





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

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

Respecting all people as a member of society

We have continued to pass down our people-first spirit of “love (*ai*)” and “respect (*kei*)”. Guided by this spirit, we believe our purpose is to serve society and contribute to its development through our business activities.

Vision

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

Aiming for continuous evolution and growth

To respond to change, we will further enhance our network of people and information while continuing to hone our expertise that creates value and ability to act with initiative. In this way, we will aim for unceasing evolution and growth as a *shosha*, or Japanese trading company.

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)

Together with diverse stakeholders

We have defined common values that serve as a guideline in the current business environment where each person must make decisions and act swiftly and appropriately. By sharing the ethics and aspirations that form these values with not only employees but all of our diverse stakeholders throughout the world, we believe we can evolve together.

Katsutaro Inabata
Founder

Since our founding, we have continued to manage our business with respect for people.

“Honesty is the only way to earn trust of society”
This is one of the sayings left behind by our founder, which describes our spirit of “love (*ai*)” and “respect (*kei*).” Our company’s history of over 130 years boasts a lineage of creating diverse businesses that contribute to social interests relevant to the times, and our emphasis on managing our business with respect for people links with today’s sustainability management.



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



Inabata Senryoten at the time of founding



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

Our History of Business Evolution and Growth

We have continued to evolve and grow as a company while responding to the changing needs of our clients and society.

Founding story

As Kyoto declined following the transfer of the capital, our founder, Katsutaro Inabata, studied abroad in France, sponsored by the prefectural government

Following the Meiji Restoration, the capital of Japan was transferred to Tokyo, resulting in a dramatic reduction of Kyoto's population and the beginning of an economic decline. Against this backdrop, our founder, Katsutaro Inabata, who was born in Kyoto Prefecture and attended teacher's school, was selected by the Kyoto Prefectural government in 1877 to visit France to study. He was only 15 at the time. While attending two industrial preparatory schools in Lyon, Europe's largest silk fabric producing region, he studied the fundamentals of industrial chemistry and undertook practical training for three years at the Marnas dyeing factory. He later studied dyeing theory and applied chemistry at the University of Lyon while also visiting other European countries. Supporting him through his eight years abroad was a strong sense of mission to contribute to not only the revitalization of Kyoto but also to the modernization of all of Japan.

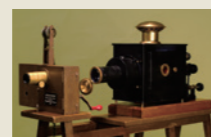


As Japan worked urgently to modernize its industries, Katsutaro brought Europe's world-leading dyeing techniques back to Kyoto Prefecture

When Katsutaro returned to Japan in 1885, he was offered a position as an agriculture and commerce engineer by the Meiji government. He turned it down, however, instead wishing to serve Kyoto Prefecture. Starting as a teacher at a Kyoto dyeing institute, he later assisted in the establishment of a textile company in Kyoto and was recommended for the position of chief engineer. In this way, he worked to spread the world-leading dyeing techniques that he had learned while studying abroad. In 1890, he founded Inabata Senryoten, the predecessor to Inabata, contributing significantly to the development of Japan's dyeing industry as a whole.

Contributing to the modernization of culture Holds Japan's first cinema show; Nikkatsu succeeds the business

On a business trip to France in 1896, he purchased a cinematograph, films, and screening rights from his friend, Auguste Lumière. He used these to hold the first cinema shows in Japan. A newspaper at the time wrote that the audience was surprised and amazed by the moving picture. He then transferred the rights to a company which would later become Nippon Katsudo Shashin Corporation, which is now known as Nikkatsu Corporation.



Replica of a cinematograph

Since 1890

1890

Inabata Senryoten established in Kyoto



1908

Branch established in Tianjin, China



Net sales
(Billions of yen)

1890 1910 1930 1950 1970 1980 1990 2000 2010 2020

Net sales (Billions of yen)

800 –

700 –

600 –

500 –

400 –

300 –

200 –

100 –

0 –

2010

IK Values established



1976

Overseas sales base established in Singapore



1990

100th anniversary



1916

Amid the suspension of dye imports during World War I, Katsutaro contributed to the establishment of Japan Dyestuff Manufacturing

When the dye imports came to a complete halt during World War I, the Government of Japan encouraged the domestic production of synthetic dyes, leading to the establishment of Japan Dyestuff Manufacturing Co., Ltd. in Osaka in 1916. Katsutaro was involved in the establishment of the company and was appointed as its president in 1926. He actively managed the company, contributing to the domestic production of dyes and their popularization.



The Japan Dyestuff Manufacturing Co., Ltd., established in 1916

1959–

Amid the rapid rise of the petrochemical industry with the postwar recovery, Inabata responded to demand for petrochemicals by importing polypropylene for the first time in Japan

In 1955, government-led heavy chemical industrialization advanced and demand for petrochemicals expanded. Against such a background, Inabata had the foresight to set its eye on polypropylene, which was said to be an all-purpose resin. In 1957, Inabata concluded a provisional import contract with an Italian firm that had industrialized polypropylene production that year, and imports to Japan began for the first time in 1959.

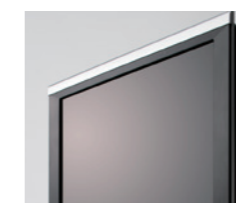


Early petrochemical product that contributed to the growth of the plastics business

1984–

Separation of the pharmaceutical business following structural changes in the pharmaceutical industry Launch of the information & electronics business and rebuilding the business portfolio

In the 1980s, a government policy to suppress medical costs resulted in significant changes to the structure of the domestic pharmaceutical industry. While we made the difficult decision to separate our pharmaceuticals division, which accounted for approximately one-third of our total net sales at the time, we worked to restructure our business portfolio, defining this phase as our "third founding period." This resulted in growth in our LCD-related business, which shares a link with our current information & electronics business.



Information & electronics business grew with the spread of LCDs

2010–

With the intermediary role of trading companies being questioned amid the increase in online trading, Inabata strengthened and enhanced its multifaceted capabilities and created a new business model

In recent times, the expansion of e-commerce and direct trading between companies has caused the role of trading companies to be questioned. Amid these circumstances, we have strengthened supplementary functions based on our core role as a trading company, such as manufacturing and processing, as well as logistics, proposing integrated solutions and new business models tailored to the needs of our customers. This has enabled us to create unique value that ensures customers choose our company.



Mexico plastic compounding factory

Contents

1

Corporate Philosophy and DNA

3

Our History of Business Evolution and Growth

5

Contents / Editing Policy /
Information Disclosure System

Chapter 1

Growth Strategy

7

Message from the President

13

The Process of Value Creation

15

Capital and Strengths

17

Businesses and Functions (Business Models)

21

Business Plan and Progress Review

25

CFO Interview

31

Feature: Toward the Creation of New Value

Chapter 2

Business Strategies by Segment and Region

37

History of Our Business Portfolio

39

At a Glance

41

Summary of Each Segment

43

Business Strategies by Segment

51

Global Network

53

Reports by Region

Chapter 3

ESG Information

55

Sustainability Management

57

Materiality

59

Climate Change

63

Environmental Business
(Products that Reduce Environmental Impact)

65

Employee Engagement / Human Resources Development

67

Human Rights and Supply Chain Management

69

Management

71

Outside Director Three-Way Talk

75

Corporate Governance

86

Risk Management

90

Compliance / Anti-Corruption

91

Information Security

Data

93

Sustainability Data

101

Financial Information

109

Consolidated Subsidiaries and Affiliates

111

Corporate Information / IR Activities / Stock Information



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. In Integrated Report 2023, we return to our mission and vision and once again illustrate our overarching approach of evolving our business in line with the needs of clients and society.

- **Guidelines referenced:** International Integrated Reporting Framework by the Financial Reporting Standards (IFRS) Foundation Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation by the Ministry of Economy, Trade and Industry (METI), etc.
- **Relevant period:** From April 2022 to March 2023 (some information may not be limited to this period)
- **Relevant organizations:** Inabata & Co., Ltd. and its domestic and overseas Group companies

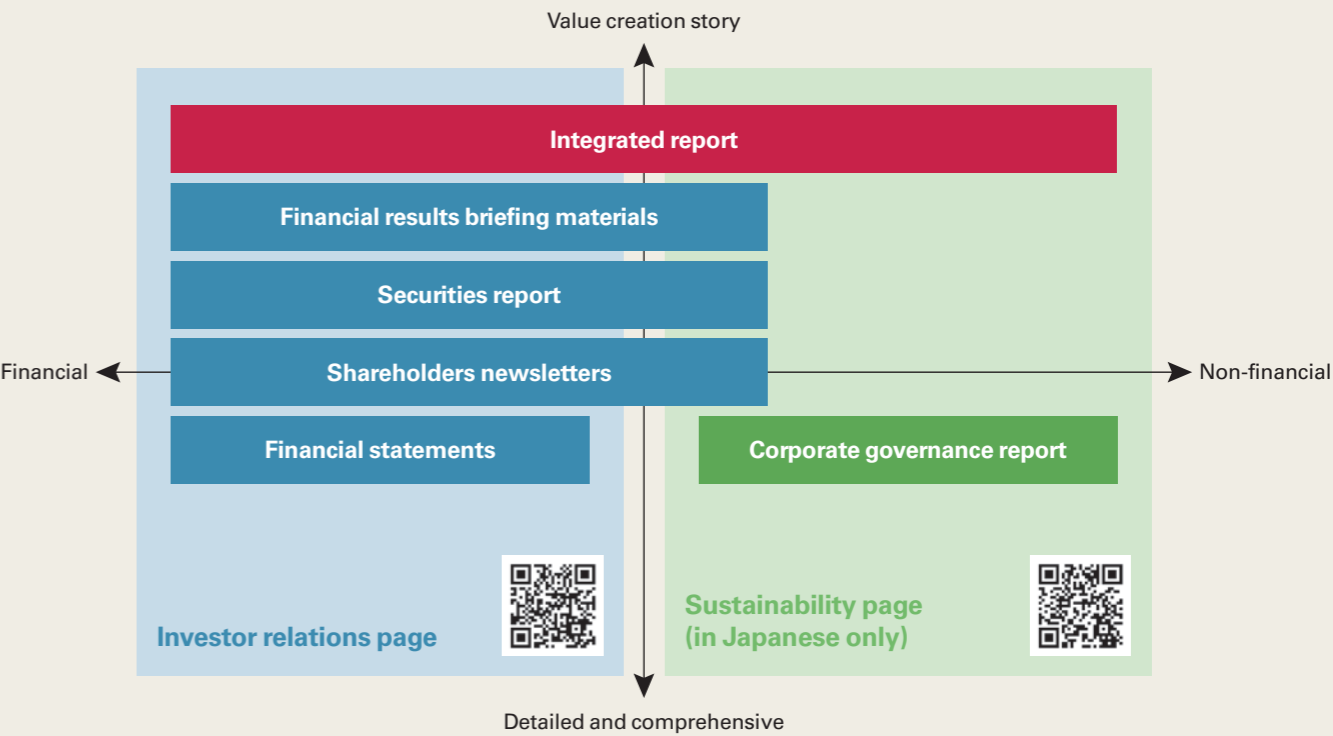
A cautionary note regarding future estimates
The data and future predictions contained in this report are based on information available and judgments applicable at the time of the report’s release. Consequently, the data and future forecasts contained herein may include elements that are subject to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

Cover design

The cover of this report is comprised of quadrangles made up of shades of red that are based on our corporate color and represent our four business segments. In the center is a quadrangle that depicts “bowing” *inaho* (rice ears). This embodies the principle of respect—a part of our IK Values that form our employee code of conduct. This design was used for the exterior wall relief of our former Tokyo Head Office building. Although it will disappear as a result of current construction work, the spirit it expresses will continue to be passed down through the generations, living on in the hearts of each employee.



Information disclosure system for financial and non-financial information



We have created investor relations (IR) and sustainability pages on our website, on which we disclose financial and non-financial information. We have published integrated reports since 2020. The report encompasses both financial and non-financial information and is also available on our website.

Message from the President



稲畑勝太郎

Katsutaro Inabata
President

We will evolve our business in line with changes in society, continuing our pursuit of becoming a sustainable trading company.

Lessons learned from a history of over 130 years

We have evolved the nature of our business by responding to societal changes

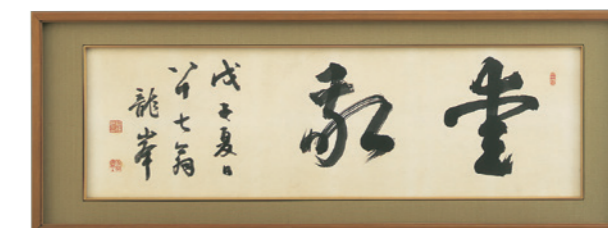
When I reflect on our 130-year history as a company, it is clear to me that rather than growing in accordance with an elaborate strategy, our business domain has expanded in a more organic and spontaneous manner. There have been quite a few episodes in our past where new businesses have failed in a process of trial and error. Inabata was originally founded as a dyeing business in Kyoto in 1890 after our founder was dismissed as chief engineer in his previous company following conflict with management over his push for the introduction of cutting-edge equipment.

Yet, despite our successes and failures, I believe we have always responded to the societal changes in each era with agility. For example, having anticipated increased petrochemical demand in the postwar reconstruction period, we imported polypropylene to Japan for the first time. Later, with the advent of internationalization in the 1970s, we rapidly advanced the establishment of bases overseas, including those for manufacturing and processing. Thanks to the efforts of our predecessors, around 60% of our sales now come from overseas. In 1999, with the market expansion of LCD and LED materials, we established the IT & Electronics segment, which later became the Information & Electronics segment. Conversely, our founding business of textiles and dyes now accounts for less than one percent of our total sales. As society's needs continue to change, the time will undoubtedly come when the products and services that are before us now will no longer be needed. Yet, ideas will eventually lead to the emergence of new items that will guide the evolution of society. This obvious fact can be seen throughout the history of our company.

Our people-first spirit reflected in our management philosophy

Management based on an understanding of human nature

In the management of our company, the most important values that we adhere to are “love (*ai*)” and “respect (*kei*)”, which comprise the spirit we have inherited since our founding. While it is natural that we emphasize efficiency in our daily operations, ultimately those we interact with at work are always people. When we engage with others, I think the act of starting by respecting them as human beings is something we learn by watching our seniors. At our company, this approach is passed on to younger generations, and I feel that it is thanks to this that our employees often share such warm relationships with our business partners. We also thrive on curiosity, asking ourselves the question “Can we think of anything interesting that doesn’t exist at the moment?” This sort of character and mindset is the driving force behind our ability to expand our business in line with the changing times.



Calligraphy of founder Katsutaro Inabata with the characters *ai* and *kei* (IK)

Organizations can differ in various ways depending on the view of human nature that they position at their core. While I believe that human beings are inherently inclined to do good, we must not forget that we also have a tendency toward weakness. To me, an understanding of human weakness is the starting point for the management of the organization. Autonomous organizational management would be possible if people had the strength never to be swayed by temporary emotions and temptations. However, in reality, we are not that strong. Frameworks such as those for internal control and risk management are needed precisely

because we are human. Rather than simply “suppressing wrongdoing,” I believe that it is important to establish appropriate checkpoints to steer employees away from making mistakes because of their weaknesses.

Our management approach stems from this philosophy and view of human nature, and it has been tested on a number of occasions as to whether it can be applied across generations and borders between countries. Though I repeatedly had to seek answers each time I faced challenging situations, I have remained steadfast in believing that we should continue to pass down our spirit of “love (*ai*)” and “respect (*kei*)” for people.

Understanding the future business environment

Demand for sustainable products and services continues

In May 2023, COVID-19 was reclassified as a Class 5 infectious disease, which is the same category as diseases such as seasonal influenza. However, I do not

think society will return to its pre-COVID state. There are still risks of the global economy falling into a recession, persistent inflation, albeit with some ups and downs, and energy and material prices are unlikely to drop suddenly soon. Moreover, in order to tame inflation, central banks around the world have been forced to raise their policy interest rates. While inflation is starting to ease to some extent, the low-interest rate environment that has been maintained now for many years across the globe is surely coming to an end. We must therefore focus on business that yields higher profits given the current interest costs.

We also expect demand for sustainability-related products and services to continue over the medium to long term. The increased activity in this field is no longer a temporary boom. While it is necessary to remain vigilant of the so-called “greenwashing,” at Inabata, we aim to leverage our diverse capabilities to steadily develop environmental business that is unique to our company. Specifically, we have already launched businesses for material recycling and the generation of biomass power from unutilized thinned wood.



Materiality (key issues for management)



Materiality and future focus areas

Supplier diversification is a new business opportunity
Accelerating the development of business related to renewable energy, health, and food

In 2022, we identified six material issues for the achievement of sustainable growth. Of these, one issue that we recognize as particularly important is “providing value through resilience in procurement and supply functions.”

In terms of corporate procurement and purchasing, customers are increasingly making efforts to diversify suppliers and engage in multi-sourcing as a result of pandemic-driven logistics disruptions and heightened geopolitical tensions. For a trading company like us, responding to these needs represents both a mission and an opportunity. By providing procurement and processing functions that leverage our global network, we will strive to fulfill the expectations of our customers.

With our first material issue, “contributing to a decarbonized and circular society,” we recognize that for us to continue to achieve sustainable growth as a company, we must directly address the needs of society. While I touched on this briefly before, we have made significant progress within our company in terms of sustainability-related initiatives, such as those concerning renewable energy and energy storage. We are also working to expand our operations in the fields of life science and medicine, which support the health of people, as well as the field of food, which includes agriculture, aiming to establish a firm foundation for profitability.

The theme of sustainability-related business can be easily adopted across divisions, and cases where multiple divisions are working on similar themes have increased. Rather than creating project teams for the sake of appearances, we have prioritized exploring themes so they can evolve to a larger scale, harnessing the advantages of a section-based approach. However,

“ To contribute to enhancing the sustainability and resilience of society, we must first ensure the sustainability of the Inabata Group. ”

I believe that we will soon reach the point where we must advance to the next stage.

Enhancing non-financial capital to achieve sustainable growth

Aiming for sustainable and global growth by fostering human resources and harnessing information

To contribute to enhancing the sustainability and resilience of society, we must first ensure the sustainability of the Inabata Group. As someone responsible for management of the company, I recognize that protecting the lives and livelihoods of employees and their families is a duty of highest importance. To an employee, a company is a place that provides them with their sustenance to live. However, meeting this requirement is merely the baseline; a company can also serve as a place that fosters the growth of each individual. A company’s true purpose in society is to provide such a place. Accordingly, the establishment of an environment that fosters the growth of people and enables them to thrive is essential for the sustainable growth of a company.

At present, I believe that developing global human resources and putting in place a system that enables them to play active roles is an issue of utmost priority. Throughout the over 40 years we have spent expanding our overseas business in the post-World War II era, we have chosen not to install our Head Office’s human resources system overseas, and each base has instead developed its own systems. Although such an approach had its benefits, given that overseas business now accounts for over 60% of our sales, there is now an urgent need to create more opportunities that empower our employees to thrive on a global level. Of course, as the various systems and cultural backgrounds differ among each country and region, it is not rational to unify all of the different personnel evaluation practices and labor management rules, and I believe a “relaxed standardization” is a more realistic solution. Beyond employee treatment and evaluation systems, there are a range of other issues that we must also consider, such as the development of training systems.

Following human resources, the second-most important management resource that a trading company possesses is information. While our employees are skilled in acquiring current information that can only be obtained on the front line, we still have room for improvement in terms

of accumulating and sharing information and using it in a systematic manner. In this sense, there is much potential for us to grow. Though it was quite some time ago now, I can still recall an article in an IT-related magazine that described information as “symbols plus meaning.” While recent advancements in AI have been truly remarkable, I believe that humans possess an advantage in the process of assigning meaning to such “symbols,” or in other words, data. We will further utilize digital technology to draw meaning from the data accumulated each day at our bases around the world, and in addition, use it to identify insights from data for new businesses and create value that can contribute to resolving clients’ challenges.

A trading company with a lasting future

Continuing to address ever-changing needs by not settling for where we are now

IK Vision 2030, our long-term vision formulated in 2017, begins by stating our goal of “further enhancing multifaceted capabilities such 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

Long-term vision: IK Vision 2030	
What Inabata envisions for its future around 2030	
Function	Further enhancing multifaceted capabilities such as manufacturing, logistics, and finance, in addition to trading
Scale of operation	Achieving more than 1 trillion yen in consolidated net sales at an early stage
Net sales and operating profit generated outside of Japan	70% or more
Portfolio	At least one-third of sales and operating profit from business segments other than the Information & Electronics and Plastics segments



“ To constantly evolve and fulfill a valuable role while we meet the needs of clients and society, we must leverage our strengths as a *shosha*, or Japanese trading company. ”

business investment. Our purpose as a trading company is to flexibly combine these functions to serve society. In order to respond to society’s ever-changing needs, we will further enhance our network of people and information, while also continuing to hone our expertise,

which is the key to understanding information, and our ability to take action. This is what the words “leverage our strengths as a trading company” truly refer to. Since this means we cannot simply be content with where we are now, this course of action is by no means easy, but it is worthwhile.

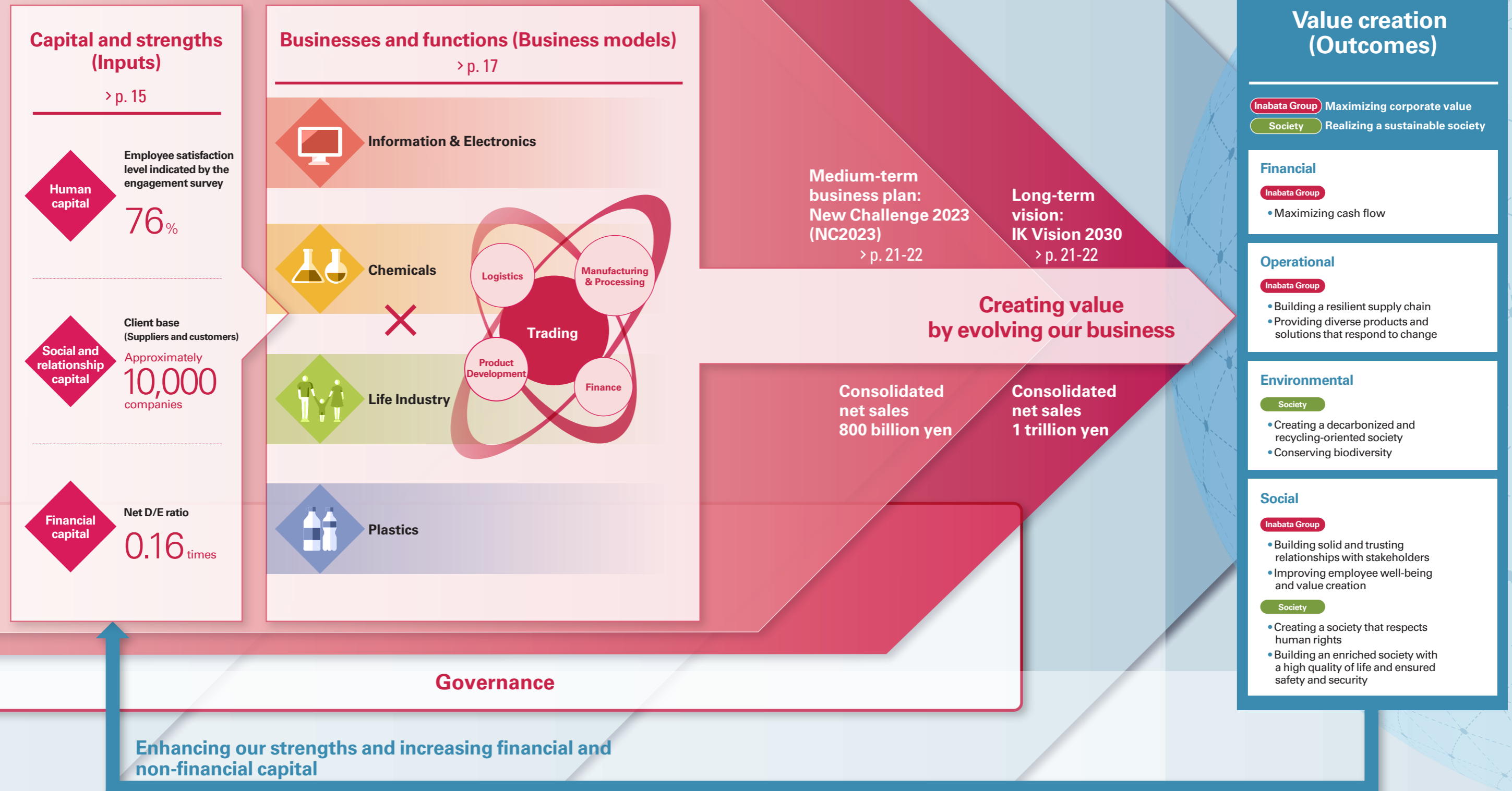
Recently, while participating in discussions with our outside directors, I was asked, “Is your company content with remaining as a trading company forever?” As I feel there is still a long path ahead before we fully harness our strengths as a trading company, I cannot envision a different form at this stage. However, if we continue to transform, our business may one day no longer be called a trading company.

I do not feel we have to conform to a particular business structure, and I will leave the formulation of our distant future vision to the next generation.



President Inabata with employees of Inabata Singapore

We create value that contributes to serving clients and social development based on the people-first spirit of “love (*ai*)” and “respect (*kei*).”



The Inabata Group's capital and strengths that support the creation of sustainable value

The source of value creation at the Inabata Group lies in the capital and strengths we have refined for over 130 years since our founding. By fully leveraging these assets, we create value that meets the needs of the changing times, and the experience we gain in this process enables us to strengthen them even more. This positive cycle is the driving force for the sustainable growth of the Group.

Human capital

Employee engagement score

I am satisfied with the work I am doing at Inabata now.

76%

I can relate to Inabata's philosophy, vision, and management policies, and I want to participate in achieving them.

73%

The Group's greatest capital is its approximately 4,300 employees who work with the spirit of "love (*ai*)" and "respect (*kei*). The relationships of trust between us and our suppliers and customers form the foundation for the Group's value creation. Supporting this foundation is our employees, who possess trustworthiness and integrity as individuals. With these relationships of trust, we have created a cycle in which important information can be easily acquired, leading to the provision of higher-quality value.

For employees to fully demonstrate their abilities, they must understand and trust their company, and have a high level of satisfaction in their work. We conduct an employee engagement survey once a year to ascertain the state of our employees. We then take appropriate measures to address any issues that are identified in the results, working to enhance engagement.

Human Capital Strategy > Special Feature 3 p. 35

Employee Engagement > p. 65



President Inabata with employees of Inabata Vietnam (Hanoi)

Social and relationship capital

Client base
(Suppliers and customers)

Approx. **10,000** companies

As a trading company, the client base is an important form of capital for the Group and a lifeline that supports our sustainable growth. One of our material issues is "providing value through resilience in procurement and supply functions." The Group's robust and diverse client base enables us to integrate different elements, including country, region, industry, technology, and supply chain. This represents a major strength of the Group.

Our suppliers and customers are also important partners in our value creation process, and we seek mutual development together.



Financial capital

Net D/E ratio* **0.16** times



The core function of the Group's business is trading. For over 130 years, we have gained the trust of clients in the chemical industry while evolving and developing our trading business. This has been made possible not only because of our strength in sales, but also because we have a financial base that enables clients to engage in transactions safely.

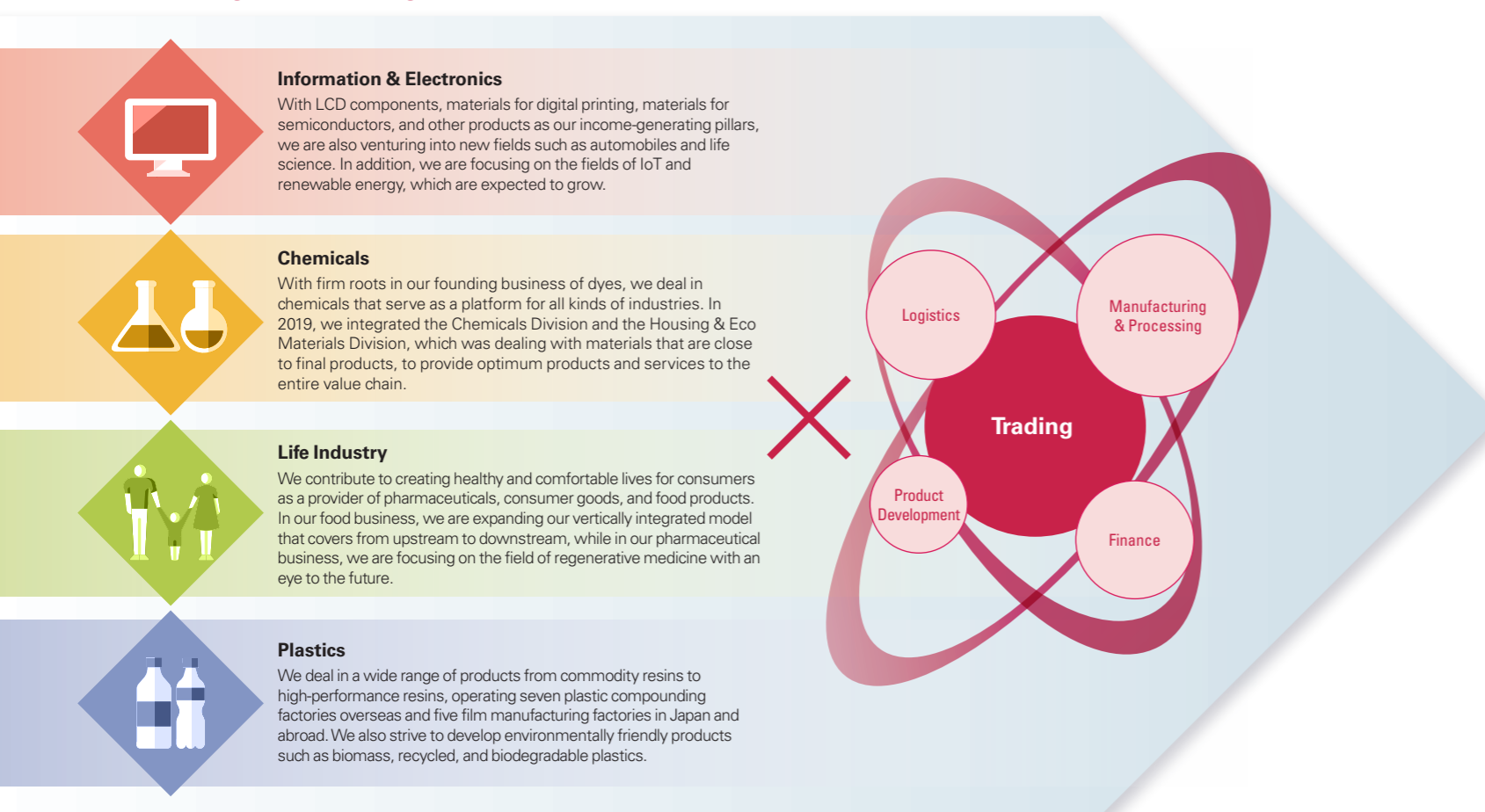
Our finance function is a key capability that complements trading. A strong financial base is essential for providing proposals that address the various challenges that clients face, such as reducing capital burden and avoiding foreign exchange risks. In our medium-term business plan, we place importance on the net debt-to-equity (D/E) ratio as a management indicator, working to maintain and enhance our financial soundness. For the current medium-term business plan, NC2023, we are targeting a net D/E ratio of 0.5 times or less. As of March 31, 2023, we achieved a ratio of 0.16 times, well beyond our target. We will continue to maintain a robust financial base with the aim of expanding our business.

* Net D/E ratio = (Interest-bearing debt - Cash and deposits) / Equity capital

By performing a variety of business functions with trading at the core, we evolve our business to create new value.

Operating in four major segments, Inabata maintains a diverse range of functions with trading at the core. We create value that meets the needs of our clients and society by maximizing these functions and proposing optimal business models to resolve challenges.

Creating value through new business models



Inabata's supplementary functions

Manufacturing & Processing
Our manufacturing and processing functions play a critical role in complementing our trading business. We increase the added value that we provide to customers by offering the manufacturing and processing functions needed in areas close to their production bases. We also contribute to the expansion of our trading business by delivering a one-stop service in various regions throughout the world, covering the procurement of materials.

Logistics
While drawing on the product knowledge and expertise that we have accumulated over many years, we propose and provide the optimum logistics solutions to clients by partnering with warehousing and transportation companies. For clients operating businesses around the world, we offer inventory management and replenishment systems that leverage our global network, thereby contributing to local production and sales operations.

Finance
We propose and implement solutions for clients' challenges such as reducing capital burden and avoiding foreign exchange risks. A robust financial base is necessary to provide the financing functions that clients expect. Having positioned the net D/E ratio* as an important management indicator, we work to enhance and maintain our financial soundness.

Product Development
We combine the expertise we have cultivated at our trading bases and manufacturing and processing bases in Japan and overseas to develop a range of products that meet the needs of our clients. As a trading company, our manufacturing and processing operations mainly involve consigned processing. However, to provide even greater added value to clients, we also develop and propose our own branded products that leverage the market information and specialist knowledge that we possess as a chemical trading company.

* Net D/E ratio = (Interest-bearing debt - Cash and deposits) / Equity capital

Business Model

Example 1

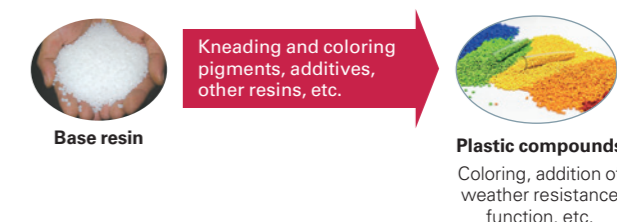
Manufacturing and processing functions that complement trading Business model for the plastic compound business

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 50%* 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.

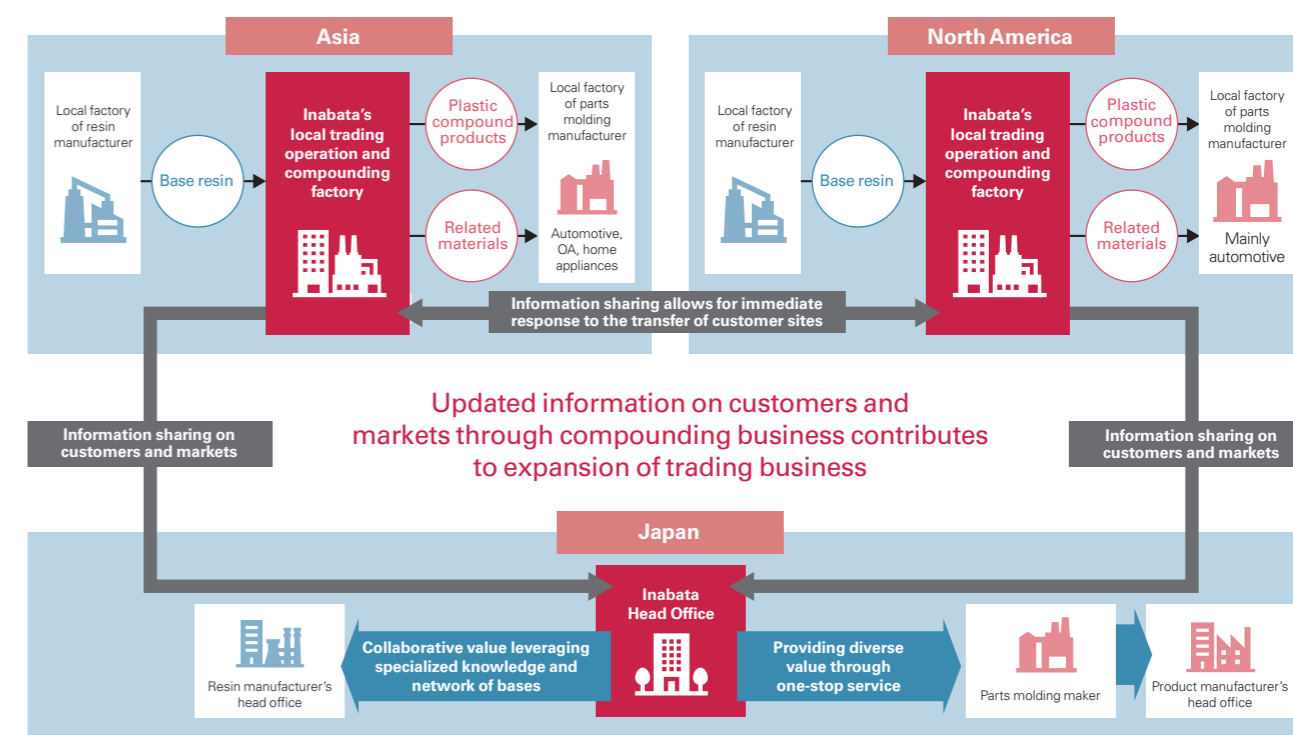
Many of our major customers have production bases around the world and need supply and distribution services for materials of the same quality.

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 735.6 billion yen in consolidated net sales for FY2022, sales in the Plastics segment amounted to 363.9 billion yen (49.5%).

Business Model

Example 2

Creating value through co-creation with local government
Business utilizing sustainable and domestically produced wood fuel under a community co-creation scheme

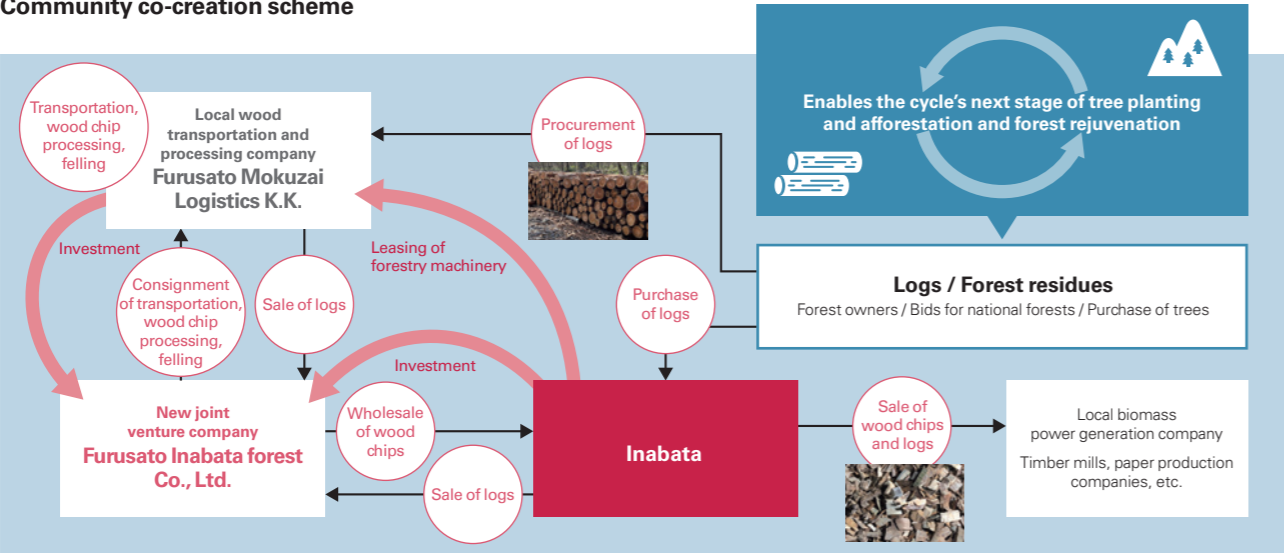
Power generation with woody biomass composed of unused wood materials such as forest residues is expected to serve as a source of renewable energy that can contribute to the sustainable development of communities. At present, however, most woody biomass is imported from overseas, while the forestry industry in Japan continues to decline in all but a few areas.

To address this issue, we have taken up the challenge of creating “business utilizing sustainable and domestically produced wood fuel” by engaging in co-creation with local communities, such as through collaboration with local governments and organizations.

This business focuses on three points. The first is the effective utilization of wood processing residues as fuel. By using these residues, the forests become tidier, and work can progress to tree planting and afforestation, which is the next phase of the forestry circulation cycle. Through this process, we will regenerate forests where growth is stopping/slowing, aiming to enable the recycling of forest

resources. The second point is the stable supply of fuel and the stabilization of prices. We will build an efficient and stable operations system by providing support for the leasing of high-performance forestry equipment and operating capital necessary for forestry management. We will also conduct fuel procurement from upstream sources, beginning with the purchasing of trees, working to ensure stable prices. The third point is collaboration with local companies and business operators. As forestry business is intertwined with regional characteristics, collaboration with companies that possess expertise and networks is essential. While working together with companies that lead in supplying biomass fuel in regional areas, we will establish new forestry companies through joint ventures, contributing to the development of the forestry industry by harnessing each other’s strengths. In addition, we will increase partners in each area for operations such as felling, transportation, and wood chip processing to construct a framework for regional cooperation over a wider area and drive business efficiency. In this way, we will expand business that utilizes domestically produced wood fuel and can contribute to sustainable development.

Community co-creation scheme



Biomass fuel supply scheme to contribute to the forest rejuvenation and the sustainable development of community forestry

Inabata jointly operates Furusato Mokuzai Logistics K.K. under a business tie-up. It is a leading company for biomass in Tohoku that covers the full supply process for biomass fuel, from securing forest resources to felling, crushing, and transportation. By increasing the number of business partners we have in each area through Furusato Mokuzai Logistics, we believe we can contribute to the development of forests and the rejuvenation of forests over a wider area.

Business Model

Example 3

Logistics solutions developed with local partners
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. PT. 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 11,000 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

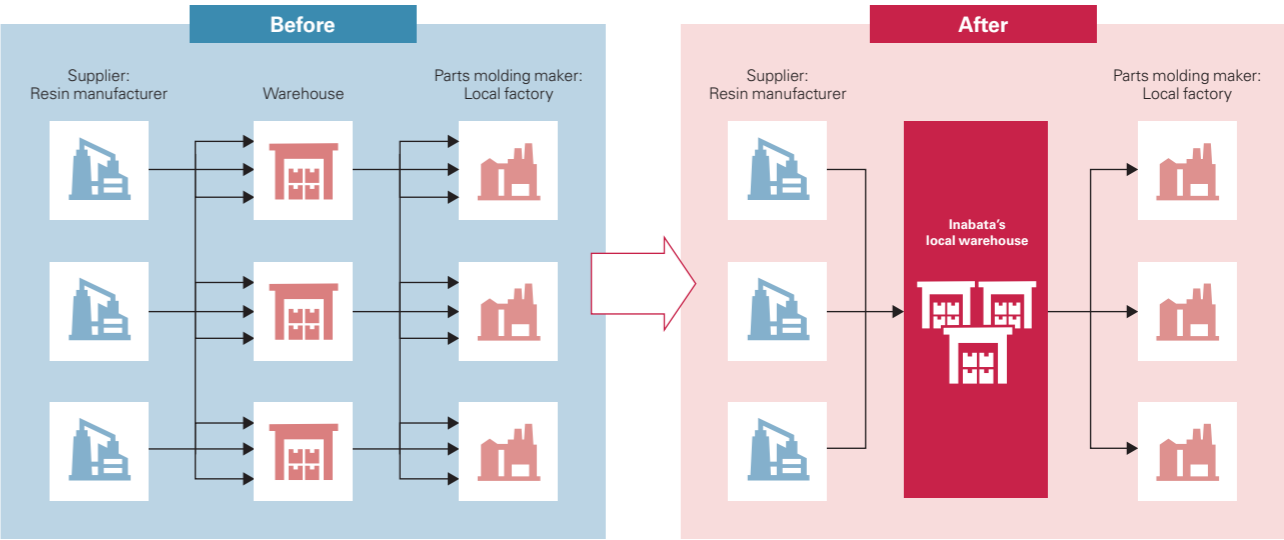
industrial park. To improve the efficiency of logistics, the company carefully selected a site where it would be possible to consolidate warehouses for inventory storage.

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)

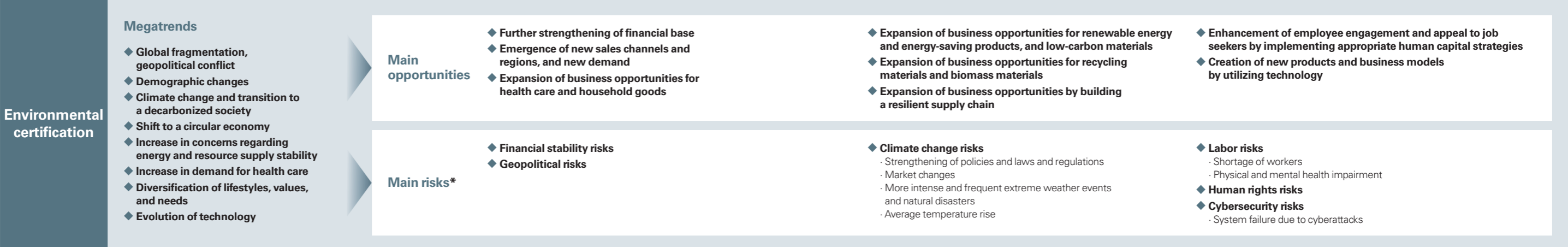
Logistics solutions using our own warehouses



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.

With an eye to the next stage to realize our long-term vision



* Limited mainly to medium-to-long terms risks based on megatrends.
Please refer to page 86 for information on business and other risks, including those based on a short-term perspective.

Materiality
(Key issues for 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

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

Business Plan

Our vision for 2030

Long-term vision

IK Vision 2030

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

Consolidated net sales
¥1 trillion or more

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

Net sales and operating profit generated outside of Japan
70% or more

Medium-term business plan

Stage 2

New Challenge 2023

Key initiatives

1. Further development of core businesses and horizontal expansion into growth sectors

2. Multifaceted 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

Quantitative targets (FY2023)

Operating profit
¥20.5 billion

Ordinary profit
¥21.5 billion

Profit attributable to owners of parent
¥22.5 billion

Consolidated net sales target
¥800.0 billion

ROE
10% or more

Net D/E ratio
0.5 times or less

Equity ratio
Approx. 40-50%

Consolidated net sales
¥1 trillion or more

Stage 1

New Challenge 2020

(Billions of yen)

621.1

634.7

600.3

577.5

680.9

735.6

800.0

20.0

14.0

13.2

14.9

20.3

21.0

5.9

FY2017

FY2018

FY2019

FY2020

FY2021

FY2022

FY2023 (forecast)

Around 2030

Net sales

Operating profit

Progress for the NC2023 medium-term business plan

	FY2022		FY2023	
	Actual	Forecast	Target	
Net sales	¥735.6 billion	¥800.0 billion	¥800.0 billion	
Operating profit	¥20.3 billion	¥21.0 billion	¥20.5 billion	
Ordinary profit	¥19.1 billion	¥20.0 billion	¥21.5 billion	
Profit attributable to owners of parent	¥19.4 billion	¥21.0 billion	¥22.5 billion	
ROE	11.0%	10% or more	10% or more	
Net D/E ratio	0.16x	0.5 times or less	0.5 times or less	
Equity ratio	47.2%	Approx. 40–50%	Approx. 40–50%	
Exchange Rate	¥135.5/USD	¥130/USD	¥120/USD	

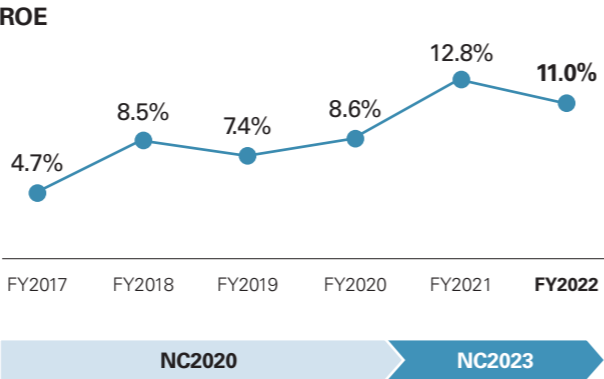
Note: As of August 2023

We have been implementing our three-year medium-term business plan, New Challenge 2023 (NC2023), since April 2021. It is the second stage of IK Vision 2030, our long-term vision which outlines how the Group envisions itself around 2030. FY2022 was the second year of NC2023.

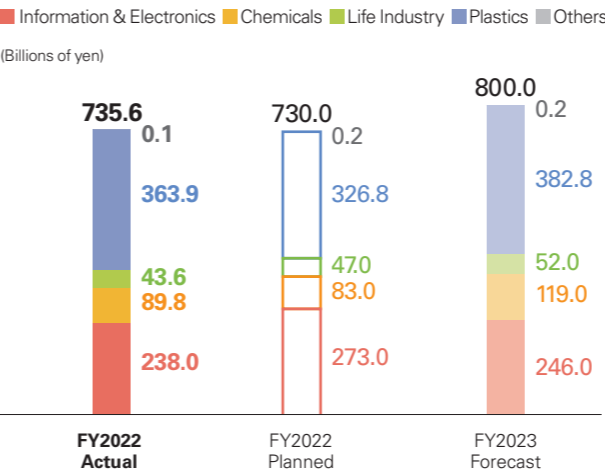
While demand for flat panel displays (FPDs) declined sharply, rises in selling prices, such as for resins, as well as a tailwind from a weak yen, led to record highs for net sales and operating profit, which exceeded the plan for the second year of NC2023. On the other hand, due to factors including a rise in procurement interest rates overseas, ordinary profit and below fell short of the plan.

On the financial front, the net D/E ratio was maintained at a sound level of 0.16 times, while we continued to acquire treasury shares to improve capital efficiency. As a result, we maintained a return on equity (ROE) of at least 10%, which is the target in NC2023.

With regards to the forecast for the third and final year of NC2023, in consideration of such factors as the current economic environment and business situation, a yen that is expected to be weaker than assumed in NC2023, and rises in procurement interest rates, especially overseas, we anticipate net sales of 800.0 billion yen, operating profit of 21.0 billion yen, ordinary profit of 20.0 billion yen, and profit attributable to owners of parent of 21.0 billion yen.



Net sales by business segment



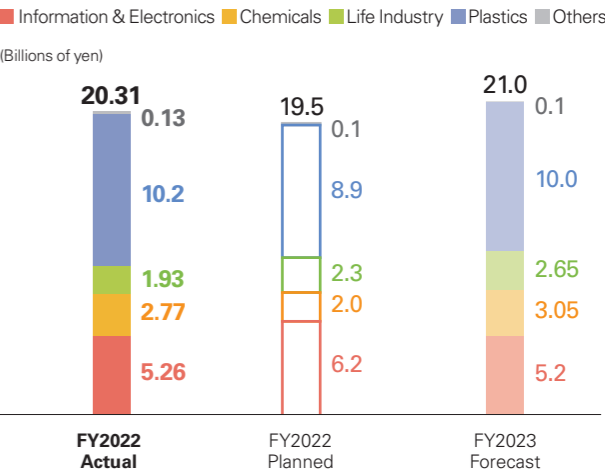
In the second year of NC2023, progress by segment was as follows.

In the information & electronics business, net sales and operating profit fell short of the plan, impacted by significant production adjustments for FPDs. While sales for FPD-related products stagnated, OA-related products and environment- and energy-related products saw solid performance.

In the chemicals business, demand was strong overall, and net sales and operating profit achieved the plan. Sales were favorable for resin materials and additives, automobile component materials, and construction materials.

In the life industry business, net sales and operating

Operating profit by business segment



profit fell short of the plan. While sales were strong for life science-related products and agricultural products, sales for marine products were slow, affected by weak demand for seafood products in the United States and domestic conveyor-belt sushi products.

In the plastics business, net sales and operating profit achieved the plan, with rises in selling prices and a weak yen having a positive impact. While shortages in electronics components caused automobile-related sales to struggle and OA/home appliance-related sales to remain flat, products associated with films and sheets saw strong performance.

Progress in the second year for the key initiatives of NC2023 was as follows.

Key initiatives

NC2023 key initiatives	Specific measures
1 Further development of core businesses and horizontal expansion into growth sectors	• Focus on the automotive field, Especially EV field > p. 43, 45, 49
	• Acquisition of Maruishi Chemical Trading Co., Ltd. as a subsidiary > p. 46
2 Multifaceted approach to markets with potential for future growth and steady monetization efforts	• Participation in biomass power generation business (Fukuyama, Sakaiminato) > p. 44
	• Expansion of sales of products that reduce environmental impact > p. 63
3 Intensification of investment targeting future growth	• Acquisition of Daigo Tsusho Co., Ltd. as a subsidiary > p. 31
	• Establishment of a U.S. subsidiary that manufactures lithium-ion battery-related materials > p. 33
4 Further upgrades to global management information infrastructure	• Strengthening of the information security system > p. 91
5 Continuous review of assets and further improvement of capital and asset efficiency	• Reduction of strategic shareholdings > p. 85
6 Enhancement of human capital utilization efforts	• Introduction of a restricted stock incentive plan for the employee shareholding association > p. 35
	• Utilization of employee engagement surveys > p. 65