



Green Finance Framework
November 2024



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1. Introduction

Inabata Group's Mission is to contribute to the development of society based on the spirit of "*kei* (respect)" and "*ai* (love,)" which have been the two core values for the company since its inception. Our Vision is: "to continually evolve, serving clients and society, through global operations and meeting their changing needs."

The forerunner of Inabata Group was established in Kyoto, in 1890, as an importer and seller of synthetic dyes. Keeping the chemicals business as its core activity, Inabata has brought over the expansion into such product areas as electronic materials, housing materials, and food. Our history of business expansion has also been a process of developing capabilities in such functions as market development, manufacturing/processing, distribution, and financing.

Over the past several years, we have seen a clear acceleration in social trends demanding sustainable corporate management. We acknowledge this as evidence that there are greater expectations on corporations and the business sector to address a mountain of social issues that need to be resolved, such as environmental conservation, respect for human rights, attention to the employee working environment, and fair transactions.

These social issues represent a major risk to corporate activities in the future. However, we also believe that, by taking proactive and appropriate action, we will find major opportunities for sustainable growth at our Group. That is why we address sustainability as an important management issue. To be a trading company that is needed by society and one that withstands the test of time, we aim to achieve the sustainable society and to improve our long-term corporate value through all our business activities. Therefore, we hereby establish the Green Finance Framework.

2. Long-term Vision "IK Vision 2030"ⁱ

In May 2017, we formulated IK Vision 2030, our long-term vision. This outlines our vision for around 2030 and charts out the direction for further enhancing multifaceted functions, such as manufacturing, distribution, and finance, that are also the basics of our trading function. We will also strive for early achievement of our numerical targets of consolidated sales of 1 trillion yen and a consolidated overseas sales ratio of 70% or more. We also aim to increase the proportion of segments other than information & electronics and plastics, which are our top two segments, to over one-third of our business portfolio.

IK Vision 2030 begins by stating our goal of "further enhancing multifaceted capabilities such

i. IK Vision 2030•Integrated Report 2023 (March, 2023) : [integrated_report2023_en.pdf \(inabata.co.jp\)](https://www.inabata.co.jp/integrated_report2023_en.pdf) P22

as manufacturing, logistics, and finance, in addition to trading.” At the 120th anniversary of our company, we communicated this goal to our employees along with the message that we must “further leverage our strengths as a shosha, or Japanese trading company.” Our trading function includes not only our intermediary role but also encompasses a variety of other elements including logistics, manufacturing and processing, finance, and business investment. Our purpose as a trading company is to flexibly combine these functions to serve society.

Long-term Vision: IK Vision 2030

What Inabata envisions to be in years around 2030

Consolidated sales

Achieving more than 1 trillion JPY in consolidated sales in early stage.

Enhance multifaceted capabilities

Further enhancing multi-faceted capabilities such as manufacturing, logistics and finance, in addition to trading.

Business portfolio

At least 1/3 of business from segments other than Information & Electronics and Plastics.

Overseas ratio

70% or more

3. Mid-term Management Plan: New Challenge 2026 (NC2026)

Inabata Group is promoting the "New Challenge 2026" mid-term management plan for the next three years, which is the third stage towards achieving our long-term vision "IK Vision 2030" by around 2030. In the mid-term management plan "New Challenge 2026," we set the main theme of accelerating growth through proactive investment, while also establishing a sustainability strategy as one of our management base strategies. In 2024, we have formulated a new sustainability medium-term plan to address key management issues (materiality).



4. Sustainability Management

In October 2021, we established the Sustainability Committee, which is chaired by the president with the director in charge of sustainability acting as vice-chair. The committee consists of one director and two executive officers in charge of each of the four business segments, and six selected heads of administrative offices. The committee also has observers consisting of seven outside directors, two non-executive directors, which shall provide required opinions. By having all directors participate, the Board of Directors is able to exercise its supervisory function through the committee.

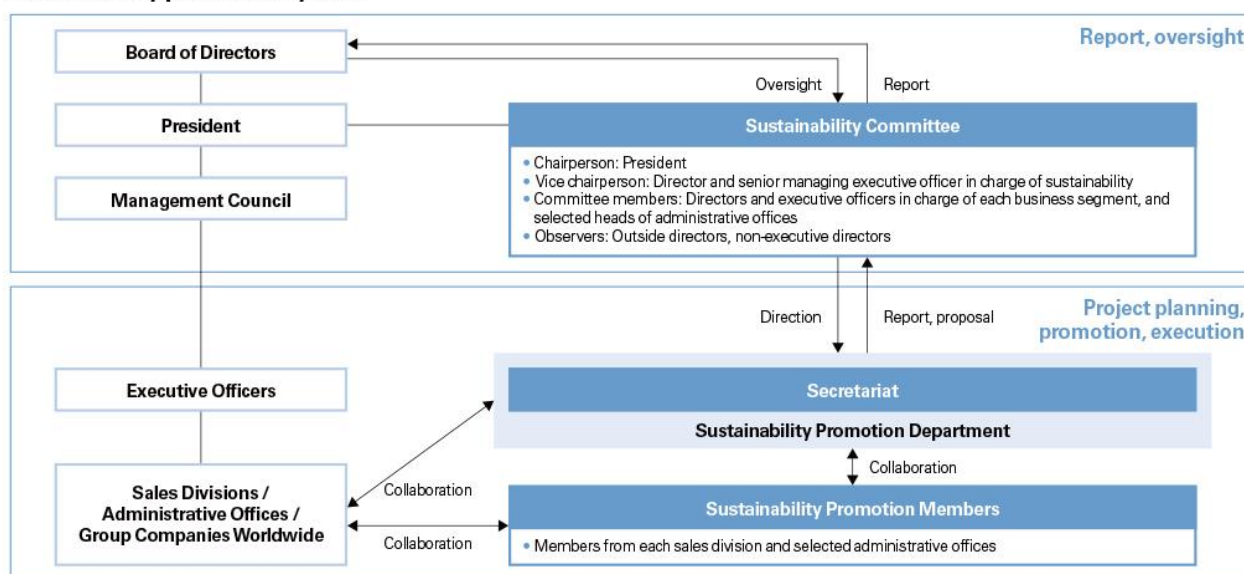
Convened at least once a year (plus extraordinary meetings as needed) in principle, the committee formulates, authorizes, and monitors the Group's sustainability policies and measures.

The Regulations of the Board of Directors require the director in charge of sustainability to report to the Board of Directors at least once a year on the status of initiatives to address sustainability issues (such as consideration for climate change and other global environmental issues, respect for human rights, consideration for employee health and working environment, fair and reasonable treatment of employees, fair and reasonable transactions with business partners, and crisis management for natural disasters). The status of sustainability initiatives is also reported to the Board of Directors through the quarterly reports on business execution. The details of deliberations and reviews conducted by the Sustainability Committee are also appropriately reported and escalated to the Board via this process.

Once the Sustainability Committee passes a resolution, the dedicated Sustainability Promotion Department and the Sustainability Committee Secretariat (made up of select administrative office personnel) will work together to put it into action to promote groupwide sustainability efforts. The Sustainability Promotion Department will also work with the Sustainability Promotion Members (comprising members from each sales division and select administrative office personnel) to compile and provide information relating to groupwide sustainability in order to facilitate effective discussions at the Sustainability Committee.

<Sustainability Promotion System>

Sustainability promotion system



5. Materiality and the Sustainability Medium-term Plan 2026

(1) Identifying Materiality

In June 2022, Inabata Group identified six material issues (key issues to be addressed as a priority) linked to the resolution of various challenges related to the planet and society, as well as the sustainable improvement of the Group's corporate value. In the Sustainability Medium-term Plan 2026, which was published in May 2024, these materialities remain the same.

We recognize that environmental issues such as climate change, reuse of resources, and natural capital, as well as social issues such as human rights and labor, pose risks in continuing our business, while also presenting new growth opportunities. Therefore, we focus on sustainability as one of our key management priorities.

The six materialities we have established are categorized into two groups: "Creating Sustainable Value" and "Strengthening the Foundation for Business Continuity," as shown in the table below. Through our efforts related to these materialities, we aim to enhance long-term corporate value and realize a sustainable society.

【Materialities and key points】

	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.

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

Inabata group has established the long-term vision, strategy, and KPIs/objectives for the identified materiality within the Sustainability Medium-Term Plan 2026. Inabata group will develop and implement specific measuresⁱⁱ to manage each strategy.

<Long-term Targets>

GHG emissions (Scope 1 and 2): Reduce emissions by 42% by FY2030, compared to FY2022 levels; and achieve carbon neutrality by FY2050.

<Long-term Aims>

- ① A decarbonized and circular society, and rich natural capital for society and the planet.
- ② A society in which human rights are respected, people feel safe and secure, and their well-being is maintained.
- ③ A state of sustainable growth where the value provided by the Company, co-created with its business partners, is seen as indispensable to society.
- ④ A situation where all employees in Japan and overseas, who are critical for sustainable growth, are physically and mentally healthy, work with enthusiasm in a style that fits the individual and in appropriate roles, and enjoy a high level of well-being.

Creating sustainable value		Contributing to a decarbonized and circular society; sustainable use of natural capital Contributing to safety, security, and well-being Providing value through resilience in procurement and supply functions
Strategy	KPIs and Targets (April 2024 to March 2027)	Boundary
– Achieve carbon neutrality in business activities	» Reduce GHG emission (Scopes 1 and 2) by 25% compared to FY2022 levels	Consolidated
– Contribute to the global environment through the business	» Achieve net sales of 100 billion yen*1 for environment-related business	Consolidated
– Ensure safe and secure quality through stronger management of compliance with chemical substances regulations	» Understand and share trends in chemical substances regulations in Japan and overseas in a timely manner, and strengthen the compliance management framework	Consolidated
– Enhance resilience in procurement and supply functions by strengthening supply chain management	» Clarify the Company's position on responsible procurement, and communicate it internally and externally	Non Consolidated
– Establish supply chains that respect human rights	» Establish the human rights DD cycle*2 for selected operations as a model case	Non Consolidated

*1. The expected ratio of environment-related business by field in the final fiscal year of the Sustainability Medium-term Plan 2026 is outlined below.

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

*2. The human rights DD cycle refers to the following due diligence processes and supporting measures set out in OECD Due Diligence Guidance for Responsible Business Conduct:

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

Strengthening the foundation for business continuity		Respecting human rights in the spirit of love (ai) and respect (kei) and growing together with local communities Fostering and strengthening the human capital driving the value creation Enhancing governance and risk management
Strategy	KPIs and Targets (April 2024 to March 2027)	Boundary
– Improve the well-being (state of being physically, mentally, and socially satisfied) of employees who support sustainable growth	1. In employee engagement surveys, achieve an overall response rate of at least 90%, a positive response rate of at least 80% to the statements "I am satisfied to work at the Company" and "I can identify with the Company's mission, vision, and managerial policy, and I want to work to achieve them," and a positive response rate of at least 70% across all items*3 2. Expand the implementation boundary for the human rights DD digital survey to the Group	Consolidated
– Foster diversity and inclusion that makes the most of diverse individuals	1. Increase the ratio of women in managerial positions to at least 8% by March 2028, and to 10% by 2030 2. Maintain the ratio of mid-career hires at around 50% 3. Increase the ratio of male employees taking paternity leave to 100% 4. Continue to exceed the legal rate of employment for persons with disabilities 5. Encourage managerial appointments for local employees at overseas subsidiaries	1-4 Non Consolidated 5 Consolidated
– Further advance health and productivity management	1. Achieve a 100% rate of complete checkup 2. Maintain comprehensive health risk found by stress checks at current levels*4	Non Consolidated
– Focus on investment in human capital	1. Every year, spend more on education and training costs*5 per employee than in the previous year 2. Maintain the ratio of employees with overseas posting experience at around 40%	Non Consolidated

*3. The positive response rate in employee engagement surveys refers to—of employee responses on the five-point scale (5: Fully agree; 4: Agree; 3: Neither agree nor disagree; 2: Disagree; 1: Fully disagree)—the proportion of responses 4 and 5, which are the positive responses.
Note: We have corrected an error in the original English translation (June 5, 2024)

*4. The rate of complete checkup refers to the proportion of employees who were advised to undergo a complete checkup after the initial health check and actually followed the advice. Comprehensive health risk is an indicator for stress evaluation provided by the Ministry of Health, Labour and Welfare to comprehensively assess to what degree the workplace environment impacts on employee health. The risk is calculated by using four criteria obtained from stress checks: psychological burden of work (volume), degree of discretion at work, degree of support from managers, and degree of support from colleagues. The national average is calculated as 100: workplace health risk is high if the value exceeds 100, and low if the value falls below 100. The value at the Company is currently below 100.

*5. Education and training costs refer to the expenses spent on group training, external training, video learning, and so on at Inabata on a nonconsolidated basis. For FY2022, the costs were 50,776 yen per person. (FY2023 results will be disclosed in the summer of 2024.)

6.

Neutrality Declaration 2050

Carbon

In June 2022, the Inabata Group released the Carbon Neutrality Declaration 2050, which sets the goal of achieving net zero* GHG emissions from business activities by FY2050. Climate change is one of the most pressing issues facing global society. There are calls for climate action worldwide, and moves towards decarbonization are accelerating in Japan and abroad. The Carbon Neutrality Declaration 2050 responds to global calls for climate action and declares that the Group will further accelerate climate change measures.

While we have already established an environmental management system compliant with ISO 14001 and implemented energy management and other initiatives, we will further strengthen decarbonization initiatives going forward to achieve carbon neutrality. We are also focusing our business activities on providing various products and solutions that contribute to a decarbonized society.

* Covers the amount of company emissions that fall within Scope 1 (emissions from the use of fuel by the company) and Scope 2 (emissions from the use of electricity and heat purchased by the company) of the Greenhouse Gas Protocol.

5. Main Initiatives

Climate change is one of the most pressing issues facing global society. It is a highly urgent issue that seriously impacts people's lives and the natural environment as seen in the unprecedented extreme weather events that are already occurring with greater frequency and intensity around the world. The Paris Agreement, an international treaty on climate change measures, aims to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, and states that this requires achieving a balance between anthropogenic greenhouse gas (GHG) emissions and removals by the second half of this century.

The Inabata Group fully recognizes the effects of climate change and the need for countermeasures, and has made it clear that the Group strives to conserve the global environment through business activities in its Sustainability Basic Policy, Sustainability Code of Conductⁱⁱⁱ, and Declaration of Compliance^{iv}. When we announced materiality in June 2022, we highlighted “contributing to a decarbonized and circular society” and identified global environmental problems, including climate change, as one of the key issues for management. We consider climate change a risk to the Group, but one that also presents business opportunities. Therefore, as well as taking steps to reduce GHG emissions, we seek to provide products and solutions that contribute to a decarbonized society. Our main initiatives currently are as follows:

- Promoting the transition to LED lighting in offices and factories to reduce electricity

iii. Sustainability Basic Policy/ Sustainability Code of Conduct : [Basic Policy / Code of Conduct / Promotion System | Sustainability at the Inabata Group | Sustainability | INABATA & CO., LTD.](#)

iv. Inabata Declaration of Compliance : [compliance.pdf \(inabata.co.jp\)](#)

consumption

- Implementing and switching to energy-efficient air conditioning systems and machinery at manufacturing sites
- Efforts toward low-carbon facilities at our Osaka and Tokyo headquarters, such as Monitoring peak electricity demand, implementing the 'Electricity Consumption Monitoring System,' which monitors peak electricity demand and reinforces energy-saving measures when demand exceeds capacity, along with the introduction of energy-efficient air conditioning and fluorescent lighting equipment
- Environmentally-friendly Nagoya branch with CASBEE S rank^V (relocated in 2015)
- Focusing on businesses that contribute to a decarbonized society, such as renewable energy, alternative fuels, and other low-carbon products

6. Green Finance Framework

Inabata has established this framework to secure the funding required for the above sustainability initiatives. This framework has been established based on the principles and guidelines below:

- Green Bond Principles 2021 (ICMA)
- Green Loan Principles 2023 (LMA, APLMA, LSTA)
- Green Bond and Sustainability-Linked Bond Guidelines 2022 (Ministry of the Environment)
- Green Loan and Sustainability-Linked Loan Guidelines 2022 (Ministry of the Environment)

Inabata plans to secure green financing (loans and/or bonds) based on its Green Finance Framework.

(1) Use of proceeds

The proceeds raised under the Framework will be used to finance or refinance new or existing projects that meet the following eligibility criteria. Refinancing is limited to eligible projects that were financed up to three years prior to issuance of the green bonds.

【Eligible projects】

ICMA categories	Eligibility criteria
Renewable energy	<ul style="list-style-type: none">● Investments in renewable energy (solar, wind, and biomass*)<ul style="list-style-type: none">• Acquisition/leasing of land• Construction/expansion of facilities, purchasing/installation of equipment• Operation, maintenance, and management

V. CASBEE: A system developed by the Institute for Built Environment and Carbon Neutral for SDGs to evaluate and rate the comprehensive environmental performance of buildings, with the five ranks of S, A, B+, B, and C

	<p>* Biomass energy projects utilizing fuels that meet the following criteria are considered eligible</p> <ul style="list-style-type: none"> ① The fuel must be sourced near factories and other facilities and a) be derived from waste, b) be derived from unutilized materials, or c) receive certification relating to sustainability (such as wood and wood pellets certified by the FSC) ② The fuel must be confirmed to reduce CO₂ emissions on a life cycle basis <p>● Purchase of energy derived from sustainable sources and/or purchase of green power certificates and/or non-fossil certificates</p>
Green buildings	<p>● Construction and renovation costs for properties obtained up to 36 months prior to the procurement of funds, or which are scheduled to obtain certification/recertification from one of the third-party organizations below</p> <ul style="list-style-type: none"> • CASBEE: rank S or A (excluding local government versions) • DBJ Green Building Certification: 5 stars, 4 stars or 3 stars • LEED: Platinum, Gold, or Silver
Energy efficiency (buildings)	<p>● Construction or acquisition of buildings that satisfy (or are expected to satisfy) the below Building Energy Index (BEI) requirements (according to building type) to qualify as "ZEB Oriented"</p> <ul style="list-style-type: none"> • Factories, offices, schools, and other comparable buildings: BEI of 0.6 or lower • Hotels, department stores, hospitals, restaurants, community facilities, and other comparable buildings: BEI of 0.7 or lower

(2) Process for project evaluation and selection

The projects to which funding will be allocated are chosen through discussion between the Sustainability Promotion Department and the Financial Management Office. The Financial Management Office will make the actual selection based on how well each project satisfies the eligibility criteria, and the decision will be subject to a final ratification by the director in charge of finance.

An evaluation will be conducted to ensure that, in order to reduce environmental and social risks, proper measures have been implemented with regards to the following:

- Compliance with environment-related laws, ordinances, and regulations that are in force at the national or regional level within the project's jurisdiction, and implementation of environmental impact studies as needed
- Sufficient communication made to local residents before commencement of project

- Procurement of raw materials and supplies, prevention of environmental pollution, and consideration for the working environment and human rights in accordance with the Inabata Group Sustainability Basic Policy and the Sustainability Code of Conduct.

(3) Management of proceeds

The Financial Management Office will allocate and manage the proceeds of green bonds to eligible projects. The Finance Division will also track and manage the allocation of proceeds on a regular basis using the internal database. Until the proceeds are allocated to eligible projects, they will be held as cash or cash equivalents.

(4) Reporting

The status of allocation to eligible projects, positive effects on the environment and social impact will be disclosed on our company website and/or Integrated Report. If a green loan provider requests a report, we will determine the method of reporting after discussing the matter with the loan provider. If there should be a significant change in the status of financing after full allocation of the proceeds, we will disclose this without delay and report to the loan provider by the agreed method.

A. Allocation reporting

Until all proceeds are fully allocated, we plan to report annually on the status of allocation to eligible projects regarding the items below, to the extent practicable.

- The amount allocated by category
- The anticipated timing for allocating any unallocated proceeds and the method employed to manage the unallocated proceeds
- The ratio of new financing to refinancing

B. Impact reporting

Until all proceeds are fully allocated, we plan to report annually, to the extent practicable, on the items below relating to positive environmental effects from the eligible projects.

ICMA categories	Reportable matters (example)
Renewable energy	<ul style="list-style-type: none"> • Project overview • Power generated annually and CO₂ emissions reductions, by type of energy source • Amount of electricity procured from renewable energy sources and /or amount of electricity purchased represented by green energy certificates and/or non-fossil certificates

Green buildings	<ul style="list-style-type: none"> • Building overview • Type and level of certification • Reduction in annual energy consumption or rate of reduction (BEI) • Annual CO₂ emissions reductions 		
	<table border="1"> <tr> <td data-bbox="304 394 512 609">Energy efficiency (buildings)</td><td data-bbox="512 394 1452 609"> <ul style="list-style-type: none"> • Building overview • If a BELS evaluation was obtained, specify the year the evaluation was performed and rank achieved • Reduction in annual energy consumption or rate of reduction (BEI) • Annual CO₂ emissions reductions </td></tr> </table>	Energy efficiency (buildings)	<ul style="list-style-type: none"> • Building overview • If a BELS evaluation was obtained, specify the year the evaluation was performed and rank achieved • Reduction in annual energy consumption or rate of reduction (BEI) • Annual CO₂ emissions reductions
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