Inabata Europe GmbH

In Europe, we deal in a wide range of products in various segments, such as inkjet ingredients, energy-related products, automobile components and functional chemicals. Our Group companies manufacture and sell medical products, materials for cosmetics and other products in France. In the future, we also seek to focus on businesses in the environmental sector, such as selling thermal interface materials for the EV battery field and developing plant-based materials for the cosmetics field.

Major businesses
- Inkjet products and materials
- Various materials for secondary cells
- Medical products, materials for cosmetics
- Functional chemicals

● Trading company ▲ Manufacturing & Processing base

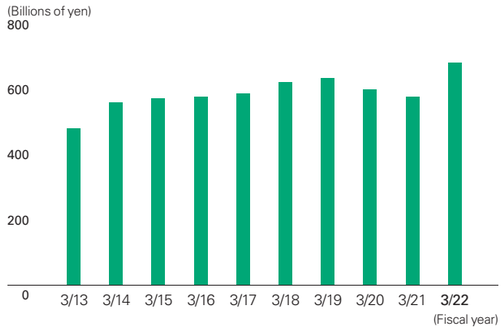
Action

Developing products for the medical and cosmetics fields

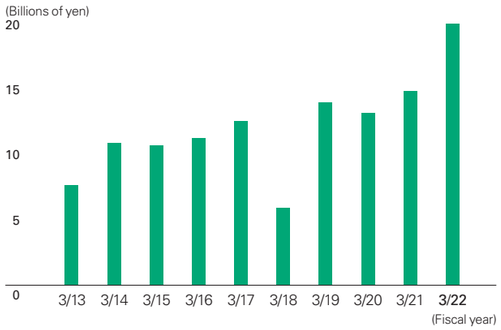
Our Group company Pharmasynthese S.A.S manufactures materials for medical products and cosmetics, and is developing allergy drugs in the medical field. In the cosmetics field, we plan to launch plant-based materials effective in moisturizing, anti-oxidizing, and alleviating atopy.

Financial Highlights

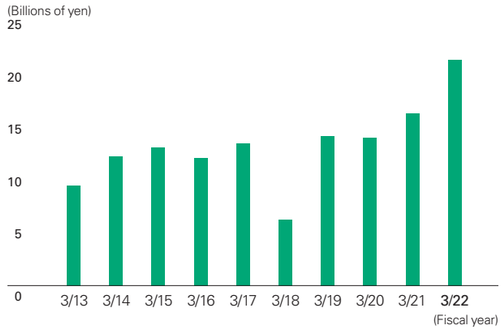
Net sales



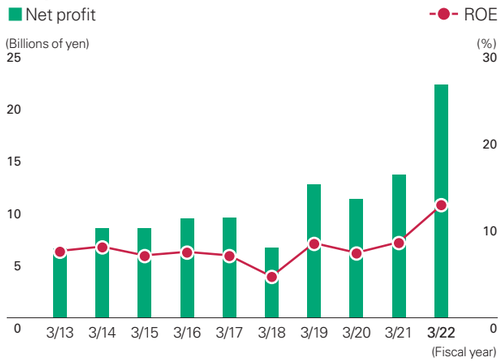
Operating profit



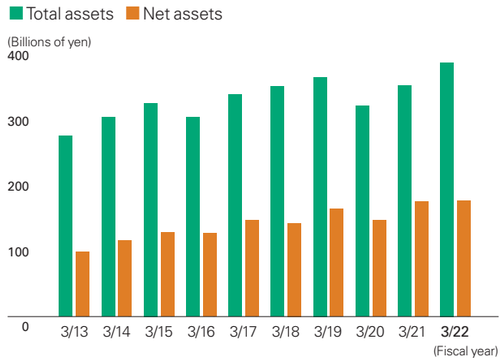
Ordinary profit



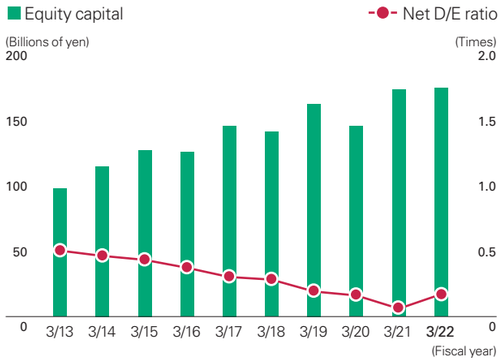
Net profit and ROE



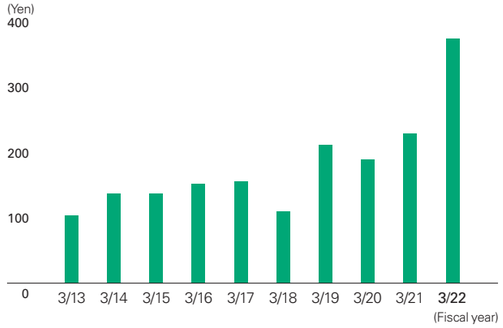
Total assets and net assets



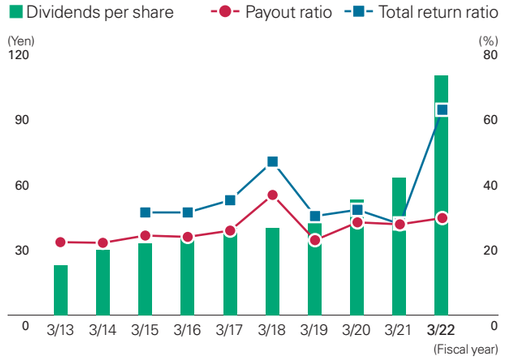
Equity capital and net D/E ratio



Net profit per share

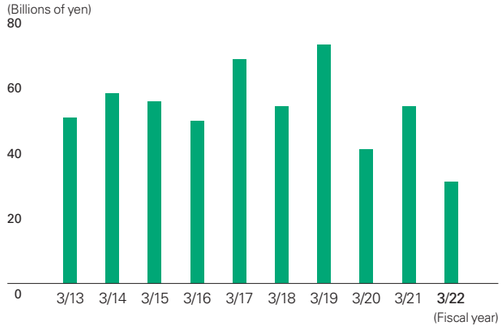


Dividends per share and shareholder return indicators



Note: Since FY2014, we have used the total return ratio as an indicator of shareholder returns.

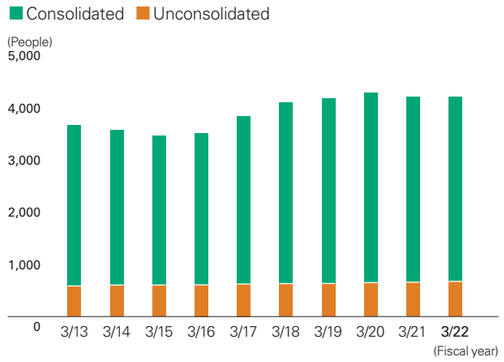
Balance of strategic shareholdings



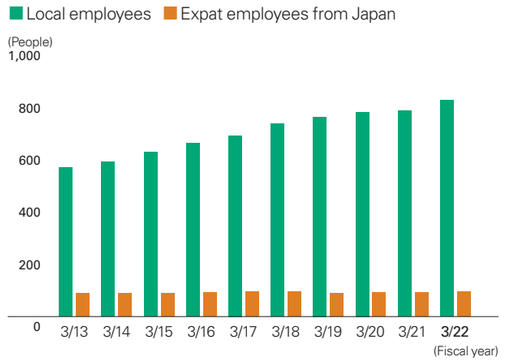
Non-financial Highlights

Society

Number of employees (consolidated and unconsolidated)



Local employees engaging in trading business outside Japan and expat employees from Japan

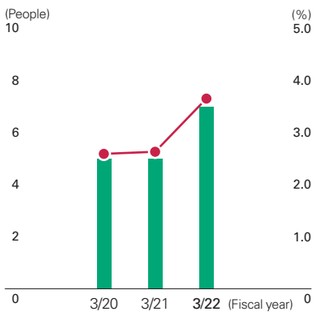


Note: For detailed numbers, please refer to the Sustainability Data starting on p. 95.

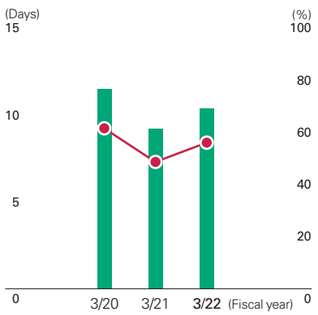
Non-financial Highlights

Society

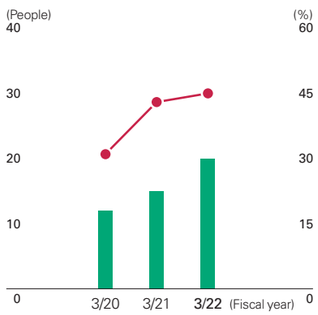
Number/ratio of women in managerial positions



Number/ratio of days annual paid leave taken



Number/ratio of mid-career hires*



Coverage: Inabata & Co., Ltd. (including employees seconded to Group companies)
Note: As of the end of each fiscal year (March 31)
* Ratio of mid-career hires to regular employees hired in each fiscal year

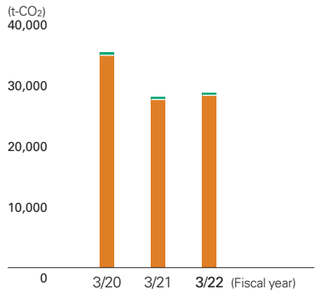
Employees engagement survey

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

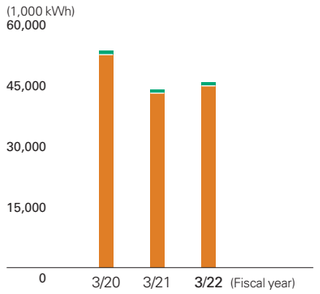
* From among a five-point evaluation by employees (5. Strongly agree / 4. Agree / 3. Neither agree nor disagree / 2. Disagree / 1. Strongly disagree), the ratio of positive responses (5. and 4.)

Environment

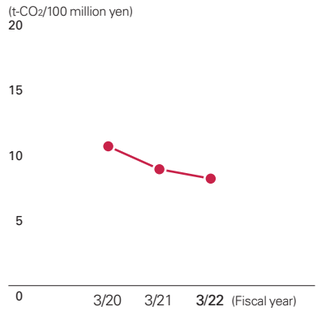
CO_2 emissions*3



Energy consumption

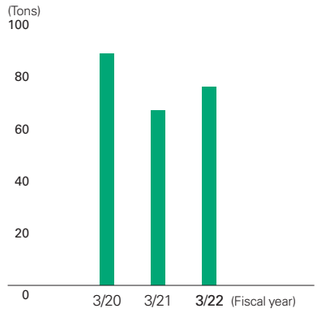


CO_2 emissions per sales*4

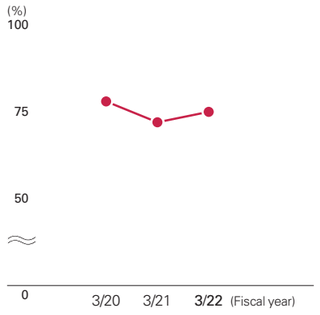


*1 Tokyo Head Office, Osaka Head Office, Nagoya Branch
*2 Seven overseas subsidiaries engaged in the resin compound business, which is a strength of the Inabata Group
*3 Scope 2 only. A unit is calculated using the emission factor provided by the Ministry of the Environment and the Ministry of Economy, Trade and Industry for each electric power company.
Units for overseas resin compound manufacturers are calculated using the country-specific emission factors in the IGES List of Grid Emission Factors published by the Institute for Global Environmental Strategies. In accordance with the updated emission factors per unit, the figures reported in FY2021 have been retroactively revised from FY2019 forward.
*4 The scope covers Inabata & Co., Ltd. and overseas plastic compound manufacturers. The sales parameter uses the simple net value of sales.

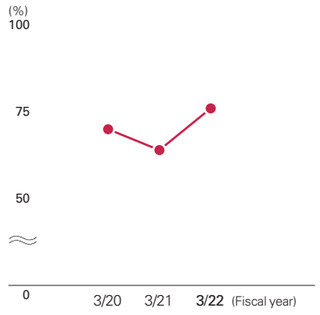
Volume of waste generated*



Waste recycling rate*

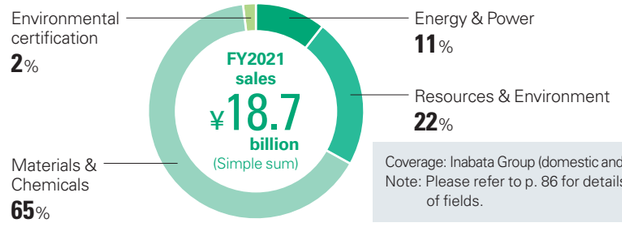


Green purchasing ratio of office supplies, etc.



Coverage: Inabata & Co., Ltd. (Tokyo Head Office, Osaka Head Office, Nagoya Office)
* Includes tenants of the Osaka Head Office.

Sales of products that reduce environmental load



Coverage: Inabata Group (domestic and overseas consolidated)
Note: Please refer to p. 86 for details such as descriptions of fields.

Corporate Governance

Management (As of July 1, 2022)

Directors

Katsutaro Inabata
Director, President

Jan. 1989 Joined Inabata & Co., Ltd.
Dec. 2005 Director, President (present)

Toyohiro Akao
Director, Senior Managing Executive Officer
Information & Electronics, Life Industry, the Americas, Europe

Apr. 1982 Joined Inabata & Co., Ltd.
Jun. 2015 Director, Senior Managing Executive Officer (present)

Kenichi Yokota
Director, Senior Managing Executive Officer
Administrative Affairs

Jul. 1996 Joined Inabata & Co., Ltd.
Jun. 2017 Director, Senior Managing Executive Officer (present)

Masahiro Sugiyama
Director, Managing Executive Officer
Chemicals,
Information & Electronics (assisting),
Northeast Asia

Jul. 2002 Joined Inabata & Co., Ltd.
Jun. 2018 Director, Managing Executive Officer (present)

Kenji Ohno
Director

Apr. 1987 Joined Sumitomo Chemical Co., Ltd.
Apr. 2006 General Manager, Legal Dept., Sumitomo Chemical Co., Ltd.
Apr. 2016 Executive Officer, General Manager of Legal Dept., Sumitomo Chemical Co., Ltd.
Apr. 2020 Managing Executive Officer, Sumitomo Chemical Co., Ltd. (present)
Jun. 2021 Director, Inabata & Co., Ltd. (present)

Kiyoshi Sato
Director, Chairperson of the Nominating and Remuneration Committee

Apr. 1979 Joined Tokyo Electron Ltd.
Jun. 2003 President and CEO, Tokyo Electron Ltd.
Jun. 2011 Chairman of the Board, Tokyo Electron Europe Ltd.
Nov. 2013 President, TEL Solar AG
Jun. 2017 Outside Director, Toshiba Machine Co., Ltd. (now Shibaura Machine Co., Ltd.) (present)
Jun. 2019 Outside Director, Inabata & Co., Ltd. (present)
Outside Director, Mazda Motor Corp. (present)

Takako Hagiwara
Director

Apr. 1984 Joined Sony Corp. (now Sony Group Corp.)
Apr. 2008 General Manager, Diversity Development Div., Corporate Human Resources, Sony Corp.
Apr. 2014 Representative Director, Sony Hikari Corp. and Sony Kibou Corp. (now Sony Kibou/Hikari Corp.)
Jul. 2020 Representative Director, DDD Corp. (present)
May 2021 Outside Director, Twinbird Corp. (present)
Jun. 2021 Outside Director, Inabata & Co., Ltd. (present)
Outside Director, NEC Capital Solutions Ltd. (present)

Note: Directors Kiyoshi Sato, Takako Hagiwara, Kenji Hamashima, Satoshi Tamai, Minoru Sanari, and Tomokazu Fujisawa are independent outside directors.

Directors, Audit and Supervisory Committee Members

Kenji Hamashima
Director, Chairperson of the Audit and Supervisory Committee

Apr. 1982 Joined Ushio Inc.
Apr. 1999 President and Chief Executive Officer, Ushio America, Inc.
Nov. 2000 Chairman and Chief Executive Officer, Christie Digital Systems USA, Inc.
Oct. 2014 President and Chief Executive Officer, Ushio Inc.
Jun. 2020 Outside Director, Inabata & Co., Ltd.
Jun. 2022 Outside Director, Audit and Supervisory Committee Member, Inabata & Co., Ltd.(present)

Satoshi Tamai
Director, Audit and Supervisory Committee Member

Apr. 1984 Joined Sumitomo Corp.
Oct. 1991 Joined Century Auditing Corp. (now Ernst & Young ShinNihon LLC)
Mar. 1995 Registered as certified public accountant
Jul. 2017 Representative of Satoshi Tamai Certified Public Accountant Office (present)
Oct. 2017 Senior Advisor, accrea Inc. (present)
Mar. 2018 Outside Auditor, Toho Lamac Co., Ltd. (present)
Jun. 2020 Outside Audit & Supervisory Board Member, Inabata & Co., Ltd.
Outside Auditor, PC Depot Corp. (present)
Jun. 2022 Outside Director, Audit and Supervisory Committee Member, Inabata & Co., Ltd.(present)

Minoru Sanari
Director, Audit and Supervisory Committee Member

Apr. 1983 Joined Tokyo Gas Co., Ltd.
Apr. 1995 Bar admission (Daini Tokyo Bar Association)
Apr. 2008 General Counsel, Legal section, General Administration Department, Tokyo Gas Co., Ltd.
Apr. 2017 Executive Officer, Tokyo Gas Co., Ltd.
Apr. 2019 Senior Advisor, Tokyo Gas Co., Ltd.(present)
Jun. 2022 Outside Director, Audit and Supervisory Committee Member, Inabata & Co., Ltd.(present)

Tomokazu Fujisawa
Director, Audit and Supervisory Committee Member

Jul. 1984 Joined Fujisawa Pharmaceutical Co., Ltd. (now Astellas Pharma Inc.)
Apr. 1999 Director of Planning, Medical Supply Business, Fujisawa Pharmaceutical Co., Ltd.
Apr. 2003 Assistant to CEO, Fujisawa Healthcare Inc. (now Astellas US LLC)
Jun. 2014 Full-Time Corporate Auditor, Astellas Pharma Inc.
Jun. 2018 Director, Audit & Supervisory Committee Member, Astellas Pharma Inc.
Jun. 2022 Outside Director, Audit and Supervisory Committee Member, Inabata & Co., Ltd.(present)

Executive Officers

Koji Nakano
Managing Executive Officer
Plastics,
Southeast Asia,
General Manager,
Southeast Asia

Kazuhiro Hanaki
Executive Officer
General Manager,
Nagoya Branch

Shinya Kawai
Executive Officer
Plastics (assisting),
General Manager,
Plastics Division I

Yutaka Takahashi
Executive Officer
Life Industry (assisting),
General Manager,
Chemicals Division

Katsutoshi Tanaka
Executive Officer
(President,
Inabata Fine Tech Co., Ltd.)*

Tsuyoshi Maruta
Executive Officer
General Manager,
Information & Electronics Division I

Koichi Noda
Executive Officer
General Manager,
Financial Management Office

* The title in parentheses is his position at the company to which he has been assigned.

Nobukazu Kuboi
Audit and Supervisory Officer
General Manager, Audit and Supervisory Committee Office

Outside Director Three-Way Talk

Held online in May 2022

Outside directors are expected to monitor and supervise management from an objective viewpoint. We asked them to evaluate the current status of the Inabata Board of Directors and the challenges it faces.

Kiyoshi Sato
Director
Time in office: Jun. 2019–present

My role

The last company I worked for developed and sold semiconductor production equipment used to manufacture products such as flat panel displays. Inabata deals in materials and products for semiconductors and displays, so I think I have an affinity for that field. I also feel it is my duty to support further globalization using my experience in corporate management and overseas business.

Takako Hagiwara
Director
Time in office: Jun. 2021–present

My role

Over the years, I have been involved with human resource development for manufacturing and service organizations, and I also have experience with new business creation in the global marketplace. Notably, since I have a long history with planning and promoting human resource development and organizational strategies, I would like to contribute to developing human resources and organizations that can continue to take on the challenges of changing times at Inabata.

Kenji Hamashima
Director
(Audit and Supervisory Committee Member)
Time in office: Jun. 2020–present

My role

I spent many years abroad and have accumulated experience with various negotiations, which I believe carries over to the *shosha* business. I also have experience in M&A, so I hope to offer support in the area of growth investing. That said, manufacturing and *shosha* have different perspectives, so I hope to use this as a strength in discussions and help boost the creation of new business and growth strategies.

Note: In June 2022, Inabata transitioned to a company with an audit and supervisory committee, and he was appointed as a director (member of the Audit and Supervisory Committee).

Part 1 Reflections on FY2021

Ms. Hagiwara, it has been one year since you were appointed as an outside director. What are your thoughts as you look back on FY2021?

Hagiwara:
I have a long track record of being involved in management, specializing in organizational and human resource development, so I felt that I was expected to provide input and stimuli from that perspective. Going forward, medium- to long-term business strategies, as well as the human resources and organizational strategies to execute them, will become increasingly important. I would like to work on these initiatives to be able to make even greater contributions.

Did you receive sufficient information at meetings of the Board of Directors and other meetings?

Hagiwara:
The preliminary explanations were very detailed and helpful. We were able to hear directly from representatives, which made it easier to understand what was going on. Due to the COVID-19 pandemic, we were unable to go to the office or meet with people in person, which was frustrating, but more than that, I was very encouraged by the support I received, as our staff showed their inventiveness.

Sato:
I agree. Our representatives have responded in a very sincere way. We have been able to hold the discussions themselves in a free and open atmosphere, and they honestly answer questions from us outside directors. I also feel that they have been able to respond adequately to detailed questions and opinions by outside audit and supervisory board members.

Hamashima:
Yes, we were able to exchange a lot of ideas. Unfortunately, the discussions were mainly online, but if we could have face-to-face meetings, I think we would be able to obtain a more in-depth understanding of the issues.

Part 2 About the Effectiveness of the Board of Directors

What is your assessment of the effectiveness of the Board of Directors?

Sato:
Discussions by the Board of Directors, including the opinions of our outside directors, are being properly reflected in actual management, so I believe that the Board is effective.

Hamashima:
Not every opinion by Outside Directors is necessarily correct, so it is not necessary to take all of them to heart. However, management has properly incorporated those opinions to create business policies. In addition, management has been able to take measures for external announcements through communication with the market, while also listening to our opinions. Our representatives also conduct an ongoing assessment of the effectiveness of the Board of Directors by an external organization, which gives me the impression that the effectiveness of the Board of Directors has been properly secured.

What is the status of discussions on the need for investments for growth, which was raised as an issue at last year's roundtable discussion?

Sato:
Although there are still issues to be addressed regarding strategies and investments for growth over the medium to long term, our representatives are having the Board of Directors' input be properly reflected through measures such as the establishment of the Business Planning Office for strategic investments.

Hamashima:
Also, compared to the previous period, there has clearly been growing interest in a shift from a short-term viewpoint to a medium-term viewpoint. The concept of investments for growth has also been well-articulated. Although organic flow—in which we earn profits through investments in existing businesses—is less risky for growth, I feel that the Board of Directors has a common understanding that unless investments for growth are made in a manner that exceeds the cost of capital, which includes M&A, then conversely, business value will be damaged.

Sato:
I am also encouraged by the fact that young people have many ideas. I strongly felt this when I participated in a meeting where young employees of Inabata presented their thoughts on carbon neutrality and sustainability, and what kind of businesses they expect from the company. I am not sure how much of this will translate into the business yet, but I do feel that the company is moving to incorporate the ideas of young people into management to conduct business for a new era.

Hagiwara:
I feel that Inabata's strength lies in its willingness to steadily take action and move forward to take on challenges, whether they are investments for growth or sustainability. While properly addressing the issues at

> "I feel that Inabata's strength lies in its willingness to steadily take action and move forward to take on challenges"
>
> — Takako Hagiwara

hand, the company is very capable of talking about strategies from a medium- to long-term perspective and linking them to the next step.

At last year's roundtable discussion, the utilization of diverse human resources was also an issue. What do you think about this point, Ms. Hagiwara?

Hagiwara:
I was recently interviewed for the company newsletter, and had the opportunity to communicate widely with employees regarding diversity. I also participated in an online workshop for women employees in Staff positions and had a frank exchange of opinions with employees of all ages, from young employees to those in the middle of their career. I found that there were many more motivated employees than I had expected, which is encouraging for the company's growth.

Sato:
It is important for us to move forward with appointing local employees at our overseas subsidiaries to increase diversity. I believe that eventually having local people take on top management roles and conducting business in ways aligned with the local laws, culture, customs, and business practices will provide Inabata with more of a boost. I believe that there is even a possibility that they may be asked to become executives at the head office at some point in the future.

Hamashima:
Inabata has a target of making 70% of its sales overseas around 2030. Naturally, the efforts of Japanese employees are necessary, but I believe that it will be difficult to meet this target without the activities and contributions of local people. It is more efficient to expand business with local people at the forefront of management, and it should also be easier for customers to communicate with them. To an extent, the management team is on that same course, but it is not just a matter of appointing the best people; it is a prerequisite that aspects such as the governance structure, legal compliance training programs, and discretionary authority should be clearly defined. They must also be set up in tandem with establishment of career paths and, most important of all, the instillation of the IK Values.

> It is important for us to move forward with appointing local employees at our overseas subsidiaries to increase diversity
>
> — Kiyoshi Sato

The three-way talk was held online to prevent the spread of COVID-19.

> The need to assess the results of management execution by the Board of Directors is what will be important
>
> — Kenji Hamashima

Part 3 Sustainability-Oriented Management

In recent years, in addition to the issue of diversity, there have been many issues that should be addressed from a sustainability perspective. What do you think?

Hagiwara:
I appreciate that Inabata has recognized the importance of these very issues, established the Sustainability Committee, and appropriately assigned human resources. We have participated in these discussions from the beginning, and have had a frank exchange of opinions.

Hamashima:
At the Ordinary General Meeting of Shareholders, more and more major institutional investors are making ESG-related shareholder proposals. After all, it is important to not simply view "co-existence with society" as a cost, but also as a new business opportunity that will lead to profits.

Hagiwara:
In order to achieve such a balance, human capital, which creates added value, is extremely important. I think it is necessary for Inabata to create a vision for human capital development, based on a medium- to long-term strategy that addresses what the company wants, how it views people, what fields it needs people in, and how it will grow.

What are your thoughts on the governance required for sustainability-oriented management?

Sato:
Starting in June 2022, Inabata became a company with an audit and supervisory committee. As a result, the Board of Directors will continue to shift from a management-type role to a monitoring-type role, and the expectations for us are gradually changing, as well.

Hamashima:
An important part of strengthening the monitoring of the Board of Directors will be the need to assess the results of management execution by the Board of Directors. I believe a major task will be to assess the management team and reflecting this in personnel decisions.

Sato:
That is an important point. This is where the Nominating and Remuneration Committee is expected to play a major role. The Committee still meets regularly to ensure that new Directors and Executive Officers within the company are properly assessed.

In closing, please leave us messages from your respective standpoints.

Hagiwara:
As management and organizational development capable of accepting challenges become increasingly important going forward, I get the impression that Inabata has only just begun to develop its human resources and promote diversity. I have high expectations for the company's growth potential in this area, and I would like to contribute to making the company more attractive from the outside as well.

Hamashima:
Many companies around the world must be thinking that they cannot grow by maintaining the same business format that they have used in the past. For example, dealing with decarbonization is coming to be an issue for all businesses. This presents not only risks, but business opportunities, as well. In discussing both sides of these risks and business opportunities, I believe it is necessary for people outside the company, such as us, to be proactive in communicating our views.

Sato:
Inabata mainly deals with materials for industrial products, which are subject to technological innovations that suddenly change their raw materials. In addition, there is a movement for companies to change materials and fuels in order to decarbonize the industry. We would like to help Inabata make decisions from a medium- to long-term perspective on how to find business opportunities amidst these changes, how to reduce risks, and what materials to handle in the future.

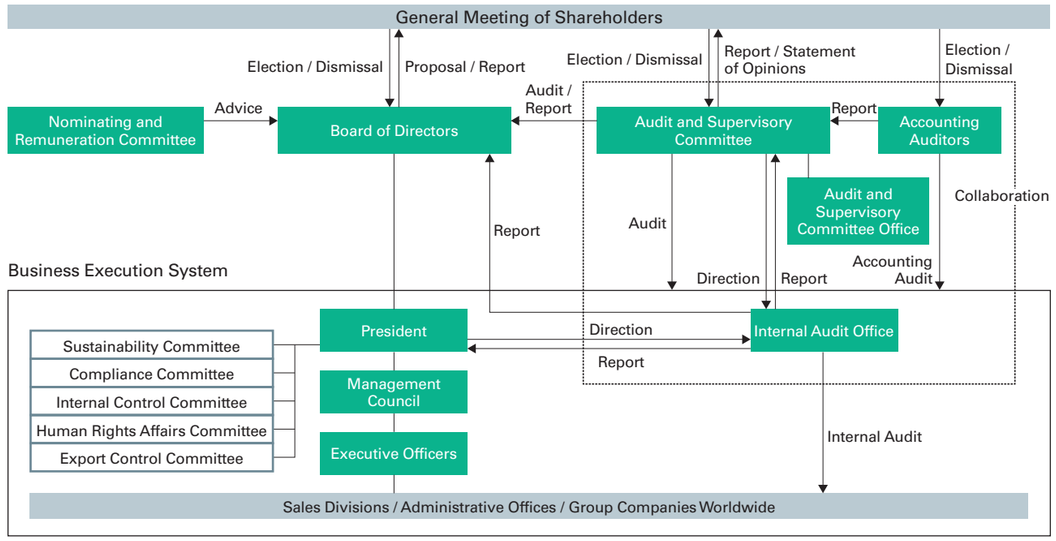
Basic views

Inabata's mission statement is, "People come first, based on the spirit of 'love *(ai)*' and 'respect *(kei)*,' and together we strive towards contributing to the development of society." With a foundation on this mission, the company aims to respond to the directive of all stakeholders who support the company's activities including shareholders, business partners and employees, and sustainably improve corporate value. For this, the company believes it is essential to have a strong corporate governance system for ensuring transparency and fairness in business and speed and resolution in decisions.

Transitioning to a company with an audit and supervisory committee

We have positioned the enhancement and improvement of corporate governance as an important management issue, and have been working to improve the effectiveness of the Board of Directors by shifting the focus of meetings of the Board of Directors from business execution to management strategy and medium- to long-term issues. In June 2022, we transitioned to a company with an audit and supervisory committee in order to further promote these initiatives, further strengthen the company's supervisory function, and establish a system to accelerate management decision-making. The majority of the Board of Directors is composed of independent outside directors in order to embody a monitoring-type Board of Directors, thereby enhancing corporate value.

Corporate governance system (As of July 1, 2022)



Corporate governance system

(As of July 1, 2022)

Organizational design	Company with an audit and supervisory committee
Directors not on the Audit and Supervisory Committee	7 (including 2 independent outside directors)
Directors on the Audit and Supervisory Committee	4 (including 4 independent outside directors)
Chairperson of the Board of Directors	President
Term of office for directors not on the Audit and Supervisory Committee	1 year
Term of office for directors on the Audit and Supervisory Committee	2 years
Executive officer system	Yes
Advisory committees to the Board of Directors	Nominating and Remuneration Committee
Accounting auditor	KPMG Azsa LLC
Corporate Governance Report	https://www.inabata.co.jp/english/investor/library/governance/

Changes in initiatives to strengthen governance

Period	
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 ➤ p. 65
June 2022	Transition to a company with an audit and supervisory committee with six outside directors, comprising a majority

Board of Directors

The Board of Directors makes decisions on important matters set out in laws and regulations, Articles of Incorporation, and Regulations of the Board of Directors. These matters include formulation of business plans and annual budgeting as well as making basic management policies and appointing executive officers. The Board of Directors consists of 11 members, including seven directors who are not audit and supervisory committee members and four directors who are audit and supervisory committee members, among the 11 members, six are independent outside directors, comprising the majority. By shifting to a company with an audit and supervisory committee, we have strengthened our supervisory functions and made it possible to delegate important business decisions to business executives, establishing a system that enables us to make management decisions more quickly.

Audit and Supervisory Committee

Inabata is a company with an audit and supervisory committee, and the Audit and Supervisory Committee consists of four audit and supervisory committee members, all of whom are outside directors. The committee audits the decision-making of the Board of Directors and the execution of duties by executive officers. Directors who are members of the Audit and Supervisory Committee are extremely well-versed in finance, accounting, and law, and are also highly independent. In addition, the Audit and Supervisory Committee Office has been established as a dedicated organization to assist the Audit and Supervisory Committee in its duties, and suitable persons independent of the Directors (excluding Directors who are members of the Audit and Supervisory Committee) have been assigned to this office.

Nominating and Remuneration Committee

We voluntarily set up the Nominating and Remuneration Committee in 2015. The lead independent outside director, who serves as chairperson of the Committee, and the Committee, which comprises a majority of independent outside directors, engage in deliberations when making decisions on issues such as the selection and dismissal of executives, nomination of candidates for positions of director and executive officer, and the remuneration of directors. The Board of Directors strives to ensure objectivity, fairness, and transparency by fully respecting the deliberation results of the Nominating and Remuneration Committee.

Members of the Nominating and Remuneration Committee:
3 outside directors (of these, one director who is an audit and supervisory committee member)
1 internal director
Chairperson: Lead independent outside director
Number of times held: FY2021 12 times

Director experience and expected roles (skill matrix)

	Name	Global management	Business strategy: Information & Electronics	Business strategy: Plastics	Business strategy: Chemicals / Life Industry	Finance & accounting	Legal & risk management	HR & labor	IT & digital	Internal controls & audits	ESG
Directors	Katsutaro Inabata	●		●	●			●	●	●	●
	Toyohiro Akao		●		●						
	Kenichi Yokota					●	●	●	●	●	●
	Masahiro Sugiyama		●	●	●						
	Kenji Ohno						●			●	●
	Kiyoshi Sato*	●									
	Takako Hagiwara*							●			●
Directors (Audit and Supervisory Committee Members)	Kenji Hamashima*	●				●					
	Satoshi Tamai*					●				●	
	Minoru Sanari*						●				
	Tomokazu Fujisawa*									●	

Note: Those marked with * are independent outside directors.

• Skills Matrix Approach

Our mission is that "People come first, based on the spirit of love *(ai)* and respect *(kei)*, and together we strive towards contributing to the development of society," and we seek to take the approach of "To continually evolve, serving clients and society, through global operations and meeting their changing needs." We have also set forth our long-term vision, the IK Vision 2030, which is how we envision ourselves around 2030, and have positioned our medium-term business plan, the NC2023, as a step toward fulfilling that long-term Vision.

In identifying the skills expected of directors, we have determined what skills are necessary to build a system that can fulfill the decision-making and supervisory functions related to business execution of the Board of Directors of our globally operating company, based on our management philosophy, our Vision, our long-term vision IK Vision 2030 and the medium-term business plan, the NC2023. From this perspective, we have specifically identified the skills listed on the right and developed a skills matrix.

Skills that our Board of Directors are expected to have

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

Business strategy
In managing a specialized trading company such as ours, first and foremost, executives must have in-depth expertise and experience in each business field. In particular, it is extremely important for executive directors to have broad knowledge, experience, and personal connections in each of our business fields—Information & Electronics, Plastics, Chemicals, and the Life Industry—in order to develop a trading company business like ours. When appointing executive directors, we consider the balance of those with knowledge in these business fields.

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

Legal & risk management
As a company with a wide range of global operations, we are exposed to a variety of risks, including credit risks of our business partners, risks associated with business investments, country risks associated with overseas operations, currency exchange risks, and commodity market fluctuation risks. Therefore, risk management is extremely important for management. We are committed to management that emphasizes compliance above all else, and in order to strengthen the supervisory function over business execution, we believe that it is useful to always have directors who are familiar with the law as members of the Audit and Supervisory Committee.

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

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

Internal controls & audits
In June 2022, we transitioned to a company with an audit and supervisory committee, with the aim of speeding up management decision-making and strengthening the supervisory function of business execution. A company with an audit and supervisory committee must effectively utilize the company's internal control system and conduct systematic audits. From this perspective, we believe it is essential that the directors who are members of the Audit and Supervisory Committee include persons with expertise and experience in internal control and auditing.

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

Management Council and Shinsa Kaigi

We set up the Management Council as an institution for business execution. This council deliberates on basic policies and important matters related to management and decides their direction. We have also established the Shinsa Kaigi as an institution to review important matters related to business execution, investment and loan projects, and credit. Its participants (including those who join online) from across the world hold direct discussions with the management.

Number of times convened: FY2021
Management Council 12 times, Shinsa Kaigi 19 times

Audit system

• Internal audits
We have the Internal Audit Office and are working to strengthen the Internal Audit Office's ranks in order to enhance internal audits. The Internal Audit Office complies with the internal control reporting system related to financial reporting based on the Financial Instruments and Exchange Act, and also conducts internal audits as necessary from time to time. The Internal Audit Office reports regularly to the Board of Directors on audit plans and audit results.

• Accounting auditors
Accounting audits, audits of financial statements, quarterly reviews, and internal control audits for Inabata are conducted by KPMG Azsa LLC. Evaluation criteria, including autonomy, specialized knowledge, and assessment, have been formulated for the appointment and suspension of accounting auditors, and decisions are made based on the evaluation results.

• Cooperation among the Audit and Supervisory Committee, accounting auditors, and the Internal Audit Office

The Audit and Supervisory Committee, accounting auditors, and the Internal Audit Office collaborate through periodic reporting and discussion of audit results. In investigating the status of our operations and assets and performing other auditing duties, the Audit and Supervisory Committee works closely with the Internal Audit Office to ensure that audits are conducted in an organized and efficient manner.

In addition, the Audit and Supervisory Committee, accounting auditors, and the Internal Audit Office meet regularly to exchange information.

Structure for outside directors

In electing outside directors, Inabata aims to appoint candidates who have abundant experience and knowledge of corporate management, the ability to oversee the decision-making and business execution of the Board of Directors of the company which conducts business on a global basis, and who provide appropriate advice from an objective perspective. The proportion of outside directors stands at 55% (six out of eleven directors).

Outside directors
6

Internal directors
5

Meetings between outside directors and audit & supervisory board members
Number of times held: FY2021 2 times

Name	Autonomous	Years in office	Attendance status for FY2021: Meetings of the Board of Directors	Attendance status for FY2021: Nominating and Remuneration Committee	Reason for appointment
Directors not on the Audit and Supervisory Committee					
Kiyoshi Sato (Leading independent outside director, Chairperson of the Nominating and Remuneration Committee)	Yes	3 years	100% 16/16 times	100% 12/12 times	Kiyoshi Sato served as president and CEO, as well as vice chairman of the board, at Tokyo Electron Ltd., and currently serves as an outside director of Shibaura Machine Co., Ltd. and Mazda Motor Corp. As he possesses global and abundant experience and wide-ranging expertise as a member of the management of a leading company which makes equipment to manufacture semiconductors and flat panel displays, Inabata appointed him in expectation of gaining supervision and advice on business execution with an objective perspective.
Takako Hagiwara (Nominating and Remuneration Committee Member)	Yes	1 year	100% 13/13 times	100% 11/11 times	Takako Hagiwara served as representative director of Sony Hikari Corp. and Sony Kibou Corp., as well as director of Green House Co., Ltd., and currently serves as representative director of DDD Corp. and outside director of Twinbird Corp. and NEC Capital Solutions Ltd. For many years she oversaw human resources in a major global electronics manufacturer with multiple businesses including audiovisual equipment, movies and music, and has experience in management. Inabata appointed her in expectation of gaining advice on human resources strategies and diversity promotion.
Directors on the Audit and Supervisory Committee					
Kenji Hamashima (Nominating and Remuneration Committee Member, Chairperson of the Audit and Supervisory Committee)	Yes	2 years	100% 16/16 times	100% 12/12 times	Kenji Hamashima has served as director and senior executive vice president, and president and chief executive officer of Ushio Inc. He currently serves as a special adviser of the same company. As he possesses global and abundant experience and wide-ranging expertise as a member of the management of a manufacturer which produces applied optics products, such as industrial light sources, and industrial machinery, Inabata appointed him in expectation of accurate auditing and supervision of overall management.
Satoshi Tamai	Yes	Newly appointed	—	—	Satoshi Tamai serves as a Representative for the Satoshi Tamai Certified Public Accountant Office, a Senior Advisor for accrea Inc., and an Outside Auditor for Toho Lamac Co., Ltd. and PC Depot Corp. As he has experience working for a major trading company, has a CPA qualification, and has served as a representative partner for a major audit firm in Japan and an outside auditor for multiple companies, in addition to possessing knowledge as an accounting expert and wide-ranging expertise, Inabata appointed him in expectation of accurate auditing and supervision of overall management.
Minoru Sanari	Yes	Newly appointed	—	—	Minoru Sanari served as General Counsel, Legal Section, General Administration Department for Tokyo Gas Co., Ltd. before serving as an Executive Officer (in charge of governance), and is currently a Senior Advisor for said company. As he has expert knowledge and an abundance of experience from his involvement with corporate legal matters and corporate governance over the course of many years in his capacity as an attorney at the largest city gas company, Inabata appointed him in expectation of accurate auditing and supervision of overall management.
Tomokazu Fujisawa	Yes	Newly appointed	—	—	Tomokazu Fujisawa has served as a full-time corporate auditor and director as a member of the audit & supervisory committee of Astellas Pharma Inc. He has worked as the Director of Planning for a business division in a global pharmaceutical company that develops pharmaceutical businesses around the world, also has experience in overseas subsidiaries and auditing operations and has served as a director on the audit & supervisory committee, which is why Inabata appointed him in expectation of accurate auditing and supervision of overall management.

Training for outside directors

In order to deepen outside directors' understanding of the Group's business activities, we provide opportunities for them to meet with the heads of each division, as well as opportunities to visit overseas (including online meetings) and conduct on-site inspections. Even after directors have assumed office, we offer and facilitate training opportunities to help them acquire the necessary knowledge and promote an understanding of their roles and responsibilities. The status of directors' training is reported to the Board of Directors once a year.

The effectiveness evaluation of the Board of Directors

- Inabata has been conducting the effectiveness evaluation of the Board of Directors since FY2015.
- Each cycle lasts for three years in which self-evaluation is carried out for the first two years and third-party evaluation is carried out in the third year.
- The overview of the evaluation and issues to be considered are published on the Company's website.
- Self-evaluation was carried out in FY2021.

FY2021 Self-evaluation process (questionnaire format)

▶ Evaluation results for FY2021

Target of evaluation	All directors (9) and audit & supervisory board members (4) in office as of the end of March 2022
Summary of analysis and evaluation	As a result of analysis and evaluation, the operations of the company's Board of Directors have been generally appropriate and assessed highly, with open and active discussions. We also confirmed the following: (1) in general, the company provides sufficient support to outside directors, who are thought of as making major contributions to discussions at Board of Directors meetings; (2) the presence of audit & supervisory board members is considered to contribute to improving the effectiveness of the Board; (3) the Nominating and Remuneration Committee is thought of as operating appropriately; (4) the status of dialogues with investors and shareholders is considered to be adequately provided to the Board of Directors; and (5) improvement efforts are believed to be made based on the results of Board of Directors evaluations, among other topics. It has been confirmed that the Board of Directors of the company is generally functioning properly and that its effectiveness is secured. In addition, the following improvements and progress have been confirmed with regard to addressing the issues that were identified in the third-party evaluation of the Board of Directors' effectiveness in FY2020. • Promotion of discussion of important medium- and long-term issues in the management of the company Implemented free discussions outside of Board of Directors meetings on issues related to the promotion of diversity and sustainability • Reinforcement of cross-company functions Business Planning Office newly established to serve as a company-wide cross-functional unit with dedicated personnel • Ongoing review of the makeup of the Board of Directors Resolved to shift from the current company with an audit & supervisory board to a company with an audit and supervisory committee, subject to approval at the company's 161st Ordinary General Meeting of Shareholders to be held in June 2022, for the purpose of further strengthening the supervisory function and establishing a system to accelerate management decision-making On the other hand, we recognized the following issues to be considered in the future.
	• Further discussions on the succession plan and sustainability issues • Sufficient provision of information from the Nominating and Remuneration Committee to the Board of Directors • Better communication among outside directors, which has been insufficient due to COVID-19 • Further enhancement of information dissemination to the capital market
Future course of action	Based on the results of analysis and evaluation, we will strive to further enhance the effectiveness of our Board of Directors by addressing the issues identified.

▶ Questions

1. Operational status of the Board of Directors
2. Function and role of the Board of Directors
3. Composition of the Board of Directors
4. Composition and role of the Nominating and Remuneration Committee
5. Operational status of the Nominating and Remuneration Committee
6. Support system for outside directors
7. Role of the audit & supervisory board members and expectations for them
8. Relationship with investors and shareholders

Specific actions taken as a result of the evaluation of the effectiveness of the Board of Directors

- **Ongoing review of the makeup of the Board of Directors**

In June 2022, we transitioned from a company with an audit & supervisory board to a company with an audit and supervisory committee. Of the 11 directors, the majority (six) are independent outside directors, and we now have a sufficient structure to promote the realization of a monitoring-type Board of Directors with an enhanced supervisory function.

- **Promotion of discussion of important medium- and long-term issues in the management of the company (ensuring diversity)**

One female director has been added to the Board of Directors since June 2021. We ensure the diversity of the Board of Directors by having directors with experience in management, sustainability promotion, human resource strategy, and overseas management, as well as accountants and lawyers.

- **Reinforcement of cross-company functions**

In July 2021, we newly established the Business Planning Office to serve as a company-wide cross-functional unit for considering investments, loans, and M&A. ➤ Feature p. 31

- **Addressing sustainability issues**

The Sustainability Committee was established in October 2021. The committee is working on the establishment of Sustainability Basic Policy and Code of Conduct, information disclosure of sustainability data, and TCFD initiatives. ➤ p. 73

Remuneration of directors and audit and supervisory committee members

Inabata has transitioned to a company with an audit and supervisory committee by resolution of the 161st Ordinary General Meeting of Shareholders held on June 22, 2022. A summary of information such as post-transition remuneration is as follows.

1. Remuneration for directors who are not audit and supervisory committee members

(1) Fixed remuneration*1	Minimum guaranteed amount by position
(2) Performance-linked remuneration	Calculated by multiplying the fixed remuneration for each position in (1) by a coefficient for: • Profit before income taxes and non-controlling interests (excluding gains on sales of certain strategically held shares)*2 • ROIC (return on invested capital)*3 • Each level of ESG scores from multiple external evaluation organizations (FTSE Russell and MSCI)*4
(3) Board Benefit Trust (BBT)*5	A system under which executive directors receive the points granted to them during their term in the form of shares and cash upon their retirement. The calculation method of points granted to directors is as follows. (Method of calculating points awarded to directors) Points granted for the current year = Ⓐ Service points + Ⓑ Performance points Ⓐ 50% of the base points determined for each position (fixed) Ⓑ Service points × performance coefficient Performance coefficient: Coefficient determined by the achievement rate for consolidated sales targets and consolidated operating profit targets Target achievement rate: Actual performance compared to the rate externally announced in the medium-term business plan

*1 Remuneration for directors who are not executive directors is fixed remuneration only.
*2 Executive directors are responsible for all business activities of the entire Group, including the operating and financial activities of Group companies, and we believe that the results of these activities are reflected in consolidated profit before income taxes and non-controlling interests, which is used as one indicator.
*3 We have decided to use ROIC as a new indicator because one of the key initiatives in our medium-term business plan, the NC2023, is "intensification of investment targeting future growth," and we believe that capital efficiency and investment yield should also be considered in light of capital market demands and trends among listed companies.
*4 Since we recognize that addressing sustainability is an important management issue for our company, we have obtained ESG scores from several external evaluation organizations and added this as a new indicator.
*5 We have introduced the Board Benefit Trust (BBT) as a performance-linked stock compensation plan in order to clarify the linkage between the compensation of executive directors and our business performance and stock value. Having directors share not just the benefits of higher stock prices, but also the risk of lower stock prices with shareholders, will increase their awareness, so that they can contribute to improving business performance and increasing corporate value over the medium to long term.

Of the remuneration for directors who are not members of the Audit and Supervisory Committee, (1) fixed remuneration and (2) performance-linked remuneration are determined by the Board of Directors within the scope of the total amount of remuneration approved by the Ordinary General Meeting of Shareholders. The maximum amount of remuneration for directors who are not members of the Audit and Supervisory Committee as per the resolution of the Ordinary General Meeting of Shareholders is 430 million yen per year (of which 50 million yen is for outside directors). In addition, as a performance-linked stock compensation plan for executive directors, the company has resolved (3) compensation limits for the Board Benefit Trust (BBT).

The individual remuneration of directors who are not audit and supervisory committee members is designed to be calculated automatically using a formula and coefficient determined by the regulations, without taking qualitative factors into consideration, and the Human Resources Office will calculate this in accordance with regulations. The results of the calculations are reviewed by the Nominating and Remuneration Committee, which is chaired by the lead independent outside director and at which independent outside directors have a majority. The Board of Directors determines the compensation of directors who are not audit and supervisory committee members with full respect for the results of the deliberations of the Nominating and Remuneration Committee.

These sorts of procedures ensure objectivity, fairness, and transparency in the determination of individual compensation for directors who are not audit and supervisory committee members, and the determination of individual compensation is never delegated to specific directors or other parties.

2. Remuneration for directors who are audit and supervisory committee members

Fixed remuneration	Fixed remuneration only

Remuneration for directors who are audit and supervisory committee members is decided via discussions by directors who are audit and supervisory committee members, within the scope of total remuneration approved by the Ordinary General Meeting of Shareholders. The maximum remuneration amount for directors who are audit and supervisory committee members, as per the resolution of the Ordinary General Meeting of Shareholders, is 80 million yen per year.

Actual remuneration of directors in FY2021*6

	Performance coefficient	Number of eligible persons	Total amount of remuneration and other benefits by type (million yen)			Total amount (million yen)
			Fixed remuneration	Performance-linked remuneration	Board Benefit Trust (BBT)	
Directors excluding outside directors*7,8	1.16	7	163	114*9	41*10	319
Corporate auditors excluding outside audit & supervisory board members*7,8		2	43	—	—	43
Outside directors and auditors*8		7	46	—	—	46

*6 The above total amount of remuneration is related to FY2021. Inabata transitioned from a company with an audit & supervisory board to a company with an audit and supervisory committee by a resolution of the 161st Ordinary General Meeting of Shareholders held on June 22, 2022.
*7 At present, as of the end of FY2021, there are eight directors and four corporate auditors.
*8 This includes one director and one outside director who retired at the conclusion of the 160th Ordinary General Meeting of Shareholders held on June 23, 2021, and one audit & supervisory board member who retired upon his death on January 6, 2022.
*9 Performance-linked remuneration is calculated by multiplying the fixed remuneration for each executive position by a coefficient based on net profits for the fiscal year before income taxes and non-controlling interests (excluding gains on sales of certain strategically held shares).
*10 Board Benefit Trust (BBT) is the amount of provision for the reserve for directors' stock benefits included in the fiscal year under review.

Ratio of performance-linked remuneration and fixed remuneration in FY2021

Performance-linked remuneration	Fixed remuneration
48.9%	51.1%

Reference: Past remuneration of directors*

FY2017	223 million yen
FY2018	248 million yen
FY2019	300 million yen
FY2020	318 million yen
FY2021	319 million yen

* Before FY2019, excludes non-executive directors.
After FY2020, excludes outside directors.

Strategically held shares

• Basic views

Close business and cooperative relations with various companies are valuable assets to Inabata, and the company believes the establishment, maintenance and development of these relations improve the company's corporate value in the medium and long term and lead to the benefit of shareholders and investors. Also, as Inabata believes that strategically holding shares of such companies continues to be an effective way to establish, maintain and develop good cooperative relations, the company owns strategically held shares.

• Policy related to holding and reducing strategically held shares

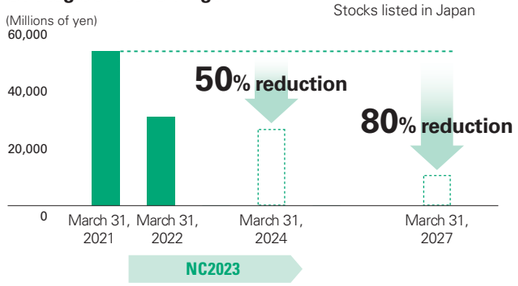
Inabata forms a judgment concerning the pros and cons of strategically held shares based on whether holding them contributes to the establishment of cooperative relations, enhances the company's corporate value in the medium and long term, and leads to the benefit of shareholders and investors. To be specific, the Board of Directors will make annual comprehensive reviews of the appropriateness of holding each individual stock, taking into account the financial condition of the investee company, the liquidity of the stock, trends in the volume of transactions and profits related to business with the company or its group companies and their medium- to long-term prospects, economic rationales such as whether the risk and return are commensurate with the cost of capital, and other qualitative information.

The company follows a policy of reducing the shares that the holding of which is not considered significant, while considering timing and the effect on the market and the business.

Note that we have set "continuous review of assets and further improvement of capital and asset efficiency" as a key initiative in our three-year medium-term business plan, the NC2023, which ends in FY2023. Specifically, the policy is to reduce the balance of strategically held shares by 50% over the three-year period during the promotion of the NC2023, relative to the balance as of March 31, 2021. In addition, we have added a new policy to further reduce our strategically held shares over the medium to long term, and over the next five years (by March 31, 2027), to reduce the balance of strategically held shares by approximately 80%, relative to the balance as of March 31, 2021. Based on this policy, we will further reduce our strategically held shares by more rigorously verifying the significance of our holdings.

Strategic shareholdings*

* Strategic shareholdings: Stocks listed in Japan



Sales of strategically held shares

FY2017	9,017 million yen
FY2018	5,298 million yen
FY2019	3,026 million yen
FY2020	2,944 million yen
FY2021	9,367 million yen

• Criteria for exercise of voting rights

In principle, Inabata exercises voting rights for all agendas in order to exercise its rights as a shareholder. The company reviews the merits and demerits of each agenda and exercises voting rights based on the judgment criteria of whether sustainable growth of the held company and improvement of its corporate value in the medium and long term can be expected.

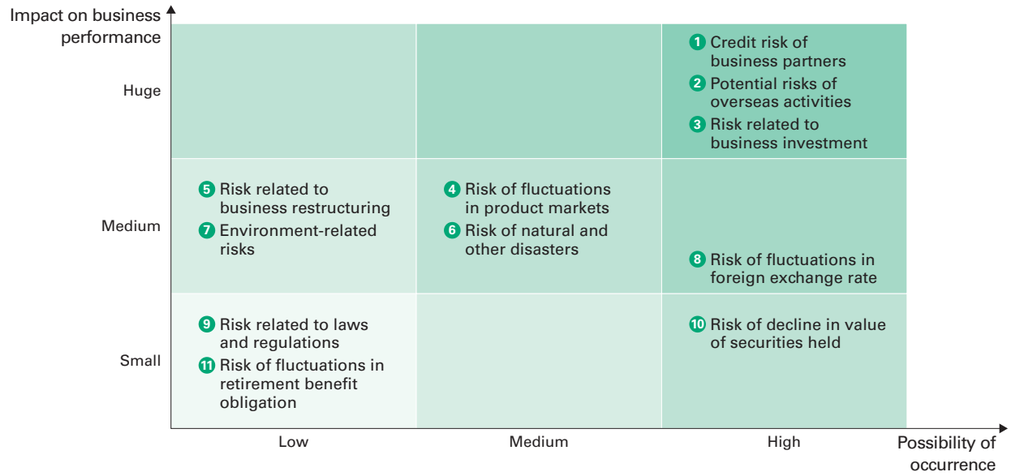
Risk Management

Operating globally with 60 bases across 18 countries, mainly in Asia, our Group faces various kinds of risks.

We manage risks by establishing and implementing various regulations related to credit management, export management, products management and others, with our Risk Management Office at the core. Additionally, we prepare ourselves for risks arising from everyday work by organizing and implementing the work rules for trading bases and manufacturing bases in multiple languages, along with executing appropriate risk checking functions from head offices using regulations for managing Group companies in Japan and abroad. We have identified the 11 risks shown in the above matrix as the main risks faced by our Group. Mapping has been done on the matrix based on the probable impact of each risk on our performance and the possibility of its occurrence using the responses on risk awareness of managers in the effectiveness evaluation of the Board of Directors conducted in FY2021 and other factors.

In this section, we will explain risks that are of high importance to our Group.

Major risks faced by the Inabata Group



Risks of high importance and related countermeasures

1 Credit risk of business partners

Our Group companies grant credit to many business partners in Japan and abroad. Although we carry out credit management on a global scale, including our overseas business partners as well, we cannot guarantee full collections. Therefore, there is a risk of adverse impact on our Group's performance and financial status due to the aggregation of bad-debt losses and allowance for doubtful accounts through bankruptcy and civil rehabilitation procedures and so on from contingencies concerning business partners. In the consolidated fiscal year, the Group's notes and accounts receivable were 184.6 billion yen and inventories were 79.0 billion yen, the total of which accounted for 68% of total assets. Credit screening is conducted by the Shinsa Kaigi, which is composed of members of management and holds discussions on investments, loans and credit projects. With regard to inventories, we monitor and manage the

balance of each consolidated Group company on a monthly basis.

2 Potential risks of overseas activities
Our Group's production and sales activities overseas cover multiple regions, including Southeast Asia and Northeast Asia, North America, and Europe. There are inherent risks in operating in these foreign markets, which include unexpected changes in laws or regulations, adverse political or economic factors, difficulty in recruiting and retaining personnel, underdeveloped technological infrastructure, potentially adverse tax consequences, and social disruptions due to other factors. For sales in the consolidated fiscal year by region, Asia accounted for 52% of the total, having the largest influence on our business. The consolidated fiscal year was impacted by lockdowns caused by COVID-19 in China and other countries. We have formulated and are implementing business continuity plans (BCP) at our major overseas bases to serve as countermeasures for emergencies such as infectious disease outbreaks.

3 Risk related to business investment
When developing business at the Inabata Group, in many cases, we actually make investments and acquire equity in a joint enterprise or joint venture. Notably, with respect to our investments in consolidated affiliates, there is a risk of adverse impact on our Group's performance and financial status due to trends in the financial status and operating results of such Group companies. In principle, our Group invests in minority interests with the main objective of expanding *shosha* trading business, and limits the risks and amounts for investments in majority interests. Under NC2023, we are aggressively investing under the priority policy of "intensification of investment targeting future growth."
Information on business investment ➤ p. 31

4 Risk of fluctuations in product markets
Many of the information electronic materials, chemical raw materials, food products, and plastics handled by our Group are impacted by fluctuations in commodity prices. Failure to respond flexibly to market fluctuations could adversely impact the performance and financial position of our Group. Each sales division gathers market information, monitors price trends, and thoroughly manages inventory. In the consolidated fiscal year, we were affected by the market prices of liquid crystal-related materials, which are the main materials sold in the information and electronics business, and by trends in naphtha prices, which impact the prices of materials in the plastics business. Also, mainly in the food business, we carry out inventory transactions and may be impacted by the market price of each product.

5 Risk related to business restructuring
In order to promote business selection and concentration, our Group continues to restructure its business by withdrawing from unprofitable businesses and selling or reorganizing subsidiaries and affiliates. These measures may adversely impact the performance and financial condition of our Group. We may be unable to execute our business restructuring plans in a timely manner due to factors such as government regulations and employment issues in each country. There is no guarantee that the Group will be able to achieve all or part of the original objectives by implementing business restructuring. We have established criteria for considering withdrawal from businesses, and hold deliberations on withdrawal, etc., from the relevant Group companies at the Shinsa Kaigi, which is composed of members of management and holds discussions on investments, loans and credit projects.

6 Risk of natural and other disasters
If a natural disaster such as an earthquake, tsunami, or typhoon, or a highly contagious infectious disease occurs in a country or region in which our Group operates, damage to our Group's employees, offices, or facilities may have an adverse impact on the Group's business. Furthermore, the supply chain disruption caused by the aforementioned disasters and supply/demand fluctuations in markets for products handled by our Group may impact our Group's operating results and financial position.

In order to respond to adverse impact of such disasters, we have formulated a Business Continuity Plan (BCP) based on our Group's basic policy for crisis response. We will strive to continue business with the highest priority on ensuring the safety of our employees. However, it may not be possible to avoid all damage or adverse impact, and the future business of our Group may be adversely impacted.

In the consolidated fiscal year, we were impacted by COVID-19, mainly in Asia.

7 Environment-related risks
Our Group handles a wide range of products in four business fields in Japan and overseas. The manufacture and sale of these products may be impacted by factors including regional environmental regulations and changes to eco-friendly products. Although we are working to diversify our suppliers, we were impacted in the consolidated fiscal year by environmental regulations in China for businesses such as chemicals. Moreover, sales of plastics may be impacted by the transition to plastic-free products. In our plastics business, we are engaged in the plastics recycling business, as well as the manufacture and sale of biodegradable biomass plastic.

8 Risk of fluctuations in foreign exchange rate
Our Group engages in the production, sales, and trading of products and raw materials for overseas business development. In principle, we conduct hedging transactions through measures such as forward exchange contracts. However, we may be impacted by exchange rate fluctuations associated with foreign currency denominated transactions. Furthermore, we convert items (including sales, expenses, and assets in each region) denominated in local currencies into Japanese yen for the preparation of consolidated financial statements. Consequently, the exchange rate at the time of conversion may impact the value after conversion into yen.

For the consolidated fiscal year, foreign exchange gains were 53 million yen, and foreign currency translation adjustments were 11.7 billion yen.

9 Risk related to laws and regulations
Our Group is subject to various government regulations in the countries in which we operate. These regulations include permits for business and investment, restrictions on exports for reasons such as national security, customs duties, and other regulations on imports and exports. Failure to comply with these regulations may result in increased costs. Consequently, these regulations may adversely impact the performance and financial position of the Group.

In the consolidated fiscal year, our overseas sales ratio is at the high level of 65%. It is possible that regulations on imports and exports will have a significant impact on our Group. Therefore, we have established the internal Export Control Committee in order to reduce risks.

Addressing other risks

- **Tax compliance**

All officers and employees of the Group strive to comply with laws and regulations as well as internal regulations, regardless of the country, to manage Inabata with a focus on compliance. With regard to taxes, we recognize that one of our social responsibilities is to pay taxes according to related laws and regulations in each country or region and maintain transparency. We think that proper tax payment contributes to economic development of the country or region and in return results in sustainable growth of our Group and improvement of our medium- to long-term corporate value. Therefore, we strive to minimize tax risk and maintain as well as improve tax compliance.

Note: Responses to the following risks are described in the section entitled "ESG Information."

- **Supply chain management (p. 77)**
- **Compliance, internal whistleblowing system, anti-corruption (p. 78)**
- **Information security (p. 79)**
- **Human rights (p. 90)**

Note: In regard to climate change risk, we disclose information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). (p. 82)

Business continuity plan (BCP)

We have been formulating and introducing BCPs at major bases, including domestic and overseas Group companies since 2018 so that we can promptly restart and continue business activities after a crisis takes place. We plan to establish the BCPs at 38 bases in 13 countries including Japan.

In 2021, we organized the issues identified through the spread of COVID-19 and reviewed our business continuity measures. We intend to formulate plans for FY2023 at some bases that had postponed the formulation of plans due to the spread of COVID-19.

Sustainability Management

For information on sustainability, please also visit our website entitled "Sustainability."

Inabata Group Sustainability Basic Policy/ Inabata Group Sustainability Code of Conduct

In November 2021, based on our Group's management philosophy and in consideration of environmental/social issues and international trends, we newly established the Sustainability Basic Policy and the Sustainability Code of Conduct. The latter is composed of nine precepts on topics such as human rights and the environment.

Inabata Group Sustainability Basic Policy

The Inabata Group's management philosophy is to value people and contribute to society with a spirit of *love* and *respect*. Under this mission, we will also make it a management priority to address various environmental and social issues.

We will continue to respond to society's evolving needs in all the Group's business activities, as we aim to enhance our long-term corporate value and contribute to building a sustainable society.

Inabata Group Sustainability Code of Conduct (items only)

1. Respect for Human Rights
2. Healthy, Safe, and Secure Working Conditions
3. Fostering an Open Culture for Active Participation by Diverse Staff
4. Environmental Conservation
5. Crisis Management
6. Constructing a Sustainable Supply Chain
7. Compliance
8. Collaboration with External Stakeholders
9. Sustainability Information Disclosure

Sustainability Committee
Established in November 2021
Revised in June 2022

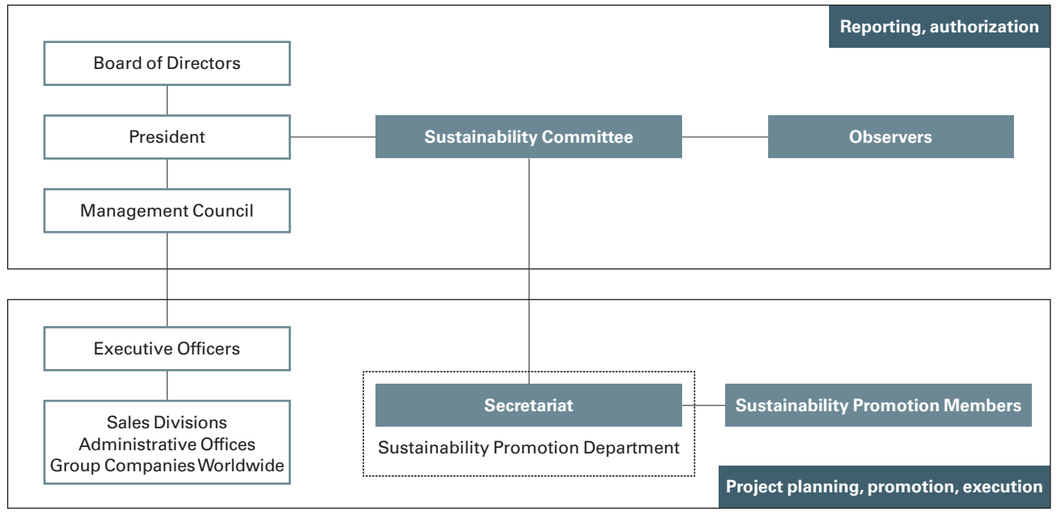
➤ The complete text of the Sustainability Code of Conduct is available on our Group's website.
https://www.inabata.co.jp/themes/english@inabata/pdf/csr/sustainability_guid_en_2206.pdf

Sustainability promotion system

In October 2021, we established the Sustainability Committee, which is chaired by the president and vice-chaired by the director in charge of sustainability. The committee members consist of directors and executive officers in charge of the four business segments and selected heads of administrative offices. The committee formulates, authorizes, and monitors the Group's sustainability policies and measures, and it reports to the Board of Directors. In principle, the Committee meets at least once a year (and holds extraordinary meetings as necessary).

Outside directors, non-executive directors, and audit and supervisory officers serve as observers of the Sustainability Committee. The observers monitor the fairness and effectiveness of the discussions at the committee and provide recommendations as necessary.

We have established the Sustainability Promotion Department as a body dedicated to promoting sustainability throughout the Group in accordance with the resolutions of the Sustainability Committee. We have also appointed Sustainability Promotion Members made up of staff from sales divisions and selected administrative offices. Members collect information and compile ideas about sustainability-related matters from their respective divisions and offices in order to facilitate smooth operation of the Committee.



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Participation in the United Nations Global Compact

In April 2022, Inabata & Co., Ltd. signed the United Nations Global Compact (UNGC) and was registered as a participating company. In addition, we also joined the Global Compact Network Japan, which comprises companies and other entities in Japan that have signed the UNGC.

Our Group will support and observe the 10 principles advocated for by the UNGC—which pertain to protecting human rights, eliminating unfair labor practices, being environmentally friendly, and preventing corruption—and based on our management philosophy, our Sustainability Basic Policy and Sustainability Code of Conduct, we will contribute to realize the sustainable society.

Materiality

In June 2022, we identified materiality for the sustainable growth of our Group. We intend to formulate indicators, targets, and plans for each materiality in FY2023.

Materiality identification process

STEP 1 **List social issues**
Refer to international guidelines (GRI, SASB, SDGs, ISO 26000, UNGC10 principles, etc.)
Refer to external evaluations and requests (various ESG surveys such as FTSE and MSCI, investor requests, etc.)

STEP 2 **Extract issues and evaluate importance**
The Sustainability Committee Secretariat and Sustainability Promotion Members narrow down issues and evaluate their importance
The Sustainability Committee deliberates on tentatively identified materiality

STEP 3 **Verify validity from an external perspective**
Hold stakeholder dialogues with external experts

STEP 4 **Management makes decision**
The Sustainability Committee discusses and decides on candidate materiality based on external opinions

Inabata Group Materiality

Overview

	Materiality	Key points
Creating Sustainable Value	Contributing to a decarbonized and circular society, sustainable use of natural capital	We will focus on environment-related businesses, such as environmental load-reducing products, in areas including renewable energy, alternative fuels, recycling, and electric vehicles to build a decarbonized and circular society. We will also promote the sustainable use of natural capital in our businesses related to building materials and food. We will take steps based on our environmental management system to reduce GHG emissions, reduce waste and increase the reuse of resources, prevent pollution, and conserve water resources and biodiversity to conserve the environment.
	Contributing to safety, security, and well-being	We will provide solutions that contribute to safety, security, and well-being through our mobility, food, and life science businesses. Chemicals are fundamental to a wide range of industries. We will maintain a high awareness of the responsibility associated with chemical substance management, product safety, and quality.
	Providing value through resilience in procurement and supply functions	Providing flexible and optimal dealings is an important function of Inabata Group as a trading company. In an uncertain, unpredictable society, the functions of the Inabata Group provide even greater value as a solution provider for changing customer and social needs. We will deliver value through resilience in procurement and supply functions by strengthening our supply chain management. To achieve this, we will use our global network and leverage our multifaceted functions as a trading company, such as product development, partnerships, and logistics expertise.
Strengthening the Foundation for Business Continuity	Respecting human rights in the spirit of love *(ai)* and respect *(kei)* and growing together with local communities	We respect the human rights of stakeholders associated with Inabata Group activities based on our core value of respecting people with the spirit of love *(ai)* and respect *(kei)*. We will share value with the people and to develop and grow with the local communities where we do business around the world.
	Fostering and strengthening the human capital driving the value creation	People driving the creation of new value are the Group's greatest asset. People trusted by our clients to become their best partners by demonstrating high ethics, passion, and providing solutions from a global perspective are the source of sustainable value creation. The resourcefulness of our employees is what enables us to continuously produce value. We believe that an organizational culture that recognizes diversity and values free and open discussions and teamwork will have high employee satisfaction and will support ongoing sustainable growth for both employees and the Company. We will continue to promote new workstyles, diversity & inclusion, employee engagement, human resource education and skill development, and occupational safety and health.
	Enhancing governance and risk management	We maintain a strong corporate governance system as a fundamental element of our continuous efforts to enhance corporate value. The system ensures management transparency and fairness provides a foundation for swift and decisive decision-making. We are also strengthening group governance in Japan and overseas and are fortifying our risk management, which encompasses compliance, corruption prevention, business continuity management, and information security.

Materiality and the business segments

			Information & Electronics	Chemicals	Life Industry	Plastics
Creating Sustainable Value	Contributing to a decarbonized and circular society	Renewable energy	●	●		
		Alternative fuels	●			
		Recycling	●	●		●
		Electric vehicles	●	●		●
	Sustainable use of natural capital	Building materials		●		
		Food			●	
	Contributing to safety, security, and well-being	Mobility	●	●		●
		Food			●	●
		Life Science			●	

Note: For information on corporate governance, please refer to pp. 59 to 69.

Supply Chain Management

Basic concept

For the Inabata Group, our supply chain is our lifeline and the foundation for creating value. We have set "providing value through resilience in procurement and supply functions" as a materiality to which we assign priority and focus. For this reason, our suppliers are important partners in creating value, and we aim for mutual growth by working together to solve environmental and social issues.

Supply Chain CSR Action Guidelines

We have established the Inabata Supply Chain CSR Action Guidelines based on our belief in the importance of sharing values and aim for the same goals with our suppliers, who are our partners in creating value together. We aim to realize a sustainable society by cooperating with all stakeholders in the supply chain.

Supply Chain CSR Action Guidelines

Inabata & Co., Ltd. has formulated these Inabata Supply Chain CSR Action Guidelines in response to the social expectation for companies to fulfill CSR in their supply chain management.

We would like to seek understanding of the following items from our trading partners and other stakeholders, and solicit cooperation in their implementation.

1. To respect human rights, and avoid inhumane treatment including discrimination, harassment, cruelty, and child labor.
2. To respect employees' right to organize and right of collective bargaining.
3. To prevent forced labor and unfair low-wage labor.
4. To provide employees with a safe, sanitary, and healthy work environment, to prepare emergency countermeasures for dealing with disasters and accidents, and to publicize these countermeasures so that they are known by all concerned parties.
5. To work to prevent environmental problems through measures on biodiversity and global warming.
6. To observe all domestic and foreign laws, to engage in fair business transactions, and to strive to prevent corruption.
7. To work to ensure and maintain the quality and safety of products and services.
8. To protect information assets from an information security perspective.
9. To disclose information regarding the above items in a timely and appropriate manner.

Product/supplier management (food business)

The food business in the Life Industry segment is directly related to the safety and health of consumers, so a high level of product and supplier management is required. Under the motto of "from visible producers to visible consumers," we conduct strict product and supplier management in order to provide safe and secure agricultural and marine products from all over the world.

When starting transactions with a new supplier, we conduct fundamental surveys such as interviews and audits to determine whether they possess international certifications. When importing food from overseas, we use a procurement business flow which requires confirmation as to whether or not the used pesticides and residual pesticides satisfy Japanese standards.

Governance (Compliance, Anti-corruption, Information security)

Compliance

• Basic concept

To establish management practices that emphasize compliance, the Inabata Group advocates thorough compliance per the Inabata Group Sustainability Code of Conduct. We have also adopted the Inabata Declaration of Compliance and the Compliance Guidelines. Inabata considers its corporate activities shall be in full compliance not only with legal regulations but also with social rules.

We also believe that carrying on the spirit of our founder—love *(ai)* and respect *(kei)* for people—is essential to fostering a corporate culture that emphasizes compliance. Hence, we strive to promulgate our Mission, Vision, and IK Values within the company.

We have also formulated a policy on tax compliance.

• Internal whistleblowing system

Inabata Group's internal whistleblowing system consists of two separate routes. The "compliance hotline" is primarily for reporting violations of laws and regulations, such as bribery and other types of corrupt activities, and incidents of serious breaches of compliance, including organizational fraud. The "counseling desk" provides mediation and coordination to help employees resolve issues related to the work environment and work relationships. For both reporting routes, contact and consultation are possible by oral communication, telephone, email, and postal mail.

Inabata operates its internal whistleblowing system in accordance with the Internal Whistleblowing Rules. As regulations common to the above two whistleblowing routes, the rules clearly stipulate that persons engaged in responding to whistleblowing are obliged to keep the provider anonymous, and that any attempts to identify the provider or any adverse treatment of the provider or those who cooperate with the investigation are strictly prohibited, ensuring that employees who use the system to provide information do not suffer consequences for whistleblowing.

When information is received, the rules provide clear procedures for communicating and verifying the information promptly and appropriately. The president of Inabata, who chairs the Compliance Committee, regularly reports the operational status of the internal whistleblowing system to the Board of Directors.

Anti-corruption

• Basic concept

The Inabata Group Sustainability Code of Conduct and Inabata Declaration of Compliance that we take to prevent corruption, including bribery and illegal payments to foreign public officials. In addition, the Supply Chain CSR Action Guidelines for our business partners and other stakeholders also states our commitment to not engaging in corrupt business practices.

To raise awareness and assist our employees in preventing corruption, we have produced and made readily available on the company intranet portal site our Compliance Guidelines and manuals on antitrust law, subcontracting law, unfair competition prevention law, insider trading regulations, and bribery.

The Compliance Committee, which is chaired by the president, oversees and regularly reports to the Board of Directors on serious cases of compliance violation, including bribery, law violations, and organizational fraud.

Information security

• Basic concept

The Inabata Group recognizes the importance of information security. With the aim of protecting the Group's information assets from information security risks, we have established principles concerning information security in our Information Security Policy. We have also established information management procedures and prepared manuals for all employees. We review our policy continuously to flexibly adapt to emerging risks and technologies.

• Management system

We have established the Information Security Working Committee as a subordinate organization of the Compliance Committee, which is chaired by the president. Information security administrators appointed in each sales division and administrative offices regularly report to the Information Security Working Committee on the status of compliance with policy, rules and manuals.

In addition, we have established a security incident response team (IK-SIRT*) to respond quickly and accurately to increasingly sophisticated security incidents, and are strengthening information sharing both internally and externally.

* IK-SIRT: A term combining the Group's symbol "IK" and an acronym for "Security Incident Response Team."

• Information security awareness training

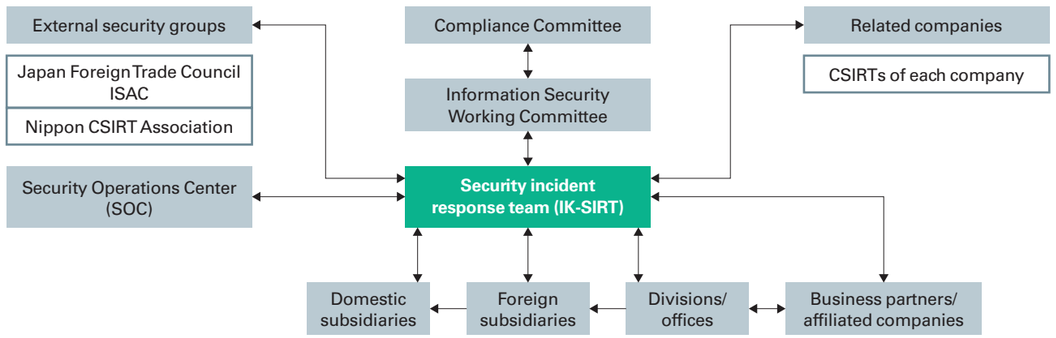
The Information Security Working Committee periodically conducts information security awareness training for all of our officers and employees, including contract employees, temporary employees, employees seconded to other companies, and employees seconded from other companies.

Training material about information security for new employees

• Information security in internal infrastructure

Due to the COVID-19 pandemic and the promotion of workstyle reforms, work in remote environments has increased rapidly. In order to tackle these challenges, in addition to traditional antivirus software, we have introduced an endpoint security system that monitors the behavior of devices. Monitoring is performed 24 hours a day, 7 days a week by an external security operations center (SOC).

Information security management system



FOCUS

Promotion of Digital Transformation (DX)

One of the main priority measures in the Inabata Group's medium-term business plan NC2023 is "enhancement of global management information infrastructure." The improvement of information security and the promotion of DX are two essential parts of our efforts.

Further enhancement of global management information infrastructure

- We will strive to adapt to new technological trends, achieve further digitalization, and transform and streamline operations (DX initiatives).
- We will establish a global management information infrastructure that supports enhancement of security, business continuity planning, and new workstyles.

Promotion of DX

- Centralization of information management (master data management)
- Visualization of sales activities (natural language analysis of sales reports)
- Visualization of business processes (process mining/RPA)

Establishment of management information infrastructure and enhancement of security

- Visualization of global management information (foundation construction)
- Establishment of CSIRT* system and initiatives for zero trust security
- Strengthening of collaboration with external parties (establishment of infrastructure for secure information sharing)

* CSIRT (Computer Security Incident Response Team): An organization that responds to the occurrence of security incidents

IT systems and technology environment supporting DX

Process mining, RPA (Robotic Process Automation), natural language analysis, security (system for incident detection/immediate response)

Organizations and human resources for promoting DX strategy: Renewal of the information system department; promotion of securing and developing digital human resources

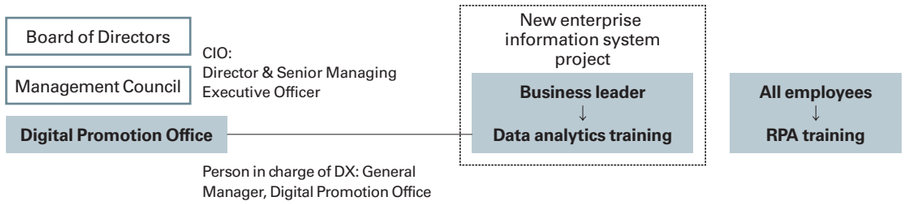
In April 2022, in order to further promote DX, we selected business leaders from each sales division for a company-wide project.
We are developing human resources who can analyze management information. Furthermore, we have renewed the existing information system department into an organization focused on DX.

Organization for promoting DX strategy

The person in charge of DX periodically reports to the Management Council and sets up opportunities for exchanging opinions on overall management, including DX strategy promotion.

Securing and developing digital human resources

Business leaders capable of analyzing business from a global perspective are selected for the project from each sales division (seven divisions and nine product fields).



- Establish DX actions as sustainable company-wide initiative and improve corporate value.

Enhancement of cooperation with external partners for data utilization

Cooperation with external partners
- Discuss the key indicators of management information and hold periodic data analysis study meetings.
- Conduct work analysis by process mining and realize further improvements by RPA.
- Perform natural language analysis of sales reports (qualitative information) and leverage customer relationship management (CRM).

Environmental Management

Basic concept

As a corporation with global operations, the Inabata Group recognizes that responding to global environmental issues such as climate change, resource circulation, and biodiversity is one of our most important management issues.

In order to pass on a rich earth to the next generation, in addition to complying with environmental laws and regulations, we will also reduce the environmental load of our business activities and provide environmental businesses that contribute to the realization of a sustainable society. With these goals in mind, we will work to continuously improve our environmental management system.

System (governance)

The Inabata Sustainability Committee formulates, authorizes, and monitors policies and measures related to sustainability such as climate change. The committee meets a minimum of once annually (more often as needed) and reports to the Board of Directors. The company president chairs the committee, and the officer in charge of sustainability is the vice chair. The committee comprises two directors, one executive officer from each business segment, and six heads of main administrative offices. In addition, six outside directors, one non-executive director, and one audit and supervisory officer participate as observers to monitor the committee for fairness and effectiveness and to make recommendations.

The matters resolved by the Sustainability Committee are implemented and managed by the Sustainability Promotion Department, which serves as the committee's secretariat and promotes the sustainability activities of the Group. The Sustainability Promotion Department provides the Sustainability Committee with sustainability-related information collected from across the Group to support meaningful discussion by the committee. The department cooperates with Sustainability Promotion Members from each sales division and main administrative offices to carry out its task.

Environmental management system

We have established an environmental management system based on ISO 14001. The results of annual activities under the environmental management system are reported to the president for management review. We also determine what results are included in the business execution report of the director in charge of the department responsible for managing ISO certification as stipulated by regulations of the Board of Directors, and the results are then reported at the Board of Directors.

Certificate of Approval

Inabata & Co., Ltd.

Certificate of Approval
(Renewed on April 1, 2020)

We appoint a person in charge of ISO administration and an ISO leader in each sales division and administrative office, and work to implement environmental activities throughout the company.

Domestic consolidated subsidiaries have also acquired ISO 14001 certification.

		FY2021
ISO 14001 certification	Acquired office	15 locations
	Acquisition ratio	60%

Coverage: Inabata & Co., Ltd. and domestic consolidated subsidiaries

Climate Change

Basic concept

Climate change is one of the most pressing issues facing global society. Unprecedented extreme and intense weather events are already occurring with greater frequency and they are seriously impacting both the natural environment and people around the world. The Paris Agreement is an international treaty on climate change measures seeking to "hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels" with the aim of achieving a balance between anthropogenic emissions and the absorption of greenhouse gases (GHG) in the second half of this century.

The Inabata Group fully recognizes the effects of climate change and the need for countermeasures and has stated in its Sustainability Basic Policy and Action Guidelines and the Inabata Declaration of Compliance that it will use its business to conserve the Earth's environment. We further proclaimed our intent of "contributing to a decarbonized and circular society," announcing it as materiality in June 2022, placing measures to address climate change and environmental issues as a management priority. We consider climate change as presenting both risk and opportunity for the Group and, while taking steps to reduce GHG emissions, we will seek to provide products and solutions that contribute to creating a carbon-free society.

We also recognize the importance of climate-related financial risk disclosure and have begun providing information in accordance with the recommendations issued in June 2017 by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)*. Although the compliance requirements for some TCFD recommendations require further study and discussion, we are increasing disclosure in line with the recommendations.

* The Task Force on Climate-related Financial Disclosures was launched in 2015, requested by the G20. Recognizing the significant impact that climate change will have on financial markets, the Final Report (Recommendations of the TCFD) released in 2017 called on companies to disclose information on the risks and opportunities associated with climate change.

Governance

Please refer to "System (governance)" under "Environmental Management" (page on left).

Main initiatives

We are striving for energy management by raising awareness of our employees towards saving electricity, implementing Cool Biz, introducing systems to monitor electricity consumption, introducing equipment with high energy-saving performance, and introducing eco-friendly cars, etc.

We are also focusing on businesses that contribute to a decarbonized society, such as renewable energy, alternative fuels, and other low-carbon products.

FOCUS

Announcing the Carbon Neutrality Declaration 2050

In June 2022, the Inabata Group announced the Carbon Neutrality Declaration 2050, which sets the goal of achieving net zero* greenhouse gas (GHG) emissions from business activities by FY2050.

This declaration is a response to global demands regarding climate change, and declares that we will accelerate climate change countermeasures more than ever before.

* Targets the amount of internal emissions (GHG Protocol Scope 1 = internal use of fuel, and Scope 2 = use of electricity and heat purchased by the company)

Climate Change

Strategy

The Inabata Group strives to comprehend the business risk and opportunity arising from the transition risk and physical risk from climate change and to incorporate them into its climate change countermeasures and business strategies. The Sustainability Committee analyzes and monitors the status of response to climate change-related risks and opportunities and evaluates the potential long-term impact on Group business. The Group has also set Contributing to a Decarbonized and Circular Society as a materiality.

Our analysis on the impact of climate change determined that the financial risks the Group faces are not to a degree to significantly impact its business operations. Business opportunities are more significant than the risk considering our future growth. Changes could increase customer reliance on trading companies, and our strong foundation of client trust could be a catalyst for growth. We will further act to ensure we take every advantage of the business opportunities, such as by proactively gathering information, developing products, forming partnerships, and introducing new measures for new conditions.

At the same time, we found distinct impacts on specific segments, particularly on business related to renewable energy in the Information & Electronics segment and on the agricultural, marine products, and other food businesses in the Life Industry segment.

We plan to disclose the results of our scenario analysis in FY2023.

Examples of climate change-related risks/opportunities and responses (partial excerpt)

Item		Climate change risk	Degree of impact	Business risk	Length of impact	Business opportunity	Length of impact	Response
Transition risk	Technology	Transition to low-carbon technology	Large	• Increased investment into new and alternative technologies, investment failure, and risk of irrecoverable loss • Decreased sales volume and profit for existing products due to innovative low-carbon technologies	Short to long term	• Invest in low-carbon technology to broaden order opportunities • Increase profits by developing and pursuing procurement opportunities for low-carbon technologies	Medium to long term	• Advance development and form partnerships for new low-carbon and alternative technologies • Gathering information on new low-carbon and alternative technologies, new materials, and new services (such as by participating in international initiatives)
	Market	Increasing market uncertainty	Large	• Reduced business from revamped customer supply chains • Loss of business due to increase of electric and fuel cell vehicles	Short to medium term	• Increase of opportunities for new transactions as customers accelerate local productions • Increase of demand for batteries and lightweight resins due to conversion to electric and fuel cell vehicles	Medium to long term	• Strengthen overseas manufacturing companies • Develop low-carbon technologies and products, form partnerships (including investing in venture companies)
Physical risk	Imminent	Intense and frequent typhoons, heavy rains, intense heat, and other weather events	Large	• Supply chain disruptions cause business stagnation or decrease (such as from damage to coastal petrochemical plants) • Risk of operation shutdowns due to damage to our own factories or power plant facilities • Intense weather events seriously damaging agriculture, forestry, or fishery products and poor harvests causing procurement and supply shortages	Short to medium term	• Increasing need for reliable procurement and supply • Create new business opportunities by proposing product and logistics alternatives for emergency situations	Short to medium term	• Use financial power to increase inventory • Strengthen supply chain resilience by creating a BCP and diversifying suppliers • Promote localization including local consignment of processing • Extend business upstream to secure stable agricultural and fishery resources (expand business domain from agriculture to aquaculture)
	Permanent	Average temperature rise Rain and weather pattern changes Sea level rise	Large	• Supply chain disruptions cause business stagnation or decrease (such as from damage to coastal petrochemical plants • Sluggish sales related to solar and biomass power generation (due to changes in the amount of sunshine and poor tree growth) • Increased procurement costs from intensified competition for agricultural and fishery products, decreased agricultural business profitability	Medium to long term	• Increasing demand for products and services adapted to climate change • Increasing need for reliable procurement and supply	Medium to long term	• Strengthen supply chain resilience by creating a BCP and diversifying suppliers • Develop products and services adapted to climate change • Extend business upstream to secure stable agricultural and fishery resources (expand business domain from agriculture to aquaculture)

Note: The table shown above is an excerpt listing only items with a high degree of impact. Please refer to the following website for the detailed version.
Website: Information disclosure based on TCFD recommendations
https://www.inabata.co.jp/themes/english@inabata/pdf/csr/tcfd.pdf

Risk management

The Inabata Group believes that traditional risk management methods alone are insufficient to manage the potential impact from long-term risks, which include considerable elements of uncertainty.

The Sustainability Committee deliberates risk, opportunities, and countermeasures related to climate change, analyzes and evaluates the risk, monitors the Group's progress, and delivers reports to the Board of Directors.

Additionally, the Compliance Committee monitors risk to the Group arising from various sources, including from environmental laws and regulations, with the intention of preventing risk situations and planning risk countermeasures. The committee, which is chaired by the president, has four regularly scheduled meetings each year and convenes at other times when necessary. As deemed necessary, important meeting content is reported to the Board of Directors.

Indicators and targets

Inabata Group has a long-term target to reach net zero GHG emissions*[1] by 2050. We plan to set specific near- and medium-term targets related to climate change in FY2023.

The Group has been disclosing its Scope 2 emissions data since FY2018. In FY2021, CO_2 emissions*[2] were 28,824 (t-CO_2). The Group is preparing to disclose Scope 1 and 3 emissions data beginning in FY2022.

Please refer to pp. 52 and 95 for performance data.

*[1] Scope 1 and 2
*[2] Inabata & Co., Ltd. and overseas resin compound manufacturing business bases

Pollution Prevention and Resource Circulation

Basic concept

The Inabata Group strives to minimize adverse effects on human health and the environment by preventing air, water, and soil pollution, reducing and properly processing hazardous waste and pollutants, and appropriately managing chemical substances, etc.

Furthermore, we strive to resource circulation by using sustainable resources, minimizing the amount of resources we use, reducing waste, and promoting recycling, etc.

"Contributing to a decarbonized and circular society" and "sustainable use of natural capital" are our materialities, and we are making efforts to realize a circular economy through our business.

Initiatives

- **Introduction of dry-process in-office paper recycler PaperLab**

In 2019, we introduced the dry-process (waterless) in-office paper recycler PaperLab. Paper can be recycled in the office with used copier paper from our company as a raw material.

We are working to reduce the amount of paper we purchase by increasing our paper recycling rate.

Note: For performance data on the amount of paper purchased, please refer to the Sustainability Data Collection on p. 95.

- **Participation in the Clean Ocean Material Alliance (CLOMA)**

We are participating in CLOMA, a domestic alliance that is working to solve the problem of marine plastic litter. Through collaboration among different industries involved in the plastic value chain, we are promoting the sustainable use of plastic products, as well as the development and introduction of alternative materials.

Note: Please refer to pp. 34 and 102 for information on our participation in the Alliance to End Plastic Waste (AEPW), an international alliance that works to solve the problem of plastic waste.

Conservation of Water Resources and Biodiversity

Basic concept

The business activities of the Inabata Group receive benefits from the ecosystem services that are the blessings of biodiversity, which are created through the connections of a wide range of organisms in various relationships. Furthermore, our business activities have a variety of impacts on biodiversity. Based on this recognition of these facts, we strive to conserve biodiversity through our business activities and social contribution activities; for example, efficient utilization and reduction of water resource usage, and sustainable use of natural capital such as forests and fisheries. "Sustainable use of natural capital" is listed among our materialities.

Initiatives

- **Handling of MSC/ASC certified products**

To ensure sustainable use of natural capital, we promote the handling of MSC-certified marine products caught using sustainable fishing that considers marine resources and the environment, as well as ASC-certified marine products that are produced through sustainable aquaculture. These products are mainly sold in the European and U.S. markets where environmental awareness is high.

MSC certified scallop

Environmental Business (Products that reduce environmental load)

Basic concept

The Inabata Group believes that climate change and other global environmental issues pose both risks to business continuity and new opportunities for growth.

"Contributing to a decarbonized and circular society" and "sustainable use of natural capital" are our materialities and have declared to contribute to resolving environmental issues through our business.

As mentioned in the medium-term business plan NC2023, we are working to expand our lineup of products and materials with low environmental loads in all segments.

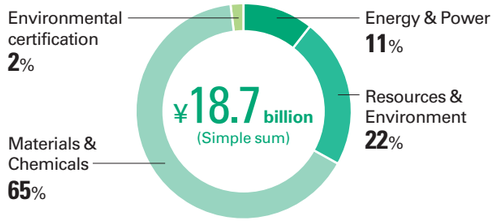
Fields of products that reduce environmental load

In consideration of recent issues surrounding the global environment, we have reviewed the fields of products that reduce environmental load, and have reorganized those products mainly in the clean-tech field, as shown in the table below. We will use this framework for calculating and reporting from the FY2021 report.

Fields of products that reduce environmental load

Field	Main contents
Energy & Power	Renewable energy, alternative fuels, etc.
Resources & Environment	Sustainable raw materials, recycling, etc.
Materials & Chemicals	Low-carbon materials, EV/battery materials, etc.
Agriculture & Food	Food waste reduction, soil improvement, etc.
Transportation & Logistics	EV charging, green logistics, etc.
Environmental certification	FSC, MSC, ASC, etc.

Sales of products that reduce environmental load in FY2021



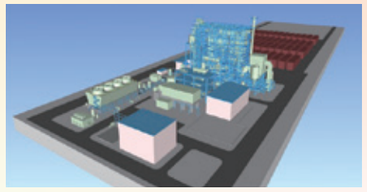
Coverage: Inabata Group (domestic and overseas consolidated)
Note: There are no results for "Agriculture & Food" or "Transportation & Logistics" in FY2021.

Example **Developed a wood-burning biomass power plant with a power output of 52,700 kW in Fukuyama City, Hiroshima Prefecture**

Together with Chubu Electric Power Co., Inc., Taihei Dengyo Kaisha Ltd., Tokyo Sangyo Co., Ltd., Solariant Capital Co., Ltd. ("Solariant"), and Hitachi Zosen Corporation, Inabata & Co., Ltd. concluded an anonymous association agreement with Fukuyama Biomass Power Generation LLC ("the Project Company"), which was established by Solariant, and the Project Company concluded a loan agreement through project financing.

The Project Company will construct and operate the wood-burning "Fukuyama Biomass Power Plant" with power output of 52,700 kW in Fukuyama City, Hiroshima Prefecture, and aims to commence operation in May 2025. Estimated annual power output is approximately 380 million kWh (equivalent to electricity usage by about 120,000 ordinary households).

In this power generation project, Inabata will be entrusted with the management of wood chips (unused thinned wood from Hiroshima Prefecture, etc.) which is the fuel of the Project Company.



Conceptual image of completed power plant

➤ Related information p. 33 Feature: Challenges for the Future Challenge 2 Contributing to the Circular Economy—Recycling Materials Business

Labor Practices

Basic concept

Employees are the greatest assets of the Inabata Group. We believe that enabling employees with diverse backgrounds and strengths to fully demonstrate their abilities will increase the Group's competitiveness and lead to sustainable growth. We will therefore strive to provide flexible and diverse work styles (for example, providing support for balancing work and childcare/nursing care), preventing overwork through appropriate management of working hours, and enhance benefits, thereby improving working conditions and creating a comfortable workplace. As set forth in our Sustainability Code of Conduct and Human Rights Policy, we thoroughly comply with the laws and regulations of the countries and regions in which we do business. We support and respect the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Furthermore, we comply with the statutory minimum wage and apply a gender-neutral remuneration system for employees of the same qualifications and job levels.

Relationship with employees

The Inabata Group has established a labor union. We also provide an extensive welfare system and facilities to realize an environment where union members can make the most of their individual characteristics and concentrate on their work with peace of mind. This also contributes to increasing the motivation of employees.

Labor and management discuss various issues with the aim of improving working conditions and improving the economic status of employees.

Diverse workstyles (new workstyle reform)

We have set "enhancement of human capital utilization efforts" as one of the key initiatives of the medium-term business plan NC2023, and have proposed "strengthening efforts that target new workstyle reforms."

We encourage employees to take annual paid leave and work to shorten long working hours in order to create an even more comfortable employment environment where employees can work in harmony with their personal lives.

As measures to prevent the spread of COVID-19, we have actively promoted staggered commuting times and shift work from home to prevent infection during commuting.

From FY2022, we introduced the systems shown on the right. These systems utilize the respective characteristics of office work and telecommuting, and further heighten the degree of freedom and discretion in how each individual works, thereby increasing the efficiency and results of work.

Newly introduced system (Inabata & Co., Ltd.)

System	Content
Telework System that enhances the degree of freedom and discretion in workstyles	Telework is made available to improve the efficiency and results of work. Telework is available for all employees.
Work-at-home system that supports a balance between work and childcare, nursing care, or treatment for personal injuries and illnesses	[Purpose of Childcare] Available to employees who are raising a child up to the sixth grade in elementary school and who have a childcare environment but are temporarily unable to leave the child, and employees who are raising a child under the age of three and who do not have a childcare environment.
	[Purpose of Nursing Care] Available to employees who live together with a family member that requires nursing care.
	[Purpose of Treatment] Available to employees who are able to work and wish to continue working while receiving treatment, and for whom the attending physician and industrial physician have determined that the employees are able to provide work and that it is preferable for them to perform said work at home.

Employee Engagement

Basic concept

The source of value creation at the Inabata Group is our approximately 4,200 employees in Japan and overseas. Employees will be able to work with more energy if there is a high degree of engagement (=understanding, connection, cooperation, and trust) between management and employees, between supervisors and subordinates, among employees, among departments, and among group companies. Based on this high level of trust, we believe that each and every employee will personally participate in the organization and devote themselves to their work, which will ultimately lead to the growth of the entire Group.

Employee engagement survey

We started administering an employee engagement survey from FY2021. The second survey was conducted in May 2022 to confirm changes over time. Findings on employee motivation and satisfaction with the organization were turned into figures and given to their supervisors as a hint for a possible behavioral change to revitalize the organization.

		April 2021	May 2022	Trends
Number of employees surveyed	Total (Inabata & Co., Ltd. / main overseas trading offices)	1,400 (587/813)	1,697 (708/989)	↗
Response rate	Total	49%	73%	↗
Main items*	**Engagement** I am satisfied with the work I am doing at Inabata now	70%	73%	↗
	Relationship with superiors I have the necessary collaboration with my supervisor at work	75%	80%	↗
	Organizational culture When a problem occurs in the course of my duties, my supervisor and the people around me provide appropriate support	83%	85%	↗
	Corporate philosophy I can relate to Inabata's philosophy, vision, and management policies, and I want to participate in achieving them	70%	73%	↗
	Human resources system and benefits Inabata's salary standards are satisfactory, compared to other companies in the same industry	59%	55%	↘
	Human resources system and training Inabata supports employee training to improve their skills	41%	48%	↗
	WLB (work-life balance) Overtime is kept to a level that is acceptable for me	64%	69%	↗

* From among a five-point evaluation by employees (5. Strongly agree / 4. Agree / 3. Neither agree nor disagree / 2. Disagree / 1. Strongly disagree), the ratio of positive responses (5. and 4.)

In FY2022, the survey was administered to 1,697 group employees. The response rate was 73%, which was a significant improvement from the previous survey. Engagement related to internal human relations and organizational culture remained high. Some improvements were observed in regard to the training system, which was identified as an issue in the previous survey, and we will continue to strengthen our efforts. In regard to personnel systems and welfare programs that scored lower than the previous survey, we will promote measures particularly in areas where the score has decreased, and will strive to continuously improve employee engagement.

- **Enhancement of training for managers and introduction of video learning support**

In the FY2021 survey, we identified issues for the item "supporting employee skill improvement." In response, we are working to enhance training in FY2022, mainly for managers. We also introduced a video learning support system that employees can freely select and use for personal development.

Human Resource Development

Basic concept

People are the most important asset of the Inabata Group, and the development of human resources is one of our management issues. Our human resource development and skills development are based on the spirit of love *(ai)* and respect *(kei)* for people, and on our Mission. We cultivate human resources that share the IK Values and who can realize our Vision. By providing diverse work experiences and growth opportunities, and conducting training according to role, we develop human resources who have expertise and can lead organizations and businesses in Japan and overseas. For the Group, which does business all over the world, it is an important issue to develop "global staff" who can coexist with the international community and create new value from a global perspective regardless of national borders. As for our materiality, we have set the goal of "fostering and strengthening the human capital driving the value creation."

➤ Related information p. 35 Feature: Challenges for the Future Challenge 3 Fostering Global-Minded People

Our mission awareness activities at Inabata

The foundation of our Group's human resource development is sharing the spirit of love *(ai)* and respect *(kei)* for people that has been handed down since our founding. In order to instill our Mission, Vision, and IK Values to all employees worldwide, we engage in activities such as distributing philosophy cards and holding workshops.

Systems for internal recruitment and career path self designing

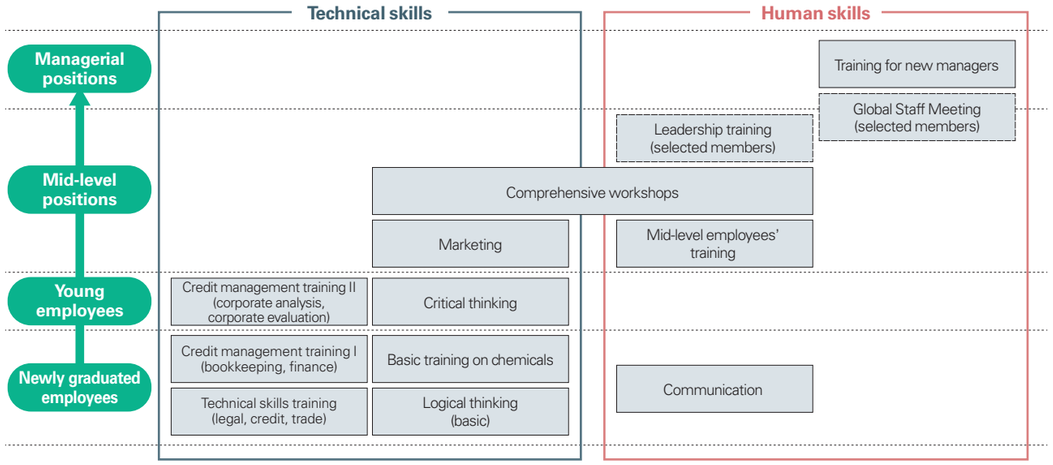
As part of efforts to strengthen our organization, assign and supplement the right people to the right positions, and support the careers of our employees, we started the systems for internal recruitment and career path self designing from FY2022. These systems encourage employees to take on challenges in new jobs in order to advance their careers.

Fundamental training system

We hold training so that employees joining the company can acquire the necessary knowledge as "global staff" according to their respective levels.

We also hold lectures to educate employees about the minimum basic knowledge of chemicals necessary for working at a trading company dealing in chemicals. We invite external lectures and hold a total of 10 sessions, mainly for young employees.

Training structure at Inabata & Co., Ltd.



Human Rights

Basic concept

The Inabata Group has always engaged in management that respects people based on the spirit of love *(ai)* and respect *(kei)* for people as upheld by our founder. One of the strengths of our Group is a global network. In recent years, in response to the growing importance of respect for human rights in international business, we have fulfilled our responsibility toward human rights by advancing our spirit of respect for human beings and establishing the Inabata Group Human Rights Policy.

Inabata Group Human Rights Policy (partial excerpt)

The Inabata Group's management philosophy reflects our founding spirit of love *(ai)* and respect *(kei)* for all people, and the Inabata Group Human Rights Policy was formulated based on our Sustainability Basic Policy and Sustainability Code of Conduct. We fulfill our responsibility to promote human rights in our business activities by respecting the human rights of stakeholders affected by our activities and by addressing the negative impacts on human rights caused by our business activities.

1. Policy scope
2. Accepting and respecting international norms and legal compliance
3. Policy application
4. Significant human rights issues
5. Human rights due diligence
6. Remedy and corrective action
7. Education and awareness
8. Information disclosure

March 2022

➤ Inabata Group Human Rights Policy
https://www.inabata.co.jp/themes/english@inabata/pdf/csr/human_rights_policy.pdf

Human rights due diligence

In order to respect the human rights of people affected by the Group's business activities, we will construct mechanisms for human rights due diligence based on the United Nations Guiding Principles on Business and Human Rights. Currently, we are assessing risks related to human rights with the aim of "identifying, analyzing, and evaluating adverse impacts on human rights." When assessing risks related to human rights, we evaluate the possibility of negative impacts on human rights and extract human rights risks from perspectives such as the business domain and characteristics of the Group, the region and country where we operate, and the value chain. We plan to identify human rights risks to be prioritized during FY2022.

Human rights training

- **Training to raise awareness for human rights and to prevent harassment**

Every year, we hold training sessions on human rights awareness at training session for all employees (executives, employees, unretired senior employees working on a fixed-term contract, and temporary employees).

In FY2021, we held training to prevent harassment. We also prepared an e-learning program that enables employees to understand the knowledge and approach to prevent workplace harassment, and to learn the criteria for judging what constitutes harassment. We have prepared videos for all employees and managers on a portal site that can be viewed at any time. This enables learning by repeating the process of watching, understanding, practicing, and reviewing.

Screenshot of training video
(Changed to training by video from FY2020 to prevent COVID-19 infection)

Diversity and Inclusion

Basic concept

As global competition intensifies, we recognize that diverse values are important for the sustainable development of our business. In the Inabata Group, employees with various backgrounds perform on a global scale. So that each individual can fully demonstrate their strengths, we are focusing on enhancing measures and systems for fair employment, placement, evaluation, treatment, and promotion, regardless of race, religion, nationality, age, gender, sexual orientation, or disabilities. We strive to foster an organizational culture that respects the individuality and abilities of each employee, accepts and utilizes diversity, and enables work with a sense of unity.

We also promote diversity and inclusion as part of the materiality of "fostering and strengthening the human capital driving the value creation."

Promoting the active advancement of women

Inabata & Co., Ltd. is working hard to promote action plans for creating an employment environment where women can actively participate, and for supporting both men and women in achieving a work-life balance, such as childcare and nursing care.

In April 2021, we announced our General Employer Action Plan, which is based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The Plan sets the following three targets as indicators.

Targets (three-year period from April 1, 2021 to March 31, 2024)	FY2021	Evaluation
Target 1 Increase the ratio of women in managerial positions (manager or higher) at 5% or higher	3.7%	Fair
Target 2 Ensure that at least 20% of new college graduates hired to Staff positions are women	38.5%	Good
Target 3 Increase the ratio of women in Staff positions to 15% or higher	13.6%	Fair

Note: Targets 1 and 3 show figures as of March 31, 2022. Target 2 is calculated using unofficial job offers in FY2021 and new graduates entering the company in April 2022.

- **Main initiatives in FY2021**
  - Dissemination of messages from top management using the company intranet portals and internal newsletters
  - Holding workshops for women in Staff positions
  - Briefings on career changes and interviews with women in Assistant positions
  - Introduction of a work-at-home system to help employees balance childcare, nursing care, and treatment for personal injuries and illnesses

Message from president posted on the corporate portal

Article on diversity in internal newsletter

Promoting the active advancement of seniors

In FY2022, we introduced a new system to realize a personnel system that allows diverse human resources, including seniors, to actively perform in the workplace. In addition to extending the mandatory retirement age to 65, we are supporting performance by senior employees by establishing positions for seniors, establishing a system for re-employment of employees aged 65 and over, and implementing career training and skill development for employees in their 40s and 50s.

Health and Productivity Management/ Occupational Health and Safety

Basic concept

Our employees are the greatest asset of the Inabata Group. We believe that ensuring a safe working environment and maintaining and improving health are important themes for enabling employees to maximize their potential. In all countries and regions where our employees work, we establish an appropriate management system, and comply with the labor standards and other various laws and regulations of each country and region. With this as a basis, we implement various measures to prevent overwork, long working hours, and occupational accidents, to reduce the risk of epidemics among employees, and to maintain and improve employee health. The Inabata Group is taking action to create a workplace environment where employees can continue to work with energy, good health, safety, and peace of mind.

Health and Productivity Management Declaration

In July 2022, we established the Health and Productivity Management Declaration.

Health and Productivity Management Declaration

As a company, based on the spirit of love *(ai)* and respect *(kei)* for people, we hope that our employees are always healthy, both physically and mentally.

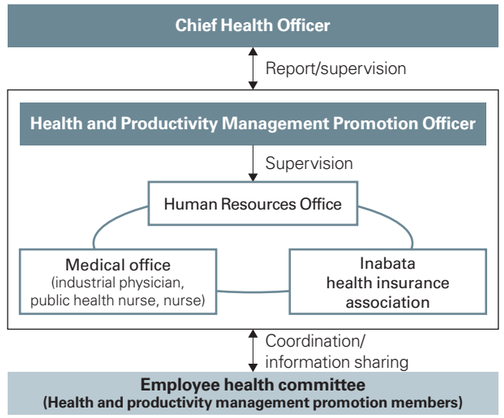
Inabata will promote health and productivity management by creating a system within our company and implementing initiatives to maintain and improve the health of our employees throughout the company.

Katsutaro Inabata
President
Inabata & Co., Ltd.

Health and Productivity Management Promotion System

We will appoint the president as chief health officer and the senior managing executive officer in charge of human resources as health and productivity management promotion officer. The Human Resources Office, medical office, and Inabata health insurance association work together to promote employee health and productivity management. Information is shared as necessary at meetings of the employee health committee, and health and productivity management measures are discussed with employees.

Diagram of Health and Productivity Management Promotion System



Issues in employee health and productivity management

Compared to the average of other companies in the same industry, our company has more employees diagnosed with findings related to blood pressure, liver function, lipids, and blood sugar that can cause lifestyle disease. Therefore, our goal is to reduce employees diagnosed with findings by as much as possible. By doing so, we aim to prevent loss of labor force due to presenteeism and absenteeism*, and to have employees perform to their full ability.

* Presenteeism is a condition in which mental and physical health problems affect performance despite being present at work, and it is not possible to increase performance. Absenteeism is a condition in which work itself cannot be performed due to poor physical or mental health which causes an employee to arrive late, leave early, or to miss work, take leave, or engage in other behavior that makes it difficult to work.

Local Community (Social contribution activities)

Basic concept

The Inabata Group's IK Values includes "to grow with people across borders, sharing and respecting diverse values with the aim of co-prosperity (symbiosis)." Furthermore, as one of our materialities, we have raised "respect for human rights and harmony with local communities based on the spirit of love *(ai)* and respect *(kei)*."

As a company that conducts business all over the world, we aim to grow and coexist with local communities through our business activities and social contribution activities, while at the same time building trust with local people.

After returning from studying in France, our founder Katsutaro Inabata devoted himself to cultural exchanges and friendships with foreign countries. The Inabata Group retains the spirit of our founder even today, and we conduct social contribution activities with a focus on international exchange, cultural support, and support of local communities.

Japan–France exchange

International exchange

Ever since our founder went to study in France in the latter half of the 19th century to learn about synthetic dyes and other cutting-edge technologies of the time, Inabata has been committed to cultural exchange between Japan and France. In 1926, the then French Ambassador to Japan, Paul Claudel, and Katsutaro Inabata established the Centre Culturel Franco-Japonais in Kyoto to promote cultural exchange between the two countries.

In 1927, the Institut Franco-Japonais du Kansai (KFJI, currently the Institue Francais Kansai) was built in Kyoto, with the Center serving as the operating body, thus establishing a base for exchange activities. Afterwards, the Inabata Group devoted itself to Japan-France exchange in the Kansai region. For example, our second president Taro Inabata founded the Société franco-japonaise d'Osaka, and our fourth president Katsuo Inabata established the Société de Rapprochement Intellectuel Franco-Japonais (currently the Villa Kujoyama), which is used as a base of stay for artists visiting Japan from France. The spirit established by successive presidents has been passed down to our current president, Katsutaro Inabata (sixth president), who continues to contribute to mutual understanding and friendship between the two countries in a wide range of fields through the Société franco-japonaise d'Osaka.

Legion of Honor Medal (5th degree)

In 2021, President Katsutaro Inabata was awarded the Legion of Honor for his long-standing efforts to promote mutual understanding and friendship between France and Japan. Legion of Honor medals have also been awarded to successive presidents.

- **Katsutaro Inabata** (founder)
  - 1914 Received rank of Chevalier (5th degree)
  - 1921 Received rank of Officier (4th degree)
  - 1927 Received rank of Commandeur (3rd degree)
  - 1935 Received rank of Grand Officier (2nd degree)
- **Taro Inabata** (second president)
  - 1936 Received rank of Officier (4th degree)
  - 1960 Received rank of Commandeur (3rd degree)
- **Katsuo Inabata** (fourth president)
  - 1991 Received rank of Officier (4th degree)
  - 1997 Received rank of Commandeur (3rd degree)
- **Katsutaro Inabata** (sixth president)
  - 2021 Received rank of Chevalier (5th degree)

Japan–Portugal exchange

International exchange

Our company's exchange with Portugal began in 1920, when our founder was appointed as vice-consul for Portugal in Kyoto. Next, our second president Taro Inabata was appointed as honorary vice-consul in Osaka. Our fourth president, Katsuo Inabata, who served as an honorary consul in Osaka, became the first president of the Portugal-Japan Society of Osaka.

This tradition of private diplomacy, which started with our founder, remains part of our heritage to this day. Our current president Katsutaro Inabata is actively promoting friendship and exchange between Japan and Portugal, and serves as honorary consul in Osaka and as president of the Portugal-Japan Society of Osaka.

Promotion of French music

Cultural support

- **Awarding the Inabata Prize at the French Music Competition**

At the French Music Competition sponsored by the Société Musicale Franco-Japonaise du Kansai, we award the Inabata Prize every year to the best performer in the vocal or piano category. Since beginning this activity in 1974, we have awarded the prize to a cumulative total of 48 winners as of FY2021.

- **Supporting the Académie de musique française de Kyoto**

Inabata supports the Académie de musique française de Kyoto, which is a Japan-France music exchange program that has operated since 1990. Top-class musicians are invited from France and master classes are held for about two weeks. The program provides a valuable opportunity for young Japanese musicians to receive high-quality education in French music.
(In FY2020 and FY2021, no musicians were invited to Japan in order to prevent the spread of COVID-19, and the master classes were held online.)

Master class held remotely

Support for independence of persons with disabilities

Contributing to the local community

- **Official partner of Paralym Art® (Shougaisha Jiritsu Suishin Kikou Association)**

We support the independence of persons with disabilities as an official partner (Bronze Partner) of Paralym Art, which aims at "creating a world where persons with disabilities can fulfill their dreams through art." The Association contributes to society by teaming up with artists with disabilities and continues to support people with disabilities through the continuous cooperation of private companies and individuals, without relying on social security expenses. We used a work from Paralym Art, a program which is managed and operated by the Organization, as the design for our shareholder rewards (QUO cards).

Providing supplies/donations

Contributing to the local community

- **Provision of disaster food supplies for a local children's support network project by Osaka city council of social welfare**

We provided disaster food supplies for a local children's support network project. The project utilizes cooperation with various sectors of the community to support children's nutrition and learning, and to promote safe and familiar places for children. The donated supplies were sent to organizations working on creating safe places for children and supporting single-parent families.

- **Donation to the Keidanren Nature Conservation Fund**

Inabata donates to the Keidanren Nature Conservation Fund, a public trust that supports various projects such as natural resource management related to biodiversity conservation, protection of rare animals and plants, afforestation and environmental education.

➤ For performance data on social contribution activities, please refer to the Sustainability Data Collection on p. 100.

Environment

Energy and climate related data

		FY2019	FY2020	FY2021
CO_2 emissions ($t\text{-}CO_2$)*3	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases	35,510	28,198	**28,824**
	Inabata & Co., Ltd.*1	433	422	**359**
	Overseas resin compound manufacturing business bases*2	35,077	27,776	**28,465**
Energy consumption (1,000 kWh)	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases	53,674	44,131	**45,926**
	Inabata & Co., Ltd.*1	900	888	**886**
	Overseas resin compound manufacturing business bases*2	52,774	43,243	**45,040**
CO_2 emissions per sales ($t\text{-}CO_2$ / ¥100 million)	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases*4	10.71	8.95	**8.23**

*1 Coverage: Tokyo Head Office, Osaka Head Office, Nagoya Branch
*2 Seven overseas subsidiaries engaged in the resin compound business, which is a strength of the Inabata Group
*3 Scope 2 only. A unit is calculated using the emission factor provided by the Ministry of the Environment and the Ministry of Economy, Trade and Industry for each electric power company.
Units for overseas resin compound manufacturers are calculated using the country-specific emission factors in the IGES List of Grid Emission Factors published by the Institute for Global Environmental Strategies. In accordance with the updated emission factors per unit, the figures reported in FY2021 have been retroactively revised from FY2019 forward.
*4 The sales parameter uses the simple net value of sales.

Pollution prevention / Resource circulation

	FY2019	FY2020	FY2021
NOx (Nitrogen oxide) (t)	0	0	**0**
SOx (Sulfur oxide) (t)	0	0	**0**
VOC (Volatile organic compounds) (kg)	0	0	**0**
Waste (t)*	89	67	**76**
Hazardous waste (t)*	0	0	**0**
Waste recycled (t)*	69	48	**57**
Final disposal of waste (t)*	20	19	**19**
Waste recycling rate (%)*	78	72	**75**
Paper consumption (1,000 sheets)	5,304	3,563	**2,925**
Green purchasing ratio of office supplies, etc. (%)	70	64	**76**

Coverage: Inabata & Co., Ltd. (Tokyo Head Office, Osaka Head Office, Nagoya Office)
* Includes tenants of the Osaka Head Office.

Water resources

		FY2019	FY2020	FY2021
Discharge amount by discharge destination (m^3)*	Total	8,425	6,186	**5,531**
	Ocean	0	0	**0**
	Surface water	0	0	**0**
	Groundwater	0	0	**0**
	Sewage	8,425	6,186	**5,531**
	Others	0	0	**0**
Water withdrawal amount by withdrawal source (m^3)*	Total	8,425	6,186	**5,531**
	Surface water	0	0	**0**
	Groundwater	0	0	**0**
	Water supply	8,425	6,186	**5,531**
	Rainwater	0	0	**0**
	Sea water	0	0	**0**
	Others	0	0	**0**
Water withdrawals/consumption in water stressed regions (m^3)		0	0	**0**
Number of violations related to water quality / water withdrawals (violations of permits, standards, regulations, etc.)		0	0	**0**

Coverage: Inabata & Co., Ltd. (Tokyo Head Office, Osaka Head Office, Nagoya Office)
* Excluding Nagoya Office

Environmental management

		FY2019	FY2020	FY2021
Environmental management system certification (ISO 14001)*	Offices that acquired certification (number of offices)	—	15	**15**
	Acquisition ratio (%)	—	60	**60**
Number of environmental law violations	Inabata & Co., Ltd.	0	0	**0**
Environmental fines and penalties (yen)	Inabata & Co., Ltd.	0	0	**0**

* Coverage: Inabata & Co., Ltd. and domestic consolidated subsidiaries

Society

Employee status (non-consolidated and consolidated)

Ratio is listed in ( )

		FY2019 Total Men	FY2019 Total Women	FY2020 Total Men	FY2020 Total Women	FY2021 Total Men	FY2021 Total Women
Number of employees / gender ratio (people/%)	Inabata & Co., Ltd.: Includes seconded employees	648		656		**672**	
	Total	439 (68%)	209 (32%)	442 (67%)	214 (33%)	**448 (67%)**	**224 (33%)**
	Non-management	251 (55%)	204 (45%)	257 (55%)	209 (45%)	**263 (55%)**	**217 (45%)**
	Management	188 (97%)	5 (3%)	185 (97%)	5 (3%)	**185 (96%)**	**7 (4%)**
	Inabata & Co., Ltd.: Does not include seconded employees	534		536		**552**	
	Total	—	—	—	—	**334 (61%)**	**218 (39%)**
	Non-management	—	—	—	—	**219 (51%)**	**212 (49%)**
	Management	—	—	—	—	**115 (95%)**	**6 (5%)**
	Domestic consolidated subsidiaries	—		—		**399**	
	Total	—	—	—	—	**296 (74%)**	**103 (26%)**
	Non-management	—	—	—	—	**219 (70%)**	**96 (30%)**
	Management	—	—	—	—	**77 (92%)**	**7 (8%)**
	Overseas consolidated subsidiaries	—		—		**3,312**	
	Total	—	—	—	—	**1,801 (54%)**	**1,511 (46%)**
	Non-management	—	—	—	—	**1,547 (53%)**	**1,381 (47%)**
	Management	—	—	—	—	**254 (66%)**	**130 (34%)**

Note: Data for Inabata & Co., Ltd. and domestic consolidated subsidiaries are as of the end of each fiscal year (March 31). Data for overseas consolidated subsidiaries are as of the end of July 2022. Numbers for domestic and overseas consolidated subsidiaries include employees seconded from Inabata & Co., Ltd.

Employee status (by region)

Ratio is listed in ( )

		FY2021 Total Men	FY2021 Total Women
Number of employees / gender ratio (people)	Japan	**951**	
	Total	**630 (66%)**	**321 (34%)**
	Non-management	**438 (59%)**	**308 (41%)**
	Management	**192 (94%)**	**13 (6%)**
	Southeast Asia	**2,459**	
	Total	**1,283 (52%)**	**1,176 (48%)**
	Non-management	**1,154 (51%)**	**1,092 (49%)**
	Management	**129 (61%)**	**84 (39%)**
	Northeast Asia	**475**	
	Total	**249 (52%)**	**226 (48%)**
	Non-management	**172 (47%)**	**196 (53%)**
	Management	**77 (72%)**	**30 (28%)**
	The Americas	**304**	
	Total	**226 (74%)**	**78 (26%)**
	Non-management	**195 (74%)**	**68 (26%)**
	Management	**31 (76%)**	**10 (24%)**
	Europe	**73**	
	Total	**42 (58%)**	**31 (42%)**
	Non-management	**26 (51%)**	**25 (49%)**
	Management	**16 (73%)**	**6 (27%)**

Note: As of March 31, 2022 for Japan. As of July 31, 2022 for other regions.

Labor practices / diversity

		FY2019		FY2020		FY2021	
Average age	Total	40.8		41.1		**41.4**	
	Men/Women	42.2	38.3	43.1	38.1	**43.7**	**37.1**
Average years of employment	Total	13.7		14.8		**14.9**	
	Men/Women	14.5	12.3	16.1	11.1	**16.4**	**11.8**
Average annual salary (thousand yen)		8,571		8,506		**8,609**	
Number of temporary staff (people)		47		46		**60**	
Number of non-Japanese staff (people)		5		6		**11**	
Voluntary turnover rate (%)		—		3.2		**3.5**	
Number of employees by age (people)	Under 30 years old (total)	140		133		**139**	
	(men/women)	77	63	66	67	**64**	**75**
	30–39 years old (total)	147		158		**156**	
	(men/women)	98	49	106	52	**105**	**51**
	40–49 years old (total)	182		166		**163**	
	(men/women)	120	62	107	59	**106**	**57**
	50–59 years old (total)	149		165		**168**	
	(men/women)	123	26	137	28	**140**	**28**
	over 60 years old (total)	30		34		**46**	
	(men/women)	21	9	26	8	**33**	**13**
Total annual working hours per employee (hours/year)		1,828		1,907		**1,917**	
Monthly average overtime working hours (hours/month)		—		14.2		**11.4**	
Average annual paid leave	Days taken (days)	11.5		9.2		**10.4**	
	Utilization rate (%)	61.6		48.7		**56.1**	
Number of hires	New graduates (total) (people)	27		20		**24**	
	(men/women) (people)	11	16	10	10	**13**	**11**
	Retention rate (3 years) for new graduates (%)	—		89		**88**	
	Mid-career (total) (people)	12		15		**20**	
	(men/women) (people)	11	1	12	3	**13**	**7**
	Ratio of regular employees hired mid-career*1 (%)	31		43		**45**	
Employment of person with disabilities*2	Number of employees (people)	11		14		**14**	
	Employment rate (%)	1.65		2.05		**2.08**	
Childcare leave	Number of employees taking childcare leave (total) (people)	10		8		**23**	
	(men/women) (people)	3	7	1	7	**17**	**6**
	Utilization rate (total) (%)	38.5		25.8		**46.9**	
	(men/women) (%)	15.8	100	4.2	100	**34.6**	**100**
	Rate of employees returning to work (%)	100		100		**100**	
Number of employees taking nursing care leave (people)		1		0		**0**	

Coverage: Inabata & Co., Ltd. (including employees seconded to Group companies)
Note: As of the end of each fiscal year (March 31). The numbers on the left are for men and the numbers on the right are for women.
*1 Ratio of mid-career hires to regular employees hired in each fiscal year.
*2 The figures for each fiscal year are as of June 1 of the following fiscal year.

Human resource development

	FY2019	FY2020	FY2021
Total time for employee skills development training (hours)	370	473	**394**
Total number of employees participating in training for skills development (people)	721	906	**1,070**
Average training hours per employee per year (hours)	0.6	0.7	**0.6**
Average training expenditure per employee per year (yen)	46,570	39,504	**34,099**

Coverage: Inabata & Co., Ltd. (including employees seconded to Group companies)

Society

Employee engagement

Employee engagement survey			April 2021	May 2022
Number of employees surveyed (people)	Total		1,400	**1,697**
	Inabata & Co., Ltd.		587	**708**
	Main overseas trading offices		813	**989**
Response status	Number of respondents (people)		681	**1,239**
	Response rate (%)		49	**73**
Main items* (%)	Engagement	I am satisfied with the work I am doing at Inabata now	70	**73**
	Relationship with superiors	I have the necessary collaboration with my supervisor at work	75	**80**
	Organizational culture	When a problem occurs in the course of my duties, my supervisor and the people around me provide appropriate support	83	**85**
	Corporate philosophy	I can relate to Inabata's philosophy, vision, and management policies, and I want to participate in achieving them	70	**73**
	Human resources system and benefits	Inabata's salary standards are satisfactory, compared to other companies in the same industry	59	**55**
	Human resources system and training	Inabata supports employee training to improve their skills	41	**48**
	WLB (work-life balance)	Overtime is kept to a level that is acceptable for me	64	**69**

* From among a five-point evaluation by employees (5. Strongly agree / 4. Agree / 3. Neither agree nor disagree / 2. Disagree / 1. Strongly disagree), the ratio of positive responses (5. and 4.)

Occupational health and safety

		FY2019	FY2020	FY2021
Number of employees who received health and safety training*1 (people)	Stress check	498	501	**568**
	Safe driving training (e-learning)	129	88	**51**
	Earthquake/safety confirmation training*2	May 599 November 574	Approx. 600	**May 603 December 609**
	Firefighting training (on-site training)*3	Tokyo 76 Osaka 59 Nagoya 7	Tokyo 52 Osaka 20	**77 self-defence fire brigade members in Tokyo, Osaka, and Nagoya**
Number of work-related employee fatalities	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases	0	0	**0**
	Inabata & Co., Ltd.*1	0	0	**0**
	Overseas resin compound manufacturing business bases*4	0	0	**0**
Number of work-related contractor fatalities	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases	0	0	**0**
	Inabata & Co., Ltd.*1	0	0	**0**
	Overseas resin compound manufacturing business bases*4	0	0	**0**
Lost-time injury frequency rate*5	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases	2.74	3.82	**4.11**
	Inabata & Co., Ltd.*1	0	0	**0**
	Overseas resin compound manufacturing business bases*4	4.06	6.34	**6.62**
Lost-time injury severity rate*6	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases	0.01	0.01	**0.03**
	Inabata & Co., Ltd.*1	0	0	**0**
	Overseas resin compound manufacturing business bases*4	0.02	0.02	**0.05**

*1 Coverage: Inabata & Co., Ltd. (including employees seconded to Group companies)
*2 Due to factors such as using the earthquake/safety confirmation system to respond to COVID-19, we only ascertained the approximate number in FY2020.
*3 In FY2020, as a result of postponing on-site training due to the spread of COVID-19, there was voluntary training which consisted of viewing videos. In FY2021, due to concerns about the spread of COVID-19, we postponed on-site training, and conducted first-aid training using videos for all self-defence fire brigade members at our offices in Tokyo, Osaka, and Nagoya.
*4 All seven overseas subsidiaries that operate the plastics compound business, one of the strengths of the Inabata Group. The total number of employees of the seven companies was 1,232 as of the end of March 2022.
*5 (Number of casualties due to occupational accidents requiring at least one day off work) / (Total actual working hours) × 1,000,000. The industry average (wholesalers and retailers with 100 or more employees) was 2.31 in FY2021. (From the Ministry of Health, Labour and Welfare's *2021 Survey on Industrial Accidents*) Comparison with Inabata & Co., Ltd.
*6 (Total working days lost) / (Total actual working hours) × 1,000. The industry average (wholesalers and retailers with 100 or more employees) was 0.05 in FY2021. (From the Ministry of Health, Labour and Welfare's *2021 Survey on Industrial Accidents*) Comparison with Inabata & Co., Ltd.

Social contribution activities

		FY2019	FY2020	FY2021
Number of employees taking leave for volunteering*1		—	—	**—**
Donations, activity expenses, etc., that contribute to society*2	Total amount (million yen)	111	8	**8**
Results of main social contribution activities	Support for the activities of the Sociedade Luso-Nipónica de Osaka*3 (10,000 yen)	80	80	**0**
	Académie de musique française de Kyoto Number of participants*4 (people)	107	Canceled	**67**
	Number of winners of Inabata Award at the French Music Competition (since 1974)*5 (people)	1	1	**1**
		Cumulative 46	Cumulative 47	**Cumulative 48**
	Acceptance of international students from the University of Lyon (since 1994)*6 (people)	1	Canceled	**Canceled**
		Cumulative 26		
	Support for the Shougaisha Jiritsu Suishin Kikou Association*7	Bronze Partner	Bronze Partner	**Bronze Partner**

Coverage: Inabata & Co., Ltd.
*1 Activities approved for this system after the occurrence of a severe disaster. Four people used this system as volunteers for recovery after the 2016 Kumamoto earthquake.
*2 Main donations include cultural support for the Japan Philharmonic Orchestra, the Osaka Symphony Orchestra, the Osaka Philharmonic Orchestra, etc., and community support for the Keidanren Nature Conservation Fund, etc.
*3 There were no expenditures in FY2021 as a result of regular meetings being canceled due to COVID-19.
*4 A Japan-France music exchange program sponsored by Inabata. Top-class musicians are invited from France and master classes are held for about two weeks. The program provides a valuable opportunity for young Japanese musicians to receive high-quality education in French music. Canceled in FY2020 due to COVID-19. Held online in FY2021.
*5 At the French Music Competition sponsored by the Société Musicale Franco-Japonaise du Kansai, the Inabata Award (named after Inabata Co. & Ltd.) is awarded every year to the best performer in the vocal or piano category.
*6 Friendship activities with Lyon, France, where our founder studied abroad. Activities in FY2020 and FY2021 were canceled due to COVID-19.
*7 In addition to providing support as a partner, we used a work from Paralym Art, a program which is managed and operated by the association, as the design for our shareholder incentive (QUO cards).

Governance

Corporate governance

Composition of directors and officers			As of July 1, 2020	As of July 1, 2021	**As of July 1, 2022**
Number of directors (excluding audit and supervisory committee member) (people) [Number of directors in 2020 and 2021]	Total		10	9	**7**
	Internal	Men	7	6	**5**
		Women	0	0	**0**
	Independent outside	Men	3	2	**1**
		Women	0	1	**1**
Number of directors (audit and supervisory committee member) (people) [Number of audit & supervisory board members in 2020 and 2021]	Total		5	5	**4**
	Internal	Men	2	2	**0**
		Women	0	0	**0**
	Independent outside	Men	3	3	**4**
		Women	0	0	**0**
Executive officers (people)	Total		6	6	**7**
	Men		6	6	**7**
	Women		0	0	**0**
Audit and supervisory officer (people)	Total		—	—	**1**
	Men		—	—	**1**
	Women		—	—	**0**

Note: From June 22, 2022, we made the transition from a company with an audit & supervisory board to a company with an audit and supervisory committee.

Attendance at meetings of the Board of Directors, Audit & Supervisory Board, and Nominating and Remuneration Committee

(From April 1, 2021 to March 31, 2022)
Attendance rate is listed in ( )

Position	Name	Independent outside	Number of Board of Directors meetings attended	Number of Audit & Supervisory Board meetings attended	Number of Nominating and Remuneration Committee meetings attended
Directors	Katsutaro Inabata		16 of 16 meetings (100%)	—	8 of 8 meetings (100%)
	Toyohiro Akao		16 of 16 meetings (100%)	—	—
	Kenichi Yokota		16 of 16 meetings (100%)	—	—
	Tomohiko Sato (retired in June 2021)		3 of 3 meetings (100%)	—	—
	Masahiro Sugiyama		16 of 16 meetings (100%)	—	—
	Noriomi Yasue		14 of 16 meetings (87.5%)	—	—
	Kenji Ohno (appointed in June 2021)		13 of 13 meetings (100%)	—	—
	Toshiyuki Kanisawa (retired in June 2021)	○	3 of 3 meetings (100%)	—	1 of 1 meeting (100%)
	Kiyoshi Sato	○	16 of 16 meetings (100%)	—	12 of 12 meetings (100%)
	Kenji Hamashima	○	16 of 16 meetings (100%)	—	12 of 12 meetings (100%)
	Takako Hagiwara (appointed in June 2021)	○	13 of 13 meetings (100%)	—	11 of 11 meetings (100%)
Audit & supervisory board members	Takashi Mochizuki (resigned due to death in January 2022)		9 of 12 meetings (75.0%)	7 of 10 meetings (70.0%)	—
	Nobukazu Kuboi		16 of 16 meetings (100%)	13 of 13 meetings (100%)	—
	Yoshitaka Takahashi	○	16 of 16 meetings (100%)	13 of 13 meetings (100%)	—
	Katsuya Yanagihara	○	16 of 16 meetings (100%)	13 of 13 meetings (100%)	—
	Satoshi Tamai	○	16 of 16 meetings (100%)	13 of 13 meetings (100%)	—

Note: Interviews with each candidate by the Nominating and Remuneration Committee (four times) were conducted only by independent outside directors.

Compliance

	FY2019	FY2020	**FY2021**
Number of whistleblower reports/consultations* (cases)	1	2	**10**
Number of serious compliance violations (including labor standards) (cases)	0	0	**0**
Political contributions (yen)	0	0	**0**
Number of dismissals and disciplinary actions due to non-compliance with anti-corruption policy (cases)	0	0	**0**
Total amount of significant fines or penalties for corruption (cases)	0	0	**0**

Coverage: Inabata & Co., Ltd.
* Includes the number of consultations to the "counseling desk" that was newly established from FY2021.

Participation in Initiatives

United Nations Global Compact (UNGC)	The UNGC is the world's largest sustainability initiative in which the United Nations and the private sector (companies and organizations) work together to build a healthy global society. Through responsible and creative leadership by each company and organization, participants act as good members of society and achieve sustainable growth. Based on commitment by top corporate executives to the 10 Principles related to the protection of human rights, the elimination of unfair labor practices, the environment, and the prevention of corruption, companies and organizations that have signed the UNGC are expected to continue efforts for realizing those principles.
Alliance to End Plastic Waste (AEPW)	An international alliance which conducts activities aimed at reducing the outflow of plastics waste into the environment and promoting a circular economy.
Japan Clean Ocean Material Alliance (CLOMA)	A domestic (Japan) alliance working to solve the problem of marine plastic litter. CLOMA promotes collaboration between different industries involved in the plastic value chain. It also promotes the sustainable use of plastic products, and the development and introduction of alternative materials.
Japan Foreign Trade Council (Global Environment Committee, Sustainability Promotion Committee, etc.)	We are a regular member company of the Japan Foreign Trade Council, a trade industry organization. As a member of the Global Environment Committee and the Sustainability Promotion Committee, we conduct activities to promote sustainability, such as responding to climate change in the industry.
The Corporate Federation For Dowa And Human Rights Issue, Osaka	A voluntary organization aiming to create companies which respect human rights in order to eliminate various forms of discrimination, including the Dowa problem in Japan. In addition to participating as a member of the Executive Committee, we also participate in project teams and committees.

Summary of 11 Years

(Unit: Millions of yen)

		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Business Performance	Net sales	464,429	479,942	561,173	572,114	577,037	586,630	621,137	634,740	600,312	577,583	680,962
	Gross profit	31,759	33,002	38,511	39,040	41,064	42,740	44,854	47,257	46,259	46,040	57,370
	Selling, general and administrative expenses	24,127	25,237	27,574	28,266	29,692	30,123	38,891	33,226	33,029	31,066	37,317
	Operating profit	7,632	7,765	10,936	10,774	11,371	12,616	5,962	14,031	13,229	14,973	20,052
	Ordinary profit	8,834	9,603	12,454	13,217	12,257	13,672	6,374	14,309	14,211	16,514	21,648
	Profit attributable to owners of parent	6,297	6,630	8,669	8,630	9,510	9,687	6,744	12,896	11,415	13,792	22,351
	Exchange rate USD/yen	77.74	79.81	100.17	109.76	120.15	108.34	110.85	110.92	108.70	106.10	112.39
Financial Position	Total assets	251,045	276,938	305,037	326,862	305,436	340,147	352,741	366,514	322,848	353,228	389,059
	Interest-bearing debt	74,070	68,071	76,582	78,814	68,377	71,075	71,993	57,277	52,848	41,206	64,538
	Equity capital	76,973	97,886	115,010	127,671	126,038	146,258	141,403	162,973	145,924	173,804	174,918
Cash Flow	Cash flows from operating activities	(15,534)	19,400	(764)	8,354	11,866	1,840	5,960	12,510	10,690	17,613	(11,448)
	Cash flows from investing activities	(1,629)	277	(5,467)	(3,044)	(161)	4,504	5,086	743	(525)	(423)	5,446
	Cash flows from financing activities	12,400	(12,880)	3,638	(8,193)	(11,129)	(481)	(4,901)	(19,546)	(7,273)	(17,582)	5,999
	Cash and cash equivalents	10,756	18,985	18,402	17,394	17,088	22,935	29,235	23,011	25,480	25,983	28,251
Reference	(Amount of capital investment)	1,824	1,781	3,435	2,666	3,067	2,431	2,500	3,441	3,707	3,175	2,799
	(Depreciation)	2,849	3,047	2,179	2,150	2,270	2,066	2,335	2,413	2,976	2,874	3,160
Sales by Segment	Information & Electronics	185,566	192,402	210,703	209,369	211,659	221,023	214,963	217,904	218,690	224,534	247,713
	Chemicals	42,052	42,799	52,398	52,845	48,198	48,047	51,580	77,522	74,181	66,626	78,644
	Life Industry	38,020	35,877	37,653	34,660	41,022	40,434	42,392	39,046	36,919	37,361	38,203
	Plastics	175,875	186,098	232,877	250,427	251,163	251,885	286,900	300,094	270,345	248,888	316,226
	(Housing & Eco Materials)	22,370	22,266	26,511	24,257	24,817	25,064	25,137	—	—	—	—
	Others	543	497	1,028	553	176	175	162	172	175	172	174
	Total	464,429	479,942	561,173	572,114	577,037	586,630	621,137	634,740	600,312	577,583	680,962
Operating Profit by Segment	Information & Electronics	2,733	3,248	4,863	4,489	3,833	3,992	(2,045)	4,819	4,482	6,327	6,422
	Chemicals	391	339	862	1,072	1,011	1,003	259	1,424	1,208	1,320	2,207
	Life Industry	1,531	1,492	1,745	1,037	1,524	1,820	1,920	1,310	1,166	1,563	2,618
	Plastics	2,593	2,297	2,828	3,730	4,434	5,396	5,541	6,341	6,235	5,631	8,677
	(Housing & Eco Materials)	128	159	343	285	421	260	157	—	—	—	—
	Others	253	227	292	158	146	142	129	136	135	130	127
	Total	7,632	7,765	10,936	10,774	11,371	12,616	5,962	14,031	13,229	14,973	20,052
	Overseas sales ratio (%)	40	44	51	51	53	53	53	54	53	53	59
	Overseas operating profit ratio (%)	49	51	56	46	45	46	—	54	54	54	60
	Number of employees on a consolidated basis (people)	3,721	3,661	3,577	3,454	3,509	3,827	4,098	4,184	4,282	4,203	4,207
Management Indicators	Operating profit ratio (%)	1.6	1.6	1.9	1.9	2.0	2.2	1.0	2.2	2.2	2.6	2.9
	Net D/E ratio (times)	0.82	0.50	0.46	0.43	0.37	0.30	0.28	0.19	0.16	0.06	0.17
	Equity ratio (%)	30.7	35.3	37.7	39.1	41.3	43.0	40.1	44.5	45.2	49.2	45.0
	ROE (%)	8.5	7.6	8.1	7.1	7.5	7.1	4.7	8.5	7.4	8.6	12.8
	ROA (%)	2.6	2.5	3.0	2.7	3.0	3.0	1.9	3.6	3.3	4.1	6.0
	Share price at the end of the fiscal year (yen)	574	699	1,052	1,198	1,116	1,357	1,616	1,505	1,180	1,658	2,063
	Total market value (including treasury shares) (billion yen)	37.4	45.5	68.5	76.0	70.8	86.1	102.6	95.5	74.9	105.2	125.4
	PER (times)	5.9	6.7	7.7	8.7	7.3	8.7	14.7	7.1	6.2	7.2	5.5
	PBR (times)	0.48	0.45	0.58	0.59	0.55	0.57	0.70	0.56	0.49	0.57	0.67
	Number of shares issued and outstanding at the end of the fiscal year (including treasury shares) (shares)	65,159,227	65,159,227	65,159,227	63,499,227	63,499,227	63,499,227	63,499,227	63,499,227	63,499,227	63,499,227	60,799,227
	Number of treasury shares at the end of the period (shares)	1,090,674	1,887,522	1,886,225	801,996	1,402,268	2,002,305	2,402,417	3,002,502	3,302,640	3,302,651	3,682,139
Information per Share	EPS (yen)	97.45	104.29	137.01	137.20	151.91	156.25	109.92	211.36	188.82	229.13	374.23
	BPS (yen)	1,201.43	1,547.09	1,817.68	2,036.31	2,029.70	2,378.31	2,314.42	2,693.92	2,424.13	2,887.29	3,062.46
	Annual dividend (yen)	21	23	30	33	36	40	40	48	53	63	110
	Dividend payout ratio (%)	21.5	22.1	21.9	24.1	23.7	25.6	36.4	22.7	28.1	27.5	29.4
	Total return ratio (%)	—	—	—	31.1	31.1	34.8	46.5	30.0	31.9	27.6	62.2

Notes:
1. In FY2012, the Life Industry Segment was established by integrating the life science related elements of the Chemicals Segment and the Food Segment. The performance figures for FY2011 are based on the revised categories.
2. From FY2016, the business of designing, manufacturing, installation, and sales of cranes, which was part of the Others Segment, has been included in the Information & Electronics Segment. The performance figures for FY2015 are based on the revised categories.
3. In FY2019, the Housing & Eco Materials Segment was integrated into the Chemicals Segment. The performance figures for FY2018 are based on the revised categories.
4. From FY2013, the conversion rate for income and expenditure by overseas subsidiaries and such was changed from the rate on the last day of the FY to average rate during the period. This has been applied retroactively to the figures for FY2012.
5. From FY2018, Partial Amendments to Accounting Standard for Tax Effect Accounting was applied. This has been applied retroactively to the figures for FY2017.
6. From FY2021, we have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). Due to the application of this accounting standard, net sales decreased by 25,279 million yen.
7. Net D/E ratio = (interest-bearing debt – cash and deposits) ÷ equity capital
8. ROE (%) = Net profit ÷ Average equity capital at the beginning and end of FY × 100
9. ROA (%) = Net profit ÷ Average total assets at the beginning and end of FY × 100
10. Total market value (including treasury shares) = share price at the end of the FY × number of shares issued and outstanding at the end of the fiscal year (including treasury shares)
11. PER is calculated by dividing share price at the end of the FY (TSE closing price) by net profit per share.
12. PBR is calculated by dividing share price at the end of the FY (TSE closing price) by net assets per share.
13. Cancellation of treasury stock: 1,660,000 shares in FY2014, 2,700,000 shares in FY2021
    We retired 3,085,100 shares on April 5, 2022, bringing the total number of issued shares to 57,714,127 as of June 30, 2022.
14. The number of treasury shares at the end of the FY includes shares owned by Board Benefit Trust (BBT) introduced in FY2018 and equity-method affiliates in addition to shares owned by Inabata.
15. Total return ratio has become the shareholder return index from FY2014. Total return ratio = (dividends + treasury shares acquired) ÷ consolidated net profit × 100

Consolidated Balance Sheets

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	31,462	35,403
Notes and accounts receivable - trade	162,736	—
Notes receivable - trade	—	22,548
Accounts receivable - trade	—	162,149
Merchandise and finished goods	49,210	72,145
Work in process	597	860
Raw materials and supplies	4,322	6,059
Others	9,266	12,728
Allowance for doubtful accounts	(613)	(389)
Total current assets	256,983	311,505
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,039	17,184
Accumulated depreciation	(10,636)	(11,765)
Buildings and structures, net	5,403	5,419
Machinery, equipment and vehicles	16,871	18,648
Accumulated depreciation	(13,158)	(14,551)
Machinery, equipment and vehicles, net	3,712	4,097
Land	2,911	3,043
Construction in progress	294	205
Other	5,224	6,382
Accumulated depreciation	(3,151)	(3,834)
Other, net	2,073	2,547
Total property, plant and equipment	14,395	15,312
Intangible assets	2,918	2,647
Investments and other assets		
Investment securities	71,592	48,303
Long-term loans receivable	1,212	1,448
Retirement benefit assets	3,472	6,390
Deferred tax assets	990	1,105
Other	6,209	7,380
Allowance for doubtful accounts	(4,545)	(5,035)
Total investments and other assets	78,930	59,593
Total non-current assets	96,244	77,553
Total assets	353,228	389,059

(Unit: Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	104,113	115,959
Short-term borrowings	33,731	58,657
Income taxes payable	3,155	4,093
Accrued expenses	1,080	1,367
Provision for bonuses	1,279	1,608
Other	7,229	11,498
Total current liabilities	150,591	193,185
Non-current liabilities		
Long-term loans borrowings	7,475	5,880
Deferred tax liabilities	14,842	8,761
Provision for retirement benefits for directors (and other officers)	29	33
Provision for share-based remuneration for directors (and other officers)	131	159
Provision for loss on guarantees	18	18
Retirement benefit liability	2,144	1,624
Other	2,190	2,481
Total non-current liabilities	26,833	18,959
Total liabilities	177,424	212,144
Net assets		
Shareholders' equity		
Share capital	9,364	9,364
Capital surplus	7,184	7,044
Retained earnings	116,794	130,540
Treasury shares	(4,155)	(7,398)
Total shareholders' equity	129,188	139,550
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,316	22,667
Deferred gains or losses on hedges	187	398
Foreign currency translation adjustment	4,536	11,793
Remeasurements of defined benefit plans	576	508
Total accumulated other comprehensive income	44,616	35,367
Non-controlling interests	1,999	1,996
Total net assets	175,803	176,914
Total liabilities and net assets	353,228	389,059

Consolidated Statements of Income

(Unit: Millions of yen)

	Previous consolidated fiscal year (April 1, 2020–March 31, 2021)	Current consolidated fiscal year (April 1, 2021–March 31, 2022)
Net sales	577,583	680,962
Cost of sales	531,543	623,591
Gross profit	46,040	57,370
Selling, general and administrative expenses	31,066	37,317
Operating profit	14,973	20,052
Non-operating income		
Interest income	206	244
Dividend income	1,334	1,429
Gain on foreign exchange	—	53
Share of profit of entities accounted for using equity method	270	370
Miscellaneous income	967	780
Total non-operating income	2,779	2,877
Non-operating expenses		
Interest expenses	698	674
Foreign exchange losses	151	—
Provision of allowance for doubtful accounts	7	151
Commission for purchase of treasury shares	—	129
Miscellaneous losses	380	326
Total non-operating expenses	1,238	1,281
Ordinary profit	16,514	21,648
Extraordinary income		
Gain on sales of investment securities	2,984	8,975
Total extraordinary income	2,984	8,975
Extraordinary losses		
Impairment losses	—	168
Total extraordinary losses	—	168
Profit before income taxes	19,499	30,455
Income taxes - current	5,337	7,294
Income taxes - deferred	(43)	685
Total income taxes	5,294	7,980
Profit	14,204	22,475
Profit attributable to non-controlling interests	411	124
Profit attributable to owners of parent	13,792	22,351

Consolodated Statements of Comprehensive Income

(Unit: Millions of yen)

	Previous consolidated fiscal year (April 1, 2020–March 31, 2021)	Current consolidated fiscal year (April 1, 2021–March 31, 2022)
Profit	14,204	22,475
Other comprehensive income		
Valuation difference on available-for-sale securities	12,968	(16,560)
Deferred gains or losses on hedges	55	206
Foreign currency translation adjustment	3,155	7,276
Remeasurements of defined benefit plans, net of tax	1,593	(68)
Share of other comprehensive income of entities accounted for using equity method	164	(127)
Total other comprehensive income	17,935	(9,273)
Comprehensive income	32,140	13,202
(break down)		
Comprehensive income attributable to owners of parent	31,644	13,102
Comprehensive income attributable to non-controlling interests	496	99

Consolidated Statement of Changes in Equity

Previous consolidated fiscal year (April 1, 2020–March 31, 2021)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,364	7,752	106,197	(4,155)	119,159
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	9,364	7,752	106,197	(4,155)	119,159
Changes during period					
Dividends of surplus			(3,195)		(3,195)
Profit attributable to owners of parent			13,792		13,792
Purchase of treasury shares				(0)	(0)
Cancellation of treasury shares					—
Treasury stock transfer of stock ownership trust					—
Purchase of shares of consolidated subsidiaries		(567)			(567)
Net changes in items other than shareholders' equity					—
Total changes during period	—	(567)	10,596	(0)	10,029
Balance at end of period	9,364	7,184	116,794	(4,155)	129,188

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	26,196	148	1,436	(1,016)	26,764	1,802	147,726
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	26,196	148	1,436	(1,016)	26,764	1,802	147,726
Changes during period							
Dividends of surplus							(3,195)
Profit attributable to owners of parent							13,792
Purchase of treasury shares							(0)
Cancellation of treasury shares							—
Treasury stock transfer of stock ownership trust							—
Purchase of shares of consolidated subsidiaries							(567)
Net changes in items other than shareholders' equity	13,119	38	3,100	1,593	17,851	196	18,048
Total changes during period	13,119	38	3,100	1,593	17,851	196	28,077
Balance at end of period	39,316	187	4,536	576	44,616	1,999	175,803

Current consolidated fiscal year (April 1, 2021–March 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,364	7,184	116,794	(4,155)	129,188
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	9,364	7,184	116,794	(4,155)	129,188
Changes during period					
Dividends of surplus			(4,401)		(4,401)
Profit attributable to owners of parent			22,351		22,351
Purchase of treasury shares				(7,500)	(7,500)
Cancellation of treasury shares		(43)	(4,203)	4,247	—
Treasury stock transfer of stock ownership trust				9	9
Purchase of shares of consolidated subsidiaries		(96)			(96)
Net changes in items other than shareholders' equity					
Total changes during period	—	(140)	13,745	(3,243)	10,362
Balance at end of period	9,364	7,044	130,540	(7,398)	139,550

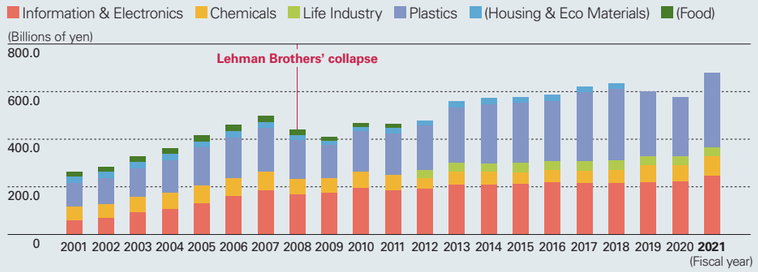
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of period	39,316	187	4,536	576	44,616	1,999	175,803
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated balance	39,316	187	4,536	576	44,616	1,999	175,803
Changes during period							
Dividends of surplus							(4,401)
Profit attributable to owners of parent							22,351
Purchase of treasury shares							(7,500)
Cancellation of treasury shares							—
Treasury stock transfer of stock ownership trust							9
Purchase of shares of consolidated subsidiaries							(96)
Net changes in items other than shareholders' equity	(16,649)	211	7,257	(68)	(9,248)	(3)	(9,251)
Total changes during period	(16,649)	211	7,257	(68)	(9,248)	(3)	1,110
Balance at end of period	22,667	398	11,793	508	35,367	1,996	176,914

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

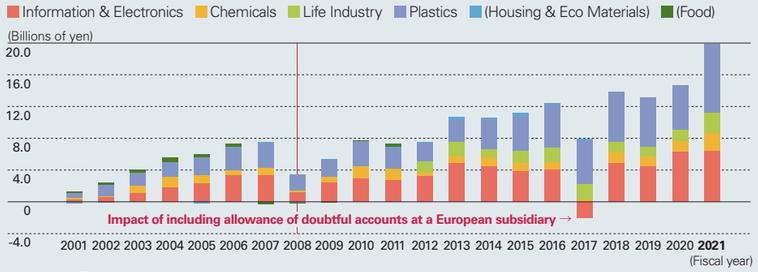
	Previous consolidated fiscal year (April 1, 2020–March 31, 2021)	Current consolidated fiscal year (April 1, 2021–March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	19,499	30,455
Depreciation	2,874	3,160
Impairment losses	—	168
Increase (decrease) in allowance for doubtful accounts	(3,646)	22
Interest and dividend income	(1,541)	(1,673)
Increase (decrease) in retirement benefit liability	360	(601)
Decrease (increase) in retirement benefit asset	196	(3,035)
Interest expense	698	674
Share of loss (profit) of entities accounted for using equity method	(270)	(370)
Increase (decrease) in provision for loss on business liquidation	(246)	—
Loss (gain) on sales of investment securities	(2,984)	(8,975)
Decrease (increase) in trade receivables	(5,924)	(11,227)
Decrease (increase) in inventories	3,127	(20,037)
Decrease (increase) in other current assets	(884)	(3,188)
Decrease (increase) in other non-current assets	4,071	(60)
Increase (decrease) in trade payable	4,261	4,363
Increase (decrease) in other current liabilities	491	3,864
Other, net	393	407
Subtotal	20,476	(6,053)
Interest and dividends, received	1,733	1,793
Interest paid	(705)	(666)
Income taxes paid	(3,891)	(6,521)
Net cash provided by (used in) operating activities	17,613	(11,448)
Cash flows from investing activities		
Payments into time deposits	(5,162)	(6,780)
Proceeds from withdrawal of time deposits	3,992	5,742
Purchase of property, plant and equipment	(1,864)	(1,669)
Proceeds from sales of property, plant and equipment	149	15
Purchase of intangible assets	(648)	(317)
Purchase of investment securities	(95)	(197)
Proceeds from sales of investment securities	3,128	9,645
Purchase of shares of subsidiaries	—	(554)
Decrease (increase) in short-term loans receivable	101	(35)
Long-term loan advances	(219)	(151)
Collection of long-term loans receivable	91	347
Other	104	(597)
Net cash provided by (used in) investing activities	(423)	5,446
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(9,276)	21,488
Proceeds from long-term borrowings	729	438
Repayments of long-term borrowings	(4,357)	(3,041)
Purchase of treasury shares	(0)	(7,629)
Dividends paid	(3,205)	(4,415)
Dividends paid to non-controlling interests	(312)	(107)
Purchase of shares of subsidiaries that do not result in change in scope of consolidation	(557)	(96)
Other, net	(602)	(636)
Net cash provided by (used in) financing activities	(17,582)	5,999
Effect of exchange rate change on cash and cash equivalents	894	2,270
Net increase (decrease) in cash and cash equivalents	502	2,268
Cash and cash equivalents at beginning of the period	25,480	25,983
Cash and cash equivalents at end of period	25,983	28,251

Sales by Business Segment



Note: We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., from FY2021.

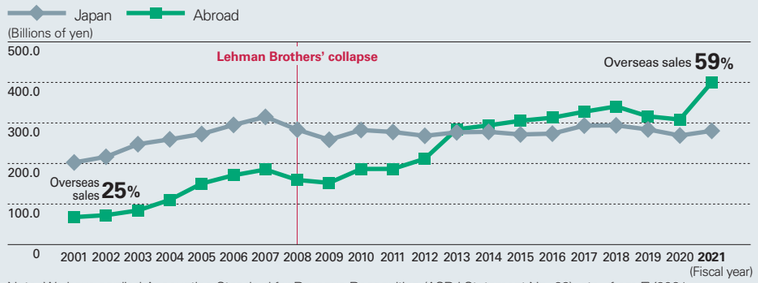
Operating Profit by Business Segment



Notes: 1. In FY2012, the life science business of the former chemicals business and the former food business were integrated to form the life industry business.
2. In FY2019, housing & eco materials business was integrated with the chemicals business.

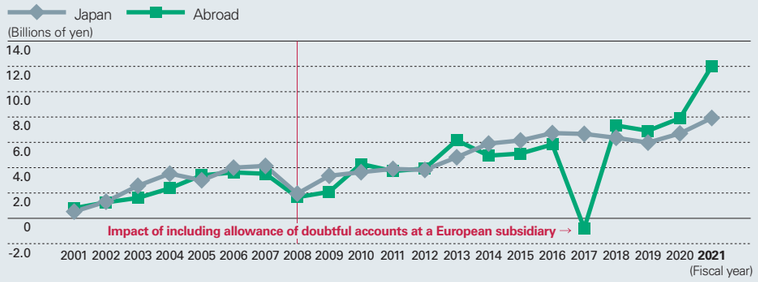
The Chemicals Segment has a long history and is performing steadily based on its strong foundation of business partners. The Plastics Segment has expanded its business since the rapid economic growth in the 1950s, ranging from home appliances, OA to automobiles. The Information & Electronics Segment grew significantly along with the rapid growth of the LCD market from 2000 onward. The Life Industry Segment has started activities in the fields of agriculture and advanced medicine in recent years and can be expected to grow in the future.

Sales by Domestic or Overseas Market



Note: We have applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc., from FY2021.

Operating Profit by Domestic or Overseas Market



Inabata established its first post-war overseas subsidiary in 1976 and has been rapidly intensifying its global business in alignment with production transfer by Japanese companies to locations outside Japan. Over the 40 years since, its overseas business has expanded, and the percentage of overseas sales has grown from 25% in FY2001 to 59% in FY2021

Consolidated Subsidiaries and Affiliates

Consolidated Subsidiaries

● Trading company ▲ Manufacturing and processing base

Corporate Name	Countries and Regions		Business
Japan			
▲ I & P Co., Ltd.	Japan	Osaki, Miyagi	Molding and processing of synthetic resins
▲ Ikkoen Co., Ltd.	Japan	Sakai, Osaka	Processing and sale of marine products
● Inabata Fine Tech Co., Ltd.	Japan	Osaka	Sale of chemicals
▲ N · I · C Co., Ltd.	Japan	Tokyo	Processing and sale of plastic film products
● Ordiy Co., Ltd.	Japan	Osaka	Processing of plastic film products and packaging materials, design and marketing of supplementary equipment and systems
▲ Kansai Kobunshi Co., Ltd.	Japan	Yamato-Koriyama, Nara	Manufacturing of plastic films
▲ Taiyo Plastics Co., Ltd.	Japan	Hasuda, Saitama	Manufacturing of plastic films
Southeast Asia / India			
● Inabata India Private Ltd.	India	Gurugram (suburb of Delhi)	Import & export and sale of synthetic resins, electronic materials and chemicals
▲ PT. IK Precision Indonesia	Indonesia	Bekasi (suburb of Jakarta)	Molding and processing of synthetic resins
▲ PT. Inabata Creation Indonesia	Indonesia	Bekasi (suburb of Jakarta)	Processing of grip tapes for tennis rackets
● PT. Inabata Indonesia	Indonesia	Jakarta	Import & export and sale of synthetic resins and chemicals
▲ PT. S-IK Indonesia	Indonesia	Bekasi (suburb of Jakarta)	Compounding of resins
● Inabata Malaysia Sdn. Bhd.	Malaysia	Kuala Lumpur	Import & export and sale of synthetic resins
▲ SIK Color (M) Sdn. Bhd.	Malaysia	Johor	Compounding of resins
▲ IK Plastic Compound Phils. Inc.	Philippines	Binan (suburb of Manila)	Compounding of resins
● Inabata Philippines, Inc.	Philippines	Binan (suburb of Manila)	Sale of synthetic resins
● Inabata Singapore (Pte.) Ltd.	Singapore	Singapore	Import & export and sale of synthetic resins, chemicals and electronic materials
▲ Apple Film Co., Ltd.	Thailand	Samut Prakan (suburb of Bangkok)	Manufacturing of plastic films
▲ Hi-Tech Rubber Products Co., Ltd.	Thailand	Ayutthaya	Molding and processing of rubber products
● IKT Consulting Co., Ltd.	Thailand	Bangkok	Sale of machinery and provision of various services
● Inabata Thai Co., Ltd.	Thailand	Bangkok	Import & export and sale of synthetic resins, chemicals, food, and machinery
▲ SIK (Thailand) Ltd.	Thailand	Samut Prakan (suburb of Bangkok)	Compounding of resins
▲ Apple Film Da Nang Co., Ltd.	Vietnam	Da Nang	Manufacturing of plastic films
● Inabata Vietnam Co., Ltd.	Vietnam	Hanoi	Import & export and sale of synthetic resins,electronic materials and chemicals
▲ SIK Vietnam Co., Ltd.	Vietnam	Haiphong	Compounding of resins
Northeast Asia			
● Guangzhou Inabata Trading Co., Ltd.	China	Guangzhou	Import & export and sale of synthetic resins, machinery, electronic materials and chemicals
●▲ Inabata Industry & Trade (Dalian F.T.Z.) Co., Ltd.	China	Dalian	Compounding of resins; Import/export and sale of synthetic resins and chemicals
● Inabata Sangyo (H.K.) Ltd.	China	Hong Kong	Import & export and sale of synthetic resins, machinery, electronic materials and chemicals
▲ Shanghai Inabata Fine Chemical Co.,Ltd.	China	Shanghai	Processing of coating materials
● Shanghai Inabata Trading Co., Ltd.	China	Shanghai	Import & export and sale of synthetic resins and chemicals
● Inabata Korea & Co., Ltd.	Korea	Seoul	Import & export and sale of electronic materials
● Taiwan Inabata Sangyo Co., Ltd.	Taiwan	Hsinchu	Import & export and sale of electronic materials, semiconductor-related equipment and chemicals
The Americas			
▲ IK Plastic Compound Mexico, S.A. de C.V.	Mexico	Silao	Compounding of resins
● Inabata Mexico, S.A. de C.V.	Mexico	Queretaro	Sale of synthetic resins
▲ NH Inabata, S. de R.L. de C.V.	Mexico	Queretaro	Design and production, installation, and distribution of overhead traveling cranes
● DNI Group, LLC	U.S.	Novato (California)	Import & export and sale of food
● Inabata America Corp.	U.S.	New York	Import & export and sale of chemicals, electronic materials, and synthetic resins
Europe			
● Inabata France S.A.S.	France	Wissous (suburb of Paris)	Import & export and sale of chemicals
▲ Pharmasynthese S.A.S.	France	Normandy	Manufacturing of pharmaceuticals, materials for cosmetics, and fine chemicals
● Inabata Europe GmbH	Germany	Dusseldorf	Import & export and sale of electronic materials, chemicals, and synthetic resins
● Inabata UK Ltd.	U.K.	Shrewsbury (suburb of Birmingham)	Property management, warehousing

Equity-Method Affiliates

Corporate Name	Countries and Regions		Business
▲ Ulvac Coating Corp.	Japan	Chichibu, Saitama	Manufacturing of electronics and optical industrial materials
▲ NI Packs Co., Ltd.	Japan	Inashiki, Ibaraki	Printing and molding of plastic packages
● Clean Assist Co., Ltd.	Japan	Tokyo	Sale of plastic films and plastic sundries
● Maruishi Chemical Trading Co., Ltd.	Japan	Osaka	Sale of chemicals

Other Affiliates

Corporate Name	Countries and Regions		Business
Japan			
▲ Aikei Farms Shakotan Co., Ltd.	Japan	Shakotan, Hokkaido	Production and sale of agricultural products
▲ Aikei Farms Yoichi Co., Ltd.	Japan	Yoichi, Hokkaido	Production and sale of agricultural products
▲ Inabata Optech Co., Ltd.	Japan	Kawasaki, Kanagawa	Research and development of encapsulants for optical semiconductor devices
Northeast Asia			
● Tianjin Inabata Trading Co., Ltd.	China	Tianjin	Import & export and sale of synthetic resins and chemicals
The Americas			
● Inabata Brazil Import & Export Ltd.	Brazil	Sao Paulo	Sale of chemicals and synthetic resins
Australia			
▲ IKC Feed Pty. Ltd.	Australia	Brisbane	Manufacture and sale of feed ingredients
● Inabata Australia Pty. Ltd.	Australia	Brisbane	Export of roughage, etc., import and sale of resin products, etc.

Corporate Information

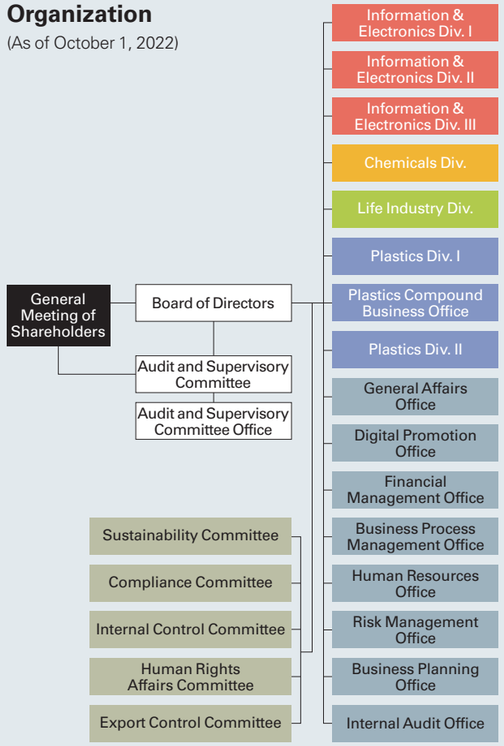
Company name	Inabata & Co., Ltd.
Founded	October 1, 1890
Incorporated	June 10, 1918
Paid-in capital	¥9,364 million
Location of head offices	Osaka Head Office 1-15-14 Minami-semba, Chuo-ku, Osaka 542-8558 Tokyo Head Office 2-8-2 Nihonbashi-honcho, Chuo-ku, Tokyo 103-8448
Domestic offices	Osaka Head Office, Tokyo Head Office, Nagoya Office, Shiojiri Office, Shizuoka Office, Hamamatsu Office, Kyushu (Kirishima) Office
Overseas offices	About 60 locations in 18 countries including Singapore, Bangkok, Jakarta, Shanghai, Hong Kong, Taipei, Los Angeles, New York, Dusseldorf
Number of employees Note: As of March 31, 2022	Unconsolidated: 672 (including employees seconded to group companies) Consolidated: 4,207
Accounting auditor	KPMG Azsa LLC
Securities code	8098 Prime Market of the Tokyo Stock Exchange

Website

www.inabata.co.jp/english/

Organization

(As of October 1, 2022)



Notice of Temporary Relocation of Tokyo Head Office
Due to the rebuilding of the Tokyo Head Office Building, from around December 2022 to around September 2025, we will temporarily relocate the Tokyo Head Office and conduct business at the Muromachi Furukawa Mitsui Building (COREDO Muromachi 2), 2-3-1 Nihonbashi Muromachi, Chuo-ku, Tokyo.

IR Activities

We are proactive in holding dialogue with shareholders and investors, as we believe it contributes to our sustainable growth and improves corporate value in the medium and long term.

(1) IR system
- The president serves as the responsible person, and the director in charge of IR has also been appointed. In principle, the president and the director in charge of IR lead dialogue with shareholders and investors.
- In cooperation with related sections within the company, the IR Department collects and analyzes various management information. The information is communicated internally and externally, timely and appropriately.

(2) IR activities
- Inabata handles meetings with investors positively and reasonably. We will also consider responding to applications for outside directors within a reasonable scope.
- Inabata holds a briefing on financial results twice a year to explain the progress of the medium-term business plan and provide an overview of financial results.
- Inabata sets occasions for dialogue with individual shareholders and investors through participation in IR events, etc.
- Inabata actively works to provide information through its website, company brochure, shareholder news, and notices of general meeting of shareholders.

(3) Feedback
- The director in charge of IR presents a report to the Board of Directors regarding shareholder opinions and concerns obtained through dialogue with shareholders.

IR activities in FY2021

Activity	Implemented
Financial results briefings	2 times
Individual meetings with institutional investors, analysts, etc. (including overseas)	48 times
Briefings for individual investors	1 time

External Evaluation

Status of inclusion in ESG Index
We were selected as a constituent stock for the FTSE Blossom Japan Sector Relative Index of FTSE Russell, which belongs to the London Stock Exchange Group, and the S&P/JPX Carbon Efficient Index (environmental stock index), which is presented by the US S&P Dow Jones Indices and the Japan Exchange Group.

FTSE Blossom Japan Sector Relative Index

S&P/JPX Carbon Efficient Index

Other awards
We were awarded the Best Company (Silver Award) in the Gomez IR Site Ranking 2021 announced by BroadBand Security, Inc., and the Excellence Award in the 2021 All Japanese Listed Companies' Website Ranking announced by Nikko Investor Relations Co., Ltd.

Gomez IR Site Ranking IRサイト総合ランキング 銀賞 2021年

企業ホームページ 最優秀サイト 2021 日興アイ・アール 総合ランキング

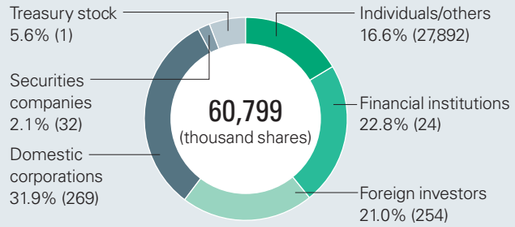
Stock Information (As of March 31, 2022)

Stock Information

Total number of authorized shares	200,000,000
Number of shares issued and outstanding	60,799,227
Number of shareholders	28,472

Note: 3,085,100 shares were canceled on April 5, 2022, bringing the total number of shares issued and outstanding to 57,714,127 shares as of June 30, 2022.

Status of Stock Allocation by Owners

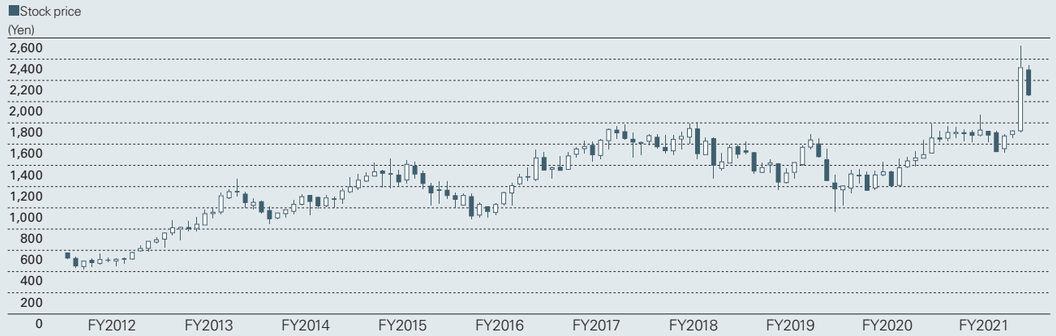


Principal Shareholders (Top 10)

Name of shareholder	Number of shares held (in thousands)	Percentage of shares held (%)
Sumitomo Chemical Co., Ltd.	13,836	24.1
The Master Trust Bank of Japan, Ltd. (Trust account)	6,163	10.7
Custody Bank of Japan, Ltd. (Trust account)	2,032	3.5
Custody Bank of Japan, Ltd. (Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	1,736	3.0
DFA INTL SMALL CAP VALUE PORTFOLIO	1,071	1.9
Maruishi Chemical Trading Co., Ltd.	961	1.7
ASKA Pharmaceutical Co., Ltd.	785	1.4
Mizuho Bank, Ltd.	744	1.3
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS SEC LENDING	670	1.2
THE BANK OF NEW YORK MELLON 140044	639	1.1

Note: Inabata owns 3,395,519 shares of treasury stock. This shareholding has not been included in the calculation of the shareholding ratio. However, 94,300 shares of Inabata held by Custody Bank of Japan, Ltd. (Trust account E) as a trust property under the Board Benefit Trust (BBT) system is excluded from the number of the treasury shares, and hence, is included in the calculation of the ratio.

Stock Price



Credit Rating

Rating agency	Issuer rating
Rating and Investment Information, Inc. (R&I)	A- (stable)

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