Information disclosure based on TCFD recommendations

■Basic Policy

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.

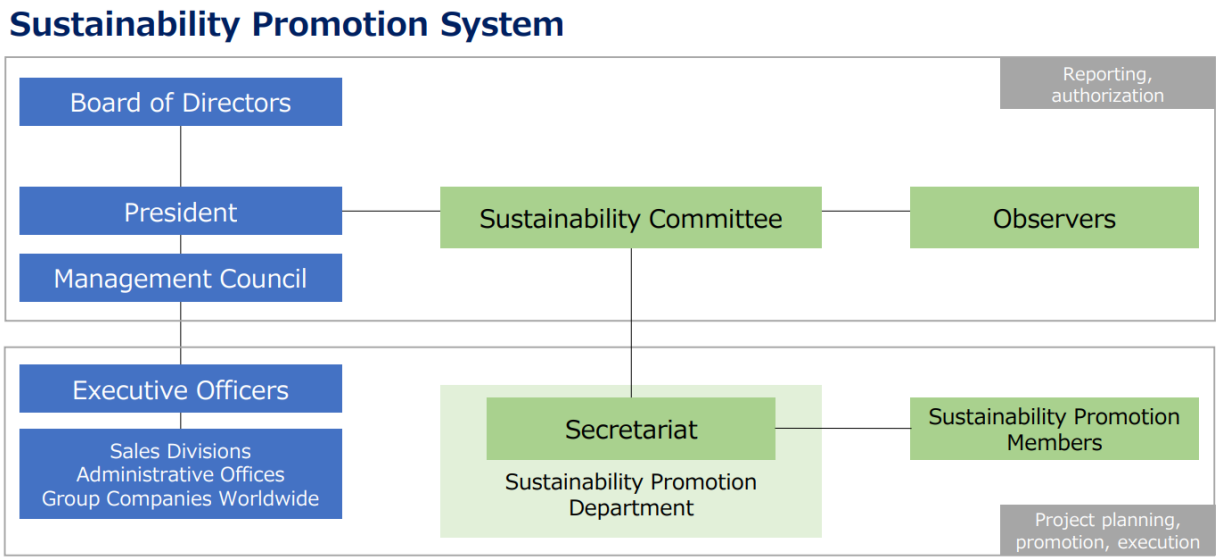
Governance

The Inabata Sustainability Committee formulates, authorizes, and monitors policies and measures related to climate change and sustainability. 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.

The Group maintains an environmental management system (EMS) based on ISO14001, and the results of EMS activities are reported to the president and the board of directors.



＞Sustainability Promotion System
https://www.inabata.co.jp/themes/english@inabata/pdf/csr/sustainability_structure_en_2206.pdf

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.

Item		Climate change risk	Degree of impact	Business risk	Length of impact	Business opportunity	Length of impact	Response
Transition risk	Government policy, law	Carbon tax, tax increase	Medium	・ Passing on tax increase raises procurement cost for energy, raw resources, materials, and products	Short to long term	・ Introduce renewable energy to stabilize energy costs ・ Opportunity to increase revenue with low-carbon products	Short to long term	・ Collect country-specific information on carbon tax trends ・ Develop recycling materials and low-carbon products, form partnerships, create a procurement network (diversify suppliers)
		Tighter environmental regulations (low carbon, energy saving)	Medium to large	・ Need to reduce our factory CO2 emissions, higher cost for energy saving measures ・ Higher costs from the need to switch to low-carbon products ・ Higher costs for raw materials, materials, and products	Short to medium term	・ Reduce costs with environment-friendly offices ・ Increased profit opportunities for low-carbon products	Short to medium term	・ Convert to environment-friendly offices ・ Develop new low-carbon products ・ Develop upstream and downstream channels to construct an efficient agricultural product production and processing cycle ・ Develop business using the J-credit system
		Stricter renewable energy policy	Medium to large	・ Higher costs from introducing renewable energy ・ Increased costs for raw resources, materials, products and semi-finished products that use using fossil fuel energy	Short to medium term	・ Introduce renewable energy to reduce CO2 and energy costs ・ Increased business opportunities related to solar and biomass power generation ・ Increased profit opportunities from increased demand to shift from petroleum-based materials to fossil-free raw materials	Short to medium term	・ Study best timing to introduce renewable energy ・ Focus on businesses related to renewable energy ・ Use and expand sales of fossil-free raw materials
	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 lack of 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	Soaring raw material and energy prices	Medium to large	・ Increased procurement costs and decreased orders when prices are passed on (mainly in the manufacturing and processing departments)	Short to medium term	・ Higher sales from the increases in raw material and energy prices ・ Creation of renewable energy business	Short to medium term	・ Review raw material usage, diversify and strengthen relationships with suppliers
		Changes in consumption trends	Medium	・Decreased product sales from changes in consumer food demand	Short to medium term	・ Increased consumer awareness of local production for local consumption and greater demand for domestic products ・ Increased consumer awareness of safe and secure lifestyles	Short to medium term	・ Develop domestic products and form partnerships to reduce CO2 emissions during transport for local production for local consumption
		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)
	Reputation	Increasing demands from stakeholders	Medium	・ Decreased reputation due to slow implementation of low-carbon and carbon-free business initiatives	Medium to long term	・ Increased opportunities for low-carbon and carbon-free businesses	Medium to long term	・ Advance development and form partnerships, including M&A, for low-carbon and carbon-free businesses

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)

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 FY 2018. In FY 2021, CO_2 emissions*2 were 28,824 metric tons. Group is preparing to disclose scope 1 and 3 emissions data beginning in FY2022.

*1: Scope 1 and 2

*2: Inabata & Co., Ltd. and overseas resin compound manufacturing business bases

Energy and climate related data

		FY2019	FY2020	FY2021
CO_2 emissions (Metric tons-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
Power consumption (1000kWh)	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 basic unit of sales (metric ton-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.

Please visit the following site for the latest company information.

> Sustainability data

https://www.inabata.co.jp/sustainability/data/