INABATA & CO., LTD.

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1-15-14 Minami-semba, Chuo-ku, Osaka 542-8558

Tokyo Head Office (temporary location)
Muromachi Furukawa Mitsui Building (COREDO Muromachi 2),
2-3-1 Nihonbashi Muromachi, Chuo-ku, Tokyo 103-8448

Note: Due to reconstruction work on the Tokyo Head Office building (2-8-2 Nihonbashi Honcho, Chuo-ku, Tokyo), we are operating at the temporary location stated above from December 2022 to early 2026.

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November 2024

INABATA Integrated Report 2024

INABATA

Integrated Report 2024

Contents

Editing Policy

We prepare the integrated report as an important tool that enables our stakeholders to understand the business activities and distinctive initiatives that drive value creation for the Inabata Group. In Integrated Report 2024, we have focused on presenting our new medium-term management plan to accelerate growth and our first-ever sustainability medium-term plan as core elements, with the aim of enhancing understanding of our future growth strategy.

- **Guidelines referenced**:
  Integrated Reporting Framework by the International Financial Reporting Standards (IFRS) Foundation,
  Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation 2.0 by the Ministry of Economy, Trade and Industry (METI), etc.
- **Relevant period**: From April 2023 to March 2024 (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 features a design with a checkerboard pattern in various shades of moderate blue, reflecting the traditional Japanese grid motif while embodying the meanings of harmony and peace associated with these colors. In 2024, as we launch our new medium-term management plan, we are committed to ongoing value creation through our business. Our goal is to achieve our long-term vision, IK Vision 2030, which outlines our vision for 2030, by fostering sustainability and ensuring seamless integration across our operations.

Information disclosure system of the Inabata Group

	Financial information	Non-financial information
Reports	**Integrated report** https://www.inabata.co.jp/english/investor/library/integrated_report/	
Reports	**Financial statements** **Securities report** **Financial results briefing materials** https://www.inabata.co.jp/english/investor/library/	**Corporate Governance Report** https://www.inabata.co.jp/english/investor/library/governance/
Reports	**Shareholders newsletters (in Japanese only)** https://www.inabata.co.jp/investor/library/report/	
WEB	**Investor relations page** https://www.inabata.co.jp/english/investor/	**Sustainability page** https://www.inabata.co.jp/english/sustainability/

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.

Katsutaro Inabata
Founder

IK INABATA

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)**

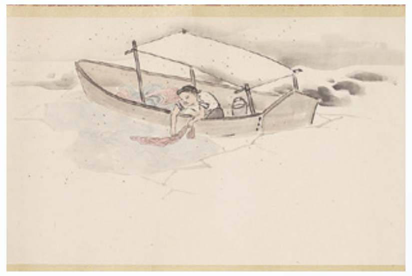
Together with diverse stakeholders

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.

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

"Honesty is the only way to earn trust of society"

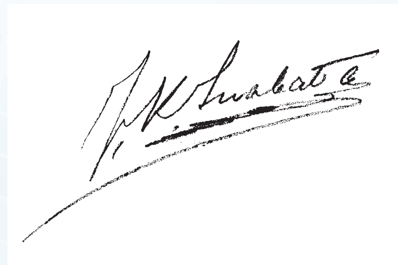
This is one of the sayings left behind by our founder, which describes our spirit of "love (*ai*)" and "respect (*kei*)." Our company's history of over 130 years boasts a lineage of creating diverse businesses that contribute to social interests relevant to the times, and our emphasis on managing our 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



Founder Katsutaro Inabata's signature

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 1

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.

Founding story 2

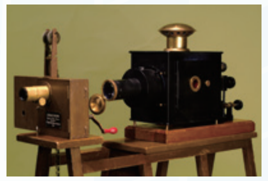
As Japan worked urgently to modernize its industries, Katsutaro brought Europe's world-leading dyeing techniques back to Kyoto Prefecture

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 lecturer 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, and devoted himself 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, Katsutaro purchased a cinematograph, films, and screening rights from his friend, Auguste Lumière. He then held Japan's first film screening in Namba, Osaka. 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 Corp., which is now known as Nikkatsu Corp.



Replica of a cinematograph

1890– Early Period

The era of founding and growth

We started with the import and sales of dyes and dyeing & weaving machines and expanded our business around the chemicals field.

1890

Inabata Senryoten established in Kyoto

1908

Branch established in Tianjin, China

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 and dedicated himself to the domestic production of dyes and their popularization.

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

1945– Growth Period

The era of restructuring and revival

We advanced into new domains while strengthening the pharmaceuticals business, amid postwar chaos in the country.

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

1976

Overseas sales base established in Singapore

1984– Reform Period

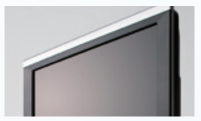
The era of challenges and hardship

We created new value by separating the pharmaceuticals business and expanding overseas bases.

1984–

Separation of the pharmaceutical business following structural changes in the pharmaceutical industry Rebuilding the business portfolio and launch of the information & electronics business

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

1990

100th anniversary

2010– The Fourth Founding Period

The era of progress and creation

We are striving to become our clients' best partner as a *shosha*, or Japanese trading company, providing manufacturing, logistics, and finance solutions backed by our highly specialized knowledge.

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

2010

IK Values established

Our corporate mission has been redefined with "love (*ai*)" and "respect (*kei*)" at its core, structured around a framework of Mission, Vision, and Values.

FY2023

Net sales	Operating profit
¥766.0 billion	¥21.1 billion

Number of employees	Overseas sales ratio
4,631	55%

Message from the President

To achieve our long-term vision, we will actively pursue investments, including M&A, to further enhance our corporate value.

Katsutaro Inabata
President

Reaffirming what is important to us

Building a foundation of trust through a genuine effort to understand others

Since around spring 2023, when COVID-19 was downgraded in Japan to a Category 5 infectious disease, we have observed a resurgence in human movement and an increase in face-to-face communication. This shift has provided many opportunities for me to reflect on what constitutes effective communication today. Recently, heightened awareness of harassment in corporate settings seems to have caused supervisors and management to feel somewhat uneasy when interacting with their subordinates. While it is important to be mindful of how we communicate, it remains essential to make accurate observations and provide firm guidance. However, there are no communication skills that universally apply to every individual in such situations. The appropriate communication skills can vary depending on the speaker's role and responsibilities, as well as the recipient of the message. If you don't fully understand the other person before speaking, your feedback or guidance may not be communicated effectively.

I believe that even casual conversations with customers and business partners can provide valuable information, crucial for conducting business. Focusing solely on work-related topics can prevent a deeper mutual understanding from developing. Reviving casual conversations that had been stalled during the pandemic and making efforts to understand others can help build a solid foundation for trust.

In light of these considerations, we have decided to start an in-house initiative—a roundtable discussion with the president—beginning in summer 2024. The roundtable will involve setting a theme for each session, gathering employees who are interested in that theme to participate, and providing an opportunity for dialogue between the employees and myself. Each session will be capped at around 15 participants. Instead of delivering information, my approach will be to focus on listening to their thoughts and ideas. To understand others, it is essential to first listen to their words. Even I might find it challenging to maintain patience at times. I may fail occasionally, but I let participants see these moments as they happen. The discussions are initially planned to be held at domestic offices, and I also intend to use international business travel as an opportunity to conduct similar sessions at overseas offices.

On the other hand, our Mission that we have upheld since our inception—People come first, based on the spirit of "love (*ai*)" and "respect (*kei*)," and together we strive towards contributing to the development of society—is fundamentally universal, and I believe it remains relevant across different eras. We will continue to focus on the dissemination and internalization of our Mission. For example, during the Global Staff Meeting training, where we bring staff from overseas facilities to Japan, we primarily discuss our philosophy, IK Values, and Code of Conduct. Although there was a gap of about four years due to the pandemic, we were able to resume the program in FY2023. During the meeting, local staff from various countries, along with young employees from Head Office, engaged in lively discussions. We plan to continue holding these meetings once a year going forward.

Global Staff Meeting

Recognition of the business environment and medium- to long-term vision

Aiming to achieve the long-term vision while leveraging the advantages and strengths of a *shosha*

We recognize that the long-standing era of globally ultra-low interest rates has effectively come to an end. While the interest rate hikes in the United States have eased, and inflation is currently stabilizing, it is unlikely that we will return to a zero-interest-rate policy.

In such a climate, it is essential to manage with a stronger awareness of interest costs and cost of capital. Additionally, starting April 2024, the upper limits on overtime work have been applied to construction, logistics, and medical industries in Japan. However, labor shortages are becoming severe across almost all industries, not just these three. In this era of rapid change and uncertainty, it is crucial for us to recognize our own strengths and challenges and take appropriate measures to steadily advance toward achieving our long-term vision, IK Vision 2030. During discussions with outside directors, we explored whether remaining a *shosha*, a Japanese trading company, in the future is still viable. These discussions helped us reevaluate and better understand our functions and characteristics.

We realize that, after focusing on organic growth strategies, we have entered a new stage of growth and are actively pursuing investments, including M&A. In 2023, Daigo Tsusho Co., Ltd. and Maruishi Chemical Trading Co., Ltd. joined the Group. We view investment as an effective means to accelerate our growth. The first year following a business integration is vital for organizational development, and we need to further refine our skills to effectively manage the post-merger integration (PMI) process. As a step toward this goal, we established the Business Planning Office in 2021 to promote M&A and PMI. Moving forward, we aim to significantly enhance the function of this office, including by acquiring specialized talent based on mid-career recruitment.

Review of the previous medium-term business plan and key points of the new plan

Strengthening the business foundation while accelerating growth through increased investment

Review of NC2023

Reflecting on the previous medium-term business plan, New Challenge 2023 (NC2023), although net sales were slightly below target, the effects of yen depreciation and the inclusion of new consolidated subsidiaries helped us achieve our operating profit target. Both net sales and operating profit reached record highs for the third consecutive year.

On the qualitative side, our core businesses progressed smoothly overall, particularly with the expansion of sales in automotive resins and products that reduce environmental impact. Moreover, we prepared for future earnings growth by participating in the establishment of a new company for lithium-ion battery materials in the United States and by acquiring a food-related company that specializes in the manufacturing and sales of processed agricultural and marine products, including eel, among other initiatives.

In terms of governance, we transitioned to a company with an audit and supervisory committee, enabling a shift to a monitoring-type Board of Directors. Furthermore, the priority initiative under NC2023 of "continuous review of assets and further improvement of capital and asset efficiency" progressed at a pace exceeding our plans. We also consider the establishment of a specialized body, the Business Planning Office, dedicated to identifying promising investment opportunities and business planning, a significant achievement.

New medium-term management plan, NC2026, and strategy framework

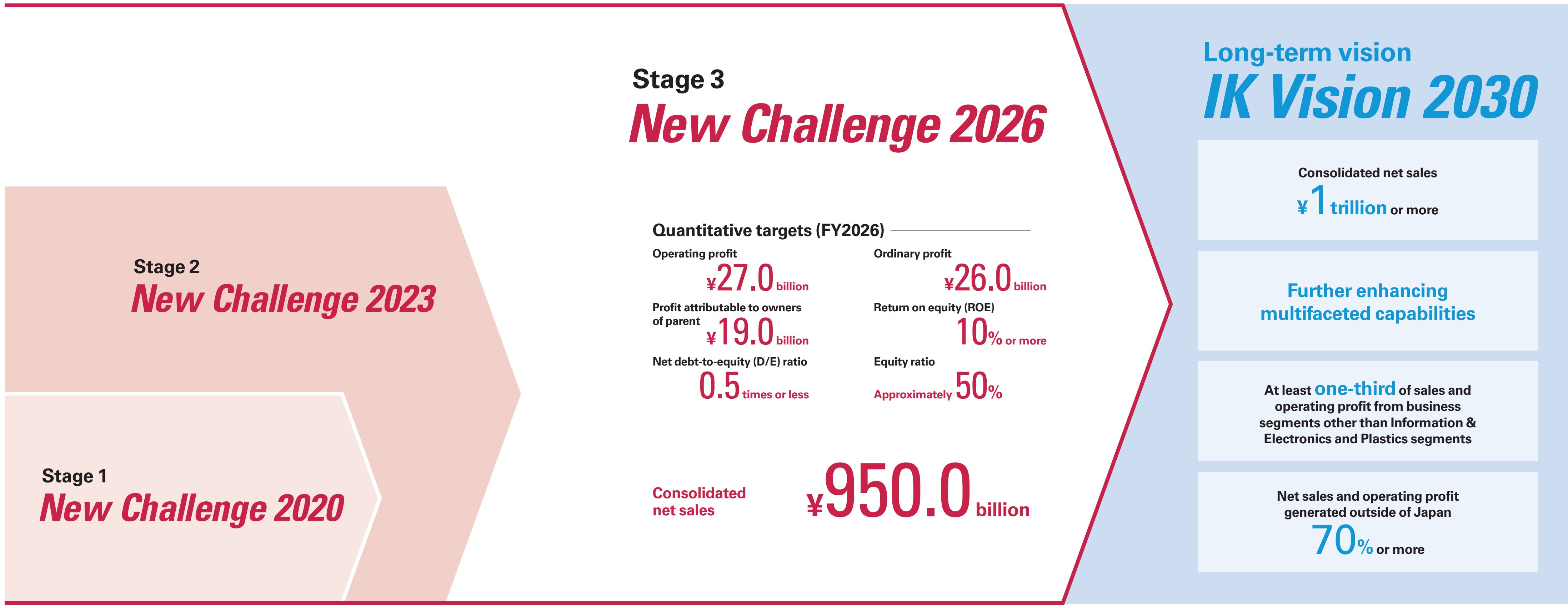
The new medium-term management plan, New Challenge 2026 (NC2026), which started in FY2024, represents the third stage in achieving our vision set forth in IK Vision 2030. We see these three years as a period where developed countries as a whole will reach a growth plateau, making it difficult to predict upcoming trends. Therefore, we are positioning this phase as a time to solidify our business foundation.

As mentioned earlier, we will accelerate growth through increased investment to achieve this goal. While the previous strategy, centered on organic growth, may have provided reassurance to our shareholders, relying solely on organic growth risks missing opportunities in a rapidly changing environment. Acquiring investment and subsequent business operation know-how is also a challenge to expand our capabilities. Currently, as we reduce strategic shareholdings while accumulating cash flow, we view this as an opportune moment to implement such a strategy.

In the process of developing NC2026, we gathered all Board members for a full day of discussion. Although our Board has already transitioned to a monitoring-type model and regularly discusses medium- to long-term themes, we found that dedicating a full day to discussions in a separate setting significantly deepened our conclusions. In particular, our outside directors view the Company from an objective standpoint, similar to that of investors. For instance, feedback on business focus and concentration revealed differences in perspective between our internal officers and outside directors. This also offered valuable insights on how to effectively address these issues when communicating with external stakeholders.

In NC2026, we have organized and consolidated the qualitative goals into a single diagram (NC2026 framework). For a trading company with a diverse range of

Medium-term plan and long-term vision



businesses, segment-specific strategies are central to our growth strategy. However, we have separated and displayed company-wide policies as part of our overall strategy. Additionally, we have outlined three foundational strategies to support growth: financial strategy, sustainability strategy, and digital strategy. The diagram below illustrates how we allocate management resources across these areas.

Meeting on medium- to long-term themes with full Board participation

Financial strategy

Regarding financial matters, we have been focusing on managing the cost of capital and stock price even before the request from the Tokyo Stock Exchange on March 31, 2023. Price-to-book (P/B) ratio has frequently been discussed with investors during our IR activities. The P/B ratio can be broken down into ROE and price-to-earnings (P/E) ratio. While ROE has exceeded the target of 10%, the lack of increase in the P/E ratio, a measure of growth expectations, has been identified as the reason for the low P/B ratio. Therefore, we aim to control the cost of capital and maintain ROE levels, while also continuously enhancing business value through the steady execution of our growth strategy to foster growth expectations.

Sustainability strategy

In 2022, we established six material issues (materiality) and integrated them into the Group's business activities. In FY2023, we continued our efforts by conducting a human rights due diligence digital survey with the help of external experts, targeting our employees. Concurrently with the announcement of NC2026, we have formulated and published the Sustainability Medium-term Plan 2026, which outlines our long-term vision and key performance indicators (KPIs) for each material issue. We will continue to identify and address risks and opportunities from a sustainability perspective, driving our efforts toward sustainable growth.

NC2026 framework

New medium-term management plan: NC2026

Key themes

- **Accelerate growth through proactive investment**
- **Address key management priorities (materiality) under the Sustainability Medium-term Plan 2026**

Company-wide growth strategy

Segment growth strategy

Management base strategy

Financial strategy	Sustainability strategy (including HR strategy)	Digital strategy

To our stakeholders

Aiming to further enhance our corporate value by identifying and addressing issues from multiple perspectives

We believe there are numerous challenges facing Inabata when viewed through the lens of contemporary demands and various stakeholder perspectives. By sincerely addressing each of these challenges and sharing insights gained during this process within the Group, we aim to gradually fill any gaps and make steady progress. This approach will bring us closer to achieving our long-term vision and enhancing our corporate value.

It is also crucial to confront and reflect on external feedback and evaluations, such as those from rating agencies, in our policy formulation, goal setting, and daily actions. While we still receive feedback from investors indicating that our business activities as a *shosha* are not always clear, we are committed to providing simpler explanations to enhance understanding. This effort will help align with the growth expectations for Inabata that I discussed earlier.

At the outset, I mentioned that understanding others is a prerequisite for fostering good communication. This principle applies not only to internal communication but also to our interactions with external stakeholders. We will continue to listen to the opinions of our stakeholders and work toward our sustainable growth. We appreciate your continued support and look forward to your ongoing cooperation.

Katsutaro Inabata

President

Value Creation Process

The Inabata Group will harness the capital it has accumulated and cultivated as a source of its business expansion, with trading at the core, providing optimal solutions for the global supply chain. Furthermore, we will accelerate growth through proactive investment in business domains where we can leverage our strengths.

External environment changes affecting client needs

- Transition to a decarbonized and circular society
- Demographic changes
- Technological innovation
- Geopolitical confrontations
- Growing awareness of sustainability

Capital (Inputs)

P15

Financial capital
Foundations supporting sustainable growth and value creation
- Equity ratio 46.8%*1
- Net D/E ratio 0.06 times*1

Human capital
Source of the Group's value creation
- Number of employees on a consolidated basis 4,631*1
- Employees in the trading business 1,907 (Japan: 979, outside Japan: 928)*1, 2

Social and relationship capital
Foundations for generating internal and external synergistic effects
- Client base Approx. 10,000 companies
- Global network About 70 bases in 19 countries

Manufactured capital
Unique facilities complementing trading company function
- Manufacturing & processing base 21 companies*1
- Annual production capacity of plastic compounds 195,600MT/Y*1

*1 As of March 31, 2024
*2 The number of employees in the trading business refers to the number of employees at the trading companies.

Business Model

Strengths

P16

- Human resources inheriting the spirit of love (*ai*) and respect (*kei*) with strong expertise in four business domains
- Highly specialized knowledge and business adaptability created through our global network
- Relationships of trust with stakeholders built over years of business
- A robust financial base capable of providing the finance function expected by our clients
- Speedy management

×

Businesses and Functions

P37

Trading

Trading company function

Suppliers → Products → Inabata → Products → Customers

Providing added value by solving client issues

Multifaceted capabilities complementing trading company function
- Manufacturing & processing function
- Logistics function
- Finance function

Business investments (growth investment)
- Business domains where Inabata's expertise and strengths can be leveraged
- Investments contributing to trading

×

Four Evolving Businesses

- Information & Electronics P49
- Chemicals P51
- Life Industry P53
- Plastics P55

Management Base

Love (*ai*) and Respect (*kei*)
The fundamental spirit since our founding

Corporate governance	Sustainability promotion system	Digital promotion system
Client base	Risk management	Financial base

Commitment to trading

As a *shosha*, or Japanese trading company, the Inabata Group remains ever-committed to trading. This is because we believe that trading is a business model with the greatest force multiplier for our strengths, such as human resources with strong expertise, a global network of facilities, a client base built on long-standing trusting relationships, and a robust financial base. As a group of trading specialists, we aim to stay close to our clients on-site around the world daily, to identify and address various needs through access to frontline information, and to solve our clients' issues by making new proposals and creating new businesses. We will continue to refine our trading activities and provide greater added value to our clients and society.

Management Strategy

P21

Medium-term management plan: NC2026

Company-wide growth strategy

Segment growth strategy
- Core: Further develop core businesses
- Growth: Bolster initiatives and accelerate profitability in growth areas
- Next: Explore promising business fields and regions

Management base strategy
- Financial strategy
- Digital strategy
- Sustainability strategy (Sustainability Medium-term Plan 2026) P27

Our vision for 2030

Long-term vision: IK Vision 2030

- Consolidated net sales over 1 trillion yen
- Enhance multifaceted capabilities
- Business portfolio
- Net sales and operating profit generated outside of Japan 70% or more

Our vision for 2030 to 2050

Sustainability long-term vision

Achieve carbon neutrality by FY2050

Value Creation (Outcomes)

Operational
Inabata Group
- Building a resilient supply chain
- Providing diverse products and solutions that respond to change

Financial
Inabata Group
- Maximizing cash flow

Society
- Enhancing shareholder returns

Environmental
Society
- Creating a decarbonized and circular society
- Conserving biodiversity

Social
Inabata Group
- Building solid and trusting relationships with stakeholders
- Improving employee well-being and value creation

Society
- Creating a society that respects human rights
- Building an enriched society with a high quality of life and ensured safety and security

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

Our strengths, which underpin our value proposition of providing optimal solutions for the supply chain, are derived from the different forms of capital we have developed over more than 130 years since our founding, through their input, combination, enhancement, and expansion. Our experience in creating value in response to changing times further enhances our capital and strengths, driving the positive cycle that is central to the Group's sustainable growth.

Capital

Financial capital

Foundation supporting sustainable growth and value creation

Equity ratio	Net D/E ratio
46.8%*1	0.06 times*1

Human capital

Source of the Group's value creation

Number of employees on a consolidated basis	Employees in the trading business
4,631*1	1,907*1,2 (Japan: 979, outside Japan: 928)

Social and relationship capital

Foundation for generating internal and external synergistic effects

Client base	Global network
Approx. 10,000 companies	About 70 bases in 19 countries

Manufactured capital

Unique facilities complementing trading company function

Manufacturing & processing base	Production capacity of plastic compounding factory
21 companies*1	Approx. 200,000 tons*1

*1 As of March 31, 2024 *2 The number of employees in the trading business refers to the number of employees at the trading companies.

Strengths

We develop the Group's unique strengths by combining, enhancing, and expanding our four core capitals. Through various business models that leverage these strengths, we are committed to creating sustainable value.

Human resources inheriting the spirit of love (*ai*) and respect (*kei*) with strong expertise in four business domains

The Group's greatest capital is its approximately 4,600 employees who work with the spirit of "love (*ai*)" and "respect (*kei*)." For a *shosha*, or Japanese trading company, the foundation of value creation is the trust built with suppliers and customers. This trust is upheld by employees who are not only valued and respected by stakeholders as individuals but also possess advanced expertise in their respective business fields.

Furthermore, as each employee earns the trust of clients and establishes themselves as experts in their fields, they contribute to the organization's uniqueness and competitive edge. The positioning we have built in our business fields and industries is also a significant strength of the Group. In particular, in the chemicals business, which has been a core business field of the Group since its founding, we have a competitive edge in various aspects such as experience, knowledge, expertise, and networks. The chemicals business is closely linked with many industries, making it a significant strength in driving business growth.

Note: For information on our human capital strategy, which aims to maximize human capital, please refer to pages 19–20.

Highly specialized knowledge and business adaptability created through our global network

Leveraging our global network of about 70 bases in 19 countries, we excel not only in providing highly specialized knowledge about products but also in delivering market information, regulatory updates, and political insights from around the world.

As mentioned earlier, these relationships of trust between the Group's employees and stakeholders create a cycle in which important information can be easily acquired, leading to the provision of higher-quality value.

In addition to new business proposals, we offer assistance with manufacturing and processing, and logistics, as well as consultations on risk management and finance.

In this context, Southeast Asia is a key region with 11 manufacturing and processing bases, including our core plastic compounding and processing facilities, where the Group maintains a strong competitive advantage.

Note: For information on our long-standing strengths in Asia with a solid business foundation, please refer to pages 17–18.

Relationships of trust with stakeholders built over years of business

As a trading company, the customer and supplier base is an important form of social and relationship capital for the Group and a lifeline that supports our sustainable growth. The Group's robust and diverse customer and supplier base enables us to integrate different elements, including country, region, industry, technology, and supply chain. This represents a major strength of the Group.

The trust we have built with stakeholders is not only crucial for deepening existing businesses but also serves as an important foundation for expanding into new businesses. Our broad dealings across various industries, particularly in the chemicals business, allow us to capture global trends comprehensively, which further enhances our strengths.

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

A financial base capable of providing the finance function expected by our clients

The core function of the Group's business is trading. For over 130 years, we have gained the trust of clients, particularly in our chemicals business, 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 plan, we place importance on the net D/E ratio as a management indicator, working to maintain and enhance our financial soundness. We will continue to maintain a robust financial base with the aim of expanding our business.

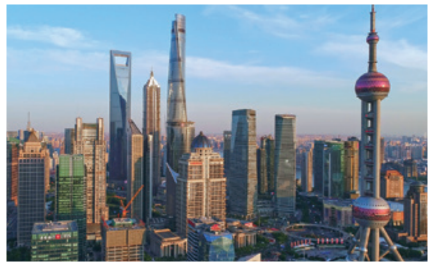
* Net D/E ratio = (Interest-bearing debt − Cash and deposits) ÷ Equity capital

Speedy management

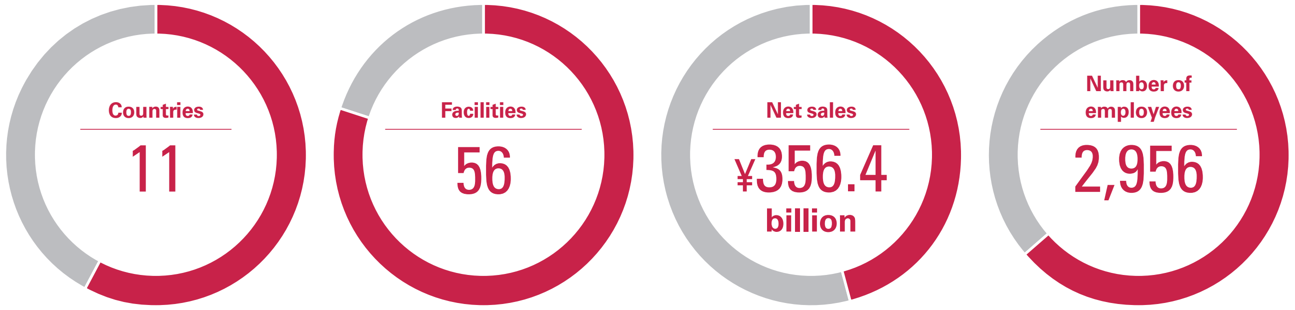
In 2022, Inabata transitioned to a company with an audit and supervisory committee. Our Board of Directors is composed of a majority of independent outside directors, implementing a governance structure that enhances the monitoring function as a supervisor of business execution. Decisions on important business execution have been delegated to executive officers, leading to faster decision-making. Additionally, to ensure our employees can thrive over the long term and information is organically linked, the Company values a corporate culture where everyone is approachable, management is accessible, and the environment is open and transparent. This culture forms the foundation that enables swift management decisions.

Strengths in Asia with a solid business foundation





The Inabata Group in Asia



Note: As of March 31, 2024 (total for Southeast Asia and Northeast Asia excluding Japan)



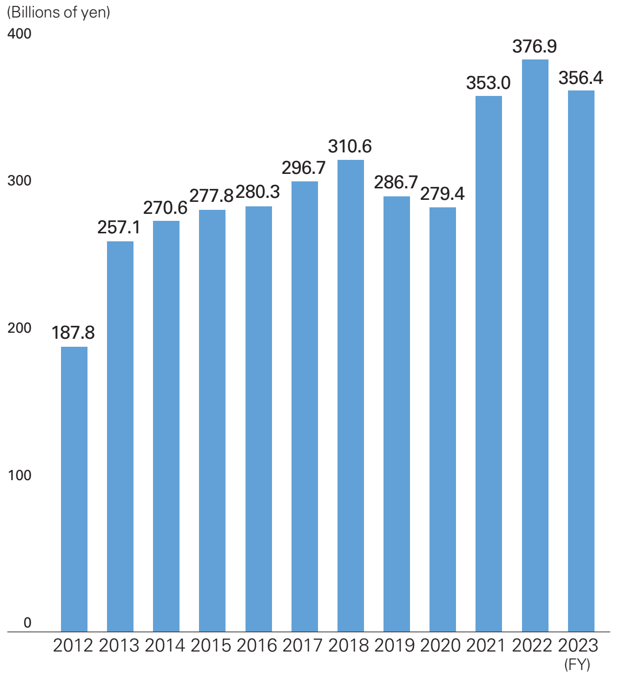
The Inabata Group has established a strong business foundation in Asia based on its highly specialized knowledge and business adaptability derived from its global network.

Since establishing a sales base in Singapore in 1976, the Group has steadily expanded its network in Southeast Asia and Northeast Asia. It now has 56 facilities across 11 Asian countries, excluding Japan, with approximately 3,000 employees, accounting for over 60% of the consolidated total workforce.

In business, the Group has grown primarily in Northeast Asia with a focus on flat panel display (FPD) materials. In Southeast Asia, the Group has increased its plastics business by leveraging the differentiation provided by its plastic compounding business (refer to page 39).

Net sales in Asia, excluding Japan, have increased approximately 1.9 times over the past 11 years.

Net sales in the Asia region



TOPIC 1 Business expansion in Asia: FPD-related business

Our FPD-related business began in 1990 with the sale of materials for polarizing films—polyvinyl alcohol (PVA) films. Thereafter, we quickly adapted to changes in the FPD market environment, expanding our client base and business scope, and it has grown into a core business.

Specifically, as the main FPD panel manufacturing countries and regions shifted from Japan to Taiwan and South Korea, and later to China, we promptly responded by staffing our local facilities and began engaging with local manufacturers.

We have also augmented our product range from materials for polarizing films to include polarizing films, protective films, alignment layer materials, and organic light-emitting diode (OLED) material. As a result, we have been able to gather information from a wide range of clients, from material and component manufacturers to panel makers, and have used this information to drive further business development.

Based on the specialized knowledge and information accumulated through this process, we actively engage in building clients' supply chains and making new business proposals.

Business developments

1990s	• Started with the sale of materials for polarizing films (PVA films) in 1990. • Began selling polarizing films to major Japanese panel manufacturers in 1993.
2000s	• Responded to the emergence of major panel manufacturers in Taiwan by establishing a local processing facility for polarizing films. In 2001, transferred operations to a joint venture with Sumitomo Chemical Co., Ltd., and took charge of sales. • Quickly established transactions with major panel manufacturers in China, capturing market expansion driven by the proliferation of laptops, the shift to FPD televisions, and the rapid growth of smartphones.
2010s	• Capitalized on trends such as OLED technology and next-generation FPDs, and extensively expanded the product range.

TOPIC 2 Business expansion in Asia: Plastics business

Our plastics business expanded overseas in alignment with Japanese electronics manufacturers relocating their production bases abroad. Since then, we have cultivated customers in industries such as office automation and automotive, and have bolstered our global network of facilities, focusing on Southeast Asia. In the plastics market, we anticipate continued growth in demand in Southeast Asia and South Asia, driven by economic expansion.

Furthermore, while demand for general-purpose applications such as plastic bags, tableware, containers, and packaging is declining, the automotive sector is expected to continue growing due to increased needs for lighter weights and metal alternatives owing to the rise of EVs.

A key differentiating factor in the expansion of our plastics business has been the plastic compounding business. In 1978, we established our first plastic compound manufacturing facility in Singapore. Today, we manufacture plastic compounds at seven locations across seven countries, primarily in Asia. This allows us to provide products that meet local customer needs in a timely manner, and based on our accumulated expertise, we also offer new resin material proposals. Our strength lies in our ability to cater to diverse, small-quantity needs that major trading companies often find challenging to address. We can also provide support close to our customers' overseas locations—an advantage that smaller trading companies typically struggle with (refer to page 39).

President Inabata and staff of the plastic compound factory in Thailand

Human capital strategy

The cornerstone of Inabata Group's management is the power of its people, or human capital. Strengthening human capital is essential to achieving our long-term vision, IK Vision 2030, and our medium-term management plan, NC2026.

We have built trust over more than 130 years by treating the issues and challenges of our customers and suppliers as our own, and by providing various optimal solutions.

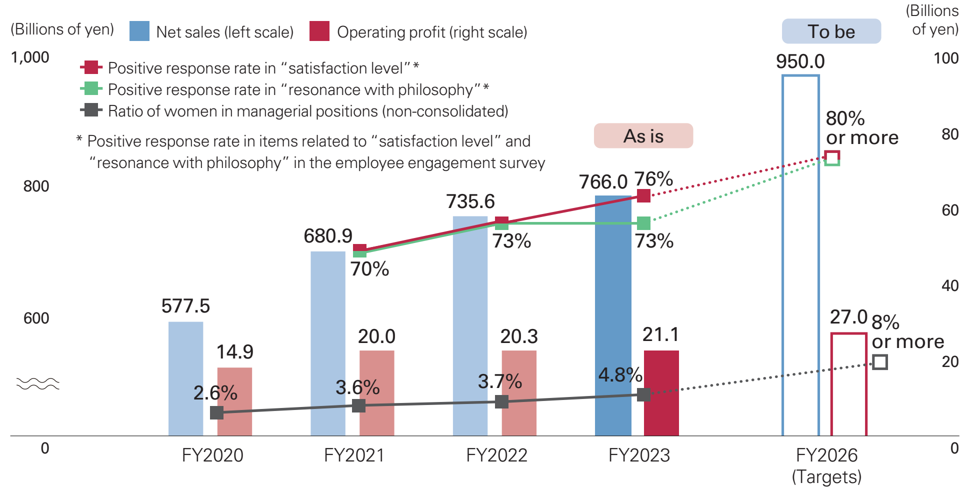
This relationship is born from the daily cycle of thinking about our customers and suppliers, taking action, experiencing failures, reflecting on them, and then thinking and acting again. Moreover, creating this positive cycle requires a corporate culture where supervisors and colleagues do not criticize those who fail, but instead, sincerely support them in turning their failures into growth. At the core of this is the spirit of "love (*ai*)" and "respect (*kei*)," coupled with a stance of responding quickly and diligently to requests. This is the Inabata Group's enduring strength.

Building trust also requires confidence in the organization. Starting with the import and sale of synthetic dyes, the Group has expanded its business, actively entered international markets, and advanced a wide range of capabilities that complement its trading company functions to adapt to the evolving needs of society and customers. We believe that this ability to adapt to change has enabled us to meet the expectations of our customers and suppliers and foster trust in the Company.

Our attitude of "continuity and adaptability" is a key strength of the Group and is the foundation of our human capital management. We will advance a human capital strategy based on this philosophy to ensure both the happiness of each employee and the overall growth of the organization.

Financial and human capital metrics with final year targets of NC2026

This graph shows four years of trends in financial and human capital metrics. Over a four-year period, we can observe a correlation where improvements in human capital metrics generally correspond with improvements in financial metrics. We are setting key performance indicators (KPIs) for metrics where a correlation is inferred and are actively working toward these goals. Meanwhile, we will continue to evaluate and refine appropriate indicators to better understand the relationship between human capital and growth.



Number of employees (consolidated)	4,203	4,207	4,316	4,631

Notes: 1. For details on the employee engagement survey, please refer to pages 73–74.
2. The target ratio of women in managerial positions is set at 8% or more by the end of FY2027.

Column The harmony of mind, skill, and body as a fully fledged employee

At the Inabata Group, the work requires the complete integration of an employee's mind, skill, and body. "Mind" refers to acting with humility and sincerity, considering the feelings of others, and embodying our spirit of "love (*ai*)" and "respect (*kei*)." "Skill" denotes the ability to synthesize diverse pieces of information and independently generate business opportunities. Finally, "body" indicates stepping ahead, working persistently and tenaciously, and thoroughly addressing customer needs. Having all three qualities is what defines a fully fledged Inabata employee. Our human resource strategy also focuses on developing initiatives that cultivate the mind, skill, and body.

Management plan and human capital strategy

Long-term vision: IK Vision 2030	Quantitative targets under the medium-term management plan, NC2026	Human capital strategy		Metrics in the Sustainability Medium-term Plan 2026
■ Consolidated net sales ¥1 trillion or more	■ Net sales ¥950.0 billion	Improve the well-being (state of being physically, mentally, and socially satisfied) of employees and enhance engagement		Positive response rate in employee engagement survey
■ Further enhancing multifaceted capabilities such as manufacturing, logistics, and finance, in addition to trading	■ Operating profit ¥27.0 billion	Foster individuals who can work autonomously and independently in a global environment	Appropriate human resources allocation	—
	■ Ordinary profit ¥26.0 billion		Support career development	Average training expenditure per employee per year
				Ratio of employees with overseas posting experience
■ At least one-third of sales and operating profit from business segments other than Information & Electronics and Plastics segments	■ Profit attributable to owners of parent ¥19.0 billion	Strengthen the organization to maximize individual capabilities	Create a richly diverse organization	Ratio of women in managerial positions
				Ratio of mid-career hires
	■ ROE 10% or more			Ratio of male employees taking parental leave
				Ratio of employment for employees with disabilities
	■ Net D/E ratio 0.5 times or less		Develop a comfortable work environment	—
■ Net sales and operating profit generated outside of Japan 70% or more			Develop a human resources system as well as evaluation and remuneration systems	—
	■ Equity ratio Approximately 50%	Cultivate a spirit of "love (*ai*)" and "respect (*kei*)"		—
		Promote health and productivity management		Rate of complete checkup
				Comprehensive health risk found by stress checks
Formulated May 2017		Ensure phycological safety		—

Note: The highlighted sections are included in the Sustainability Medium-term Plan 2026 (refer to pages 27–28 for details).

TOPIC 1 Appropriate talent allocation and career development support

Implementation of talent management system

Inabata & Co. has implemented a talent management system starting in FY2024. Previously, various individual data was stored in our human resources system, but now we will organize and visualize this data to facilitate appropriate talent allocation. Additionally, the system will support individual career development by enabling employees to update their profiles, review their past work, and input their career aspirations. The data will be accessible only to employees involved in talent allocation and career development, ensuring privacy of personal information. By utilizing this system, we aim to enhance career development for each employee and optimize talent allocation across the Company.

TOPIC 2 Implementation of diversity and inclusion training for executives

As part of our efforts to promote diversity and inclusion, four internal directors, including the president, participated in diversity and inclusion training in March 2024. During the training, a comment from the directors emphasized the importance of creating an organization where nobody is left behind. Similar training sessions were conducted for general managers from July to August 2024.

To achieve our aspirations for the future set forth in our long-term vision, we will aim to further accelerate growth under our new medium-term management plan, NC2026.

Long-term vision
IK Vision 2030

New medium-term management plan: NC2026

Key themes

- Accelerate growth through proactive investment
- Address key management priorities (materiality) under the Sustainability Medium-term Plan 2026

Company-wide growth strategy

Segment growth strategy

Management base strategy

- Financial strategy
- Sustainability strategy (including HR strategy)
- Digital strategy

Our vision for 2030

Long-term vision
IK Vision 2030

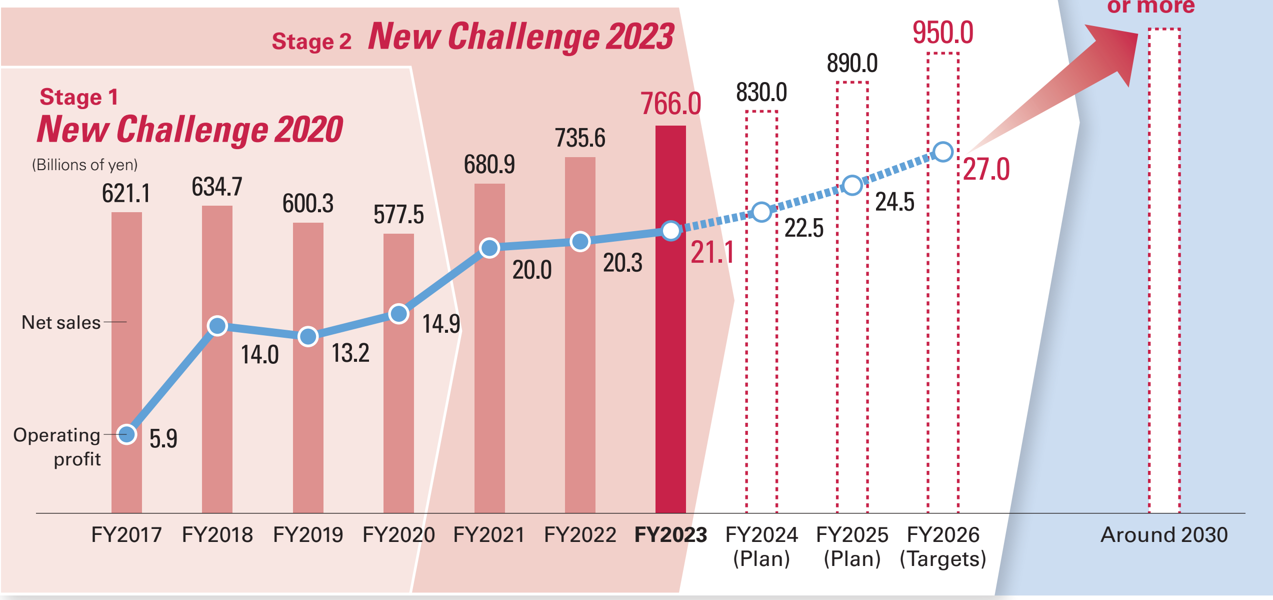
Consolidated net sales	Further enhancing multifaceted capabilities	At least one-third of sales and operating profit from business segments other than Information & Electronics and Plastics segments	Net sales and operating profit generated outside of Japan
¥1 trillion or more	such as manufacturing, logistics, and finance, in addition to trading		70% or more

Stage 3 of medium-term management plan
New Challenge 2026 (NC2026)

Quantitative targets (FY2026)

Operating profit	Ordinary profit	Profit attributable to owners of parent	Consolidated net sales
¥27.0 billion	¥26.0 billion	¥19.0 billion	¥950.0 billion
ROE	**Net D/E ratio**	**Equity ratio**	
10% or more	0.5 times or less	Approximately 50%	

Assumed exchange rate (Yen/USD): ¥145.00



Current environment

Megatrends

- Global fragmentation, geopolitical conflict
- Demographic changes
- Climate change and transition to a decarbonized society
- Shift to a circular economy
- Increase in concerns regarding energy and resource supply stability
- Increase in demand for health care
- Diversification of lifestyles, values, and needs
- Evolution of technology

Main opportunities

- Further strengthening of financial base
- Emergence of new sales channels and regions, and new demand
- Expansion of business opportunities for health care and household goods
- Expansion of business opportunities for renewable energy and energy-saving products, and low-carbon materials
- Expansion of business opportunities for recycling materials and biomass materials
- Expansion of business opportunities by building a resilient supply chain
- Enhancement of employee engagement and appeal to job seekers by implementing appropriate human capital strategies
- Creation of new products and business models by utilizing technology

Main risks*

- Financial stability risks
- Geopolitical risks
- Climate change risks
  - Strengthening of policies and laws and regulations
  - Market changes
  - More intense and frequent extreme weather events and natural disasters
  - Average temperature rise
- Labor risks
  - Shortage of workers
  - Physical and mental health impairment
- Human rights risks
- Cybersecurity risks
  - System failure due to cyberattacks

* Limited mainly to medium- to long-term risks based on megatrends.
Please refer to page 100 for information on business and other risks, including those based on a short-term perspective.

Review of NC2023

Quantitative metrics

(Billions of yen)

	NC2020	NC2023			
	FY2020 results (final year)	FY2021 results (1st year)	FY2022 results (2nd year)	FY2023 results (final year)	Targets for FY2023
Net sales	577.5	680.9	735.6	766.0	**800.0**
Operating profit	14.9	20.0	20.3	21.1	**20.5**
Operating profit ratio	2.6%	2.9%	2.8%	2.8%	**2.6%**
Ordinary profit	16.5	21.6	19.1	21.3	**21.5**
Profit attributable to owners of parent	13.7	22.3	19.4	20.0	**22.5**
ROE	8.6%	12.8%	11.0%	10.5%	**10% or more**
Net D/E ratio (times)	0.06	0.17	0.16	0.06	**0.5 times or less**
Equity ratio	49.2%	45.0%	47.2%	46.8%	**Approx. 40–50%**
Exchange rate (Yen/USD)	106.10	112.39	135.50	144.59	**120.00**

Key initiatives

Note: Items in **red** represent major business investments.

NC2023 key initiatives	Results of specific measures
1 **Further development of core businesses and horizontal expansion into growth sectors**	• Expansion in sales of plastics, FPD-related materials, and other products for automobiles • **Acquisition of Maruishi Chemical Trading Co., Ltd. as a subsidiary** • **Establishment of a joint venture with Daicel Corporation to enhance compound business functions**
2 **Multifaceted approach to markets with potential for future growth and steady monetization efforts**	• Expansion in sales of products that reduce environmental impact • **Participation in biomass power generation projects – Fukuyama (Hiroshima Pref.), Sakaiminato (Tottori Pref.), and Shiwa District (Iwate Pref.)** • **Investment in semiconductor-related companies** • **Investment in a high-performance filler production company**
3 **Intensification of investment targeting future growth**	• **Acquisition of Daigo Tsusho Co., Ltd. as a subsidiary** • **Establishment of a U.S. subsidiary that manufactures lithium-ion battery-related materials** • **Investment in a French company engaged in the development, extraction, and sales of plant extract components** • Reinforcement of Business Planning Office functions
4 **Further upgrades to global management information infrastructure**	• Establishment of a centralized management system for information assets worldwide (master integration, implementation of a global management infrastructure) • Reinforcement of security measures worldwide (establishment of Computer Security Incident Response Team (CSIRT), development of security operations center (SOC) framework) • Introduction of in-house generative AI services
5 **Continuous review of assets and further improvement of capital and asset efficiency**	• Fundraising for growth investment through the sale of strategic shareholdings • Issuance of straight bonds (diversifying fundraising sources)
6 **Enhancement of human capital utilization efforts**	• Introduction of a restricted stock incentive plan for the employee shareholding association • Revision of human resources systems to promote diversity • Expansion of training programs to nurture global talent

Three-year results

We implemented our three-year medium-term business plan, NC2023, which concluded at the end of FY2023, as the second stage toward achieving our long-term vision, IK Vision 2030, outlining how the Group envisions itself around 2030.

In terms of quantitative results, although net sales fell slightly short of the target, we achieved our operating profit goal. Both net sales and operating profit reached record highs for the third consecutive fiscal year. Of our six key initiatives, we particularly focused on investments aimed at future growth as well as the strengthening and expansion of our business.

Specifically, we invested in the environment and energy sector, which included participating in biomass power generation projects and establishing a new company in the United States for lithium-ion battery materials. We also invested in the upstream and downstream sectors of the food industry, notably by acquiring Daigo Tsusho Co., Ltd., which focuses on the manufacturing and sales of processed agricultural and marine products, such as eel.

Biomass power generation project (utilizing unused forest residue as fuel)

Daigo Tsusho e-commerce site
https://www.unagi-koubou.jp/ (in Japanese only)

Moreover, we have made progress in preparing for future revenue growth by expanding our core businesses and reinforcing their competitiveness. This includes enhancing our compound business functions through the establishment of a joint venture with Daicel Corporation and strengthening our expertise and customer base in the chemicals sector by acquiring Maruishi Chemical Trading Co., Ltd. The progress of our key initiatives is outlined in the table above.

Future challenges

During the three years of NC2023, we set record highs in both net sales and operating profit for three consecutive periods, as mentioned earlier. We were also able to significantly improve our performance levels compared to FY2020, before the plan began. However, we believe that the weaker yen and rising resin prices also contributed to these results. To achieve sales of one trillion yen or more by around 2030, as outlined in our long-term vision, we will need to accelerate our growth.

In addition, while NC2023 involved a certain level of M&A and business investments, many of these were executed in the latter part of the three-year period. In the next medium-term management plan, NC2026, it is essential to steadily realize returns from these investments.

Considering these challenges, with NC2026 we have clearly defined the business areas, regions, and investment targets to focus on and developed a more detailed growth strategy.

Furthermore, fostering new business pillars alongside the Information & Electronics and Plastics segments, which have been central to the Group's growth so far, presents an additional challenge. It is difficult to say that NC2023 progressed as intended. For NC2026, we aim to accelerate development, including through M&A and other investments.

Medium-term Management Plan: NC2026

Overview of NC2026

The growth strategy under NC2026 is detailed by dividing it into two categories: the company-wide strategy, which is a common theme across the entire Company, and the segment strategy, which outlines important focus areas for each segment. Additionally, we have formulated the financial strategy, sustainability strategy, and digital strategy as policies to support growth. In the sustainability strategy, we address key management priorities (materiality) by setting a long-term vision, strategy, KPIs, and targets, which have been consolidated into the Sustainability Medium-term Plan 2026.

Company-wide growth strategy

The company-wide growth strategy is being implemented in alignment with the long-term vision.

To achieve our goal of consolidated net sales of one trillion yen or more, we will proactively invest in our businesses. The business domains expected to contribute to expanding earnings include environment-related business and life industry business, such as food products.

To enhance multifaceted capabilities, we will focus on bolstering manufacturing and logistics, in particular, to achieve differentiation and boost earnings. The strengthening of production capabilities for plastic compounds through the establishment of a joint venture with Daicel Corporation, as mentioned earlier, is also aligned with this strategy.

The business portfolio focuses on deepening two key segments—Plastics and Information & Electronics—while also accelerating the development of new earnings pillars alongside these critical areas. We will consider expanding our business domains through M&A as part of this approach. Additionally, for enhancing the key segments, we have set medium- to long-term target figures for the environmental and energy field (Information & Electronics) and for automotive resin (Plastics), where we expect to drive growth. Please refer to the segment-specific business strategies (pages 49–56) for more information.

To achieve the target of 70% or more of business being accounted for overseas, we will emphasize not only Asia, where we have traditionally excelled, but also India and the Americas, including Mexico. As part of seeding for sustainable growth, we will also consider expanding into untapped regions, such as Eastern Europe.

Company-wide growth strategy

Consolidated net sales over ¥1 trillion

- Approach: Expand earnings through proactive investment
- Business domains: Expand environment-related business and life industry business, such as food products

Enhance multifaceted capabilities

- Differentiate and boost earnings by enhancing multifaceted capabilities (especially in manufacturing and logistics)

Business portfolio

- Further develop key segments (Plastics, Information & Electronics)
- Establish earnings pillars on par with key segments

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

- Further develop growth areas (especially in India, Mexico, and other parts of the Americas, in addition to the existing Asia sites)
- Move into untapped areas, including Eastern Europe

Note: The text in **blue** represents the long-term vision.

Management base strategy

Inabata has newly formulated the financial strategy, sustainability strategy, and digital strategy as policies to support company-wide growth.

For the financial strategy, under NC2026, we aim to further improve capital efficiency, a long-standing emphasis of management. We will continue to place significant importance on shareholder returns, aiming for a total return ratio of approximately 50%. This includes progressive dividends and flexible share repurchases and cancellations.

Moreover, we are addressing management conscious of cost of capital and stock price as a key management issue. NC2026 explicitly states our goal of achieving a stock price level consistently above a P/B ratio of 1x as soon as possible. Please refer to page 35 for more information.

In the sustainability strategy, we address materiality identified in June 2022 by setting a long-term vision, strategy, KPIs, and targets. This completes the framework for sustainability management, and we believe we have established an effective system for continuously monitoring progress toward our targets. Please refer to page 27 for more information.

In the digital strategy, we will focus on reinforcing Group-wide security, a key management issue, and strategically utilizing sales information through the introduction of a new data management platform, among other initiatives. Please refer to page 105 for more information.

Management base strategy

Financial strategy

- **Further improve capital efficiency and focus on shareholder returns, including paying progressive dividends**
- **Implement measures to realize management conscious of cost of capital and stock price (achieve a stock price level consistently above a P/B ratio of 1x as soon as possible)**

Sustainability strategy

- **Develop sustainability management as a foundation for company-wide promotion**
  Set and monitor strategies and and also KPIs and targets in line with materiality

Digital strategy

- **Enhance management information infrastructure and reinforce Group-wide security**

Sustainability Medium-term Plan 2026

Overview of Sustainability Medium-term Plan 2026

The Inabata Group has formulated its first sustainability medium-term plan that covers the period until 2026. It is positioned as part of the management base strategy within the medium-term management plan, NC2026, initiated in FY2024.

In order to address the key management priorities (materiality) identified in June 2022, the Group has clearly articulated its approach to sustainability. We have also organized the risks, opportunities, and main initiatives related to these material issues, and set forth a long-term vision, strategy, key performance indicators (KPIs), and targets.

1 Sustainability at the Inabata Group	Please refer to the Sustainability page of our website for more information. **https://www.inabata.co.jp/archives/002/202406/20240605_SustainabilityMedium-termPlan2026.pdf**
2 Materiality: Descriptions and Relevant Business Segments	
3 Materiality: Risks, Opportunities, and Main Initiatives	Please refer to pages 63–64 for information on materiality.
4 Materiality: Long-term Vision, Strategy, KPIs, and Targets	Please refer to the section below.

Long-term Vision

Long-term Targets

- Greenhouse gas (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

- A decarbonized and circular society, and rich natural capital for society and the planet
- A society in which human rights are respected, people feel safe and secure, and their well-being is maintained
- A state of sustainable growth where the value provided by the Company, co-created with its business partners, is seen as indispensable to society
- 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

Relevant United Nations (UN) Sustainable Development Goals

Starting from the long-term vision and working backwards, we have developed KPIs and targets for the three-year period from FY2024 to FY2026, aligned with six material issues across two categories.

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 (Scope 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 year of the Sustainability Medium-term Plan 2026 is referred to on pages 47–48 in Feature 2.
*2 The human rights DD cycle refers to the due diligence processes and supporting measures set out in OECD Due Diligence Guidance for Responsible Business Conduct.

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*4 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.
*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 non-consolidated basis. Please refer to page110 in Sustainability Data.

We will strengthen our medium- to long-term growth foundation not only by actively investing in key businesses but also effectively utilizing our data and expanding our human capital.

Kenichi Yokota
Director, Senior Managing Executive Officer
Administrative Affairs

Under the previous three-year medium-term business plan, profitability steadily increased, alongside advancements in financial soundness and governance reforms.

In the previous medium-term business plan, NC2023 (FY2021 to FY2023), net sales in the final year reached 766.0 billion yen, falling short of the 800.0 billion yen target, while operating profit was 21.1 billion yen, exceeding the target of 20.5 billion yen. On an annual basis, both net sales and operating profit reached record highs for FY2023. Net profit* amounted to 20.0 billion yen, falling short of the 22.5 billion yen target due to factors such as the lower-than-expected gain on sales of investment securities compared to initial forecasts. Nonetheless, both sales and profit were up year on year. As a result, profitability has steadily increased, with ROE for FY2023 reaching 10.5%, meeting the target of 10% or more. The net D/E ratio and the equity ratio are also within target figures, ensuring continued financial soundness.

Another major achievement of the past three years has been our ability to promote reforms that strengthen governance, including the shift to monitoring-type Board through the transition to a company with an audit and supervisory committee.

Furthermore, one of the six key initiatives of NC2023, "continuous review of assets and further improvement of capital and asset efficiency," has progressed faster than anticipated, especially in the reduction of strategic shareholdings. It is important to note that the peak of strategic shareholding sales has already passed. Going forward, it will be necessary to allocate profits generated from our businesses to growth investments, rather than relying on cash obtained from such sales.

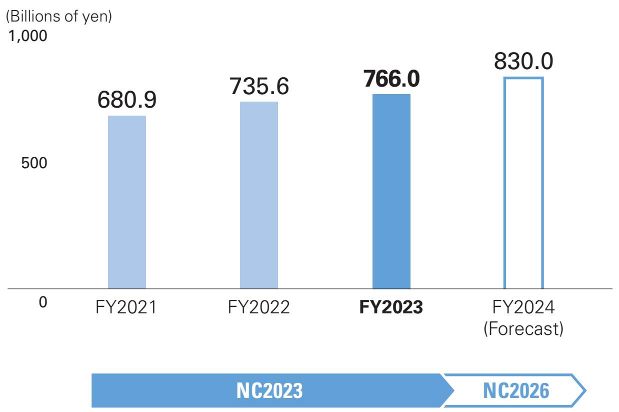
During the three years of the previous medium-term management plan, we worked to enhance our internal structure. This included establishing a specialized organization, the Business Planning Office, in 2021 to strengthen growth investments, including M&A. The results of these efforts were quickly realized in 2023, with the successful completion of two M&A transactions. We are aiming to achieve our long-term vision, IK Vision 2030, while accelerating these activities.

Three years of the new medium-term management plan, NC2026: A crucial step toward achieving our long-term vision

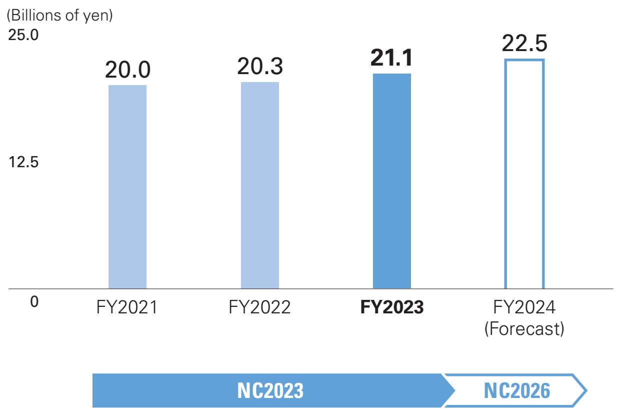
The quantitative target of achieving one trillion yen or more in consolidated sales, as set forth in our long-term vision, is anticipated to be reached sooner than expected, driven by favorable factors such as the weak yen. Similarly, we believe that the likelihood of reaching the target of 70% or more in the overseas sales ratio by 2030 has increased due to the same reasons.

At the same time, the biggest challenge is how to grow businesses outside of our core areas of Information & Electronics and Plastics. Increasing the percentage of net sales of businesses other than these two major segments to at least one-third is currently a significant hurdle. However, particularly in the Life Industry segment, which includes many high-margin products and is experiencing

Net sales



Operating profit

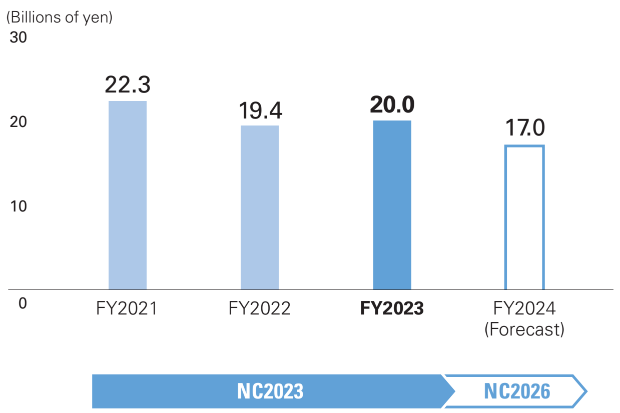


Investments and lending

(Billions of yen)

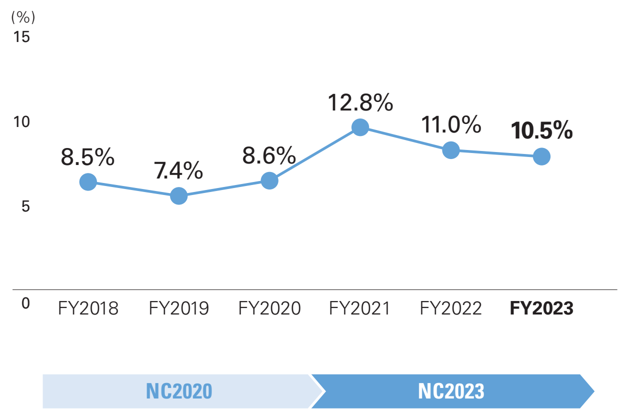
	FY2021	FY2022	FY2023	Major growth investment projects for FY2023	Total for NC2023 FY2021 to FY2023
Growth investment	1.2	2.8	8.8	• M&A (Maruishi Chemical Trading Co., Ltd., Daigo Tsusho Co., Ltd.) • Lithium-ion battery materials-related • Biomass power generation-related • Investments in semiconductor-related companies	12.8
Fixed investment	2.0	2.7	3.9	• Inflation film-related • Compound materials-related • Digital promotion initiatives	8.7
Total	3.2	5.6	12.7		21.5

Net profit*



* Profit attributable to owners of parent
Note: Recorded gain on sales of investment securities
FY2021: 8.9 billion yen, FY2022: 8.6 billion yen, FY2023: 3.7 billion yen
Recorded negative goodwill FY2023: 3.4 billion yen

ROE



growth in business scale, we believe that achieving this goal on a profit base is fully achievable by around 2030.

NC2026 has been formulated as the next step toward achieving our long-term vision, aiming to further solidify these growth scenarios. A significant change from NC2023 is the introduction of three-year key themes, which shifts the focus of the plan more toward growth. In NC2023, we outlined six key initiatives. Building on the progress made over the past three years, we have added the newly established growth strategy to our foundational strategies, which comprise the financial strategy, sustainability strategy, and digital strategy. The growth strategy is divided into two categories: the company-wide growth strategy, which is a common theme across the Inabata Group, and the segment growth strategy, which outlines important focus areas for each segment. For the sustainability strategy, we have the newly formulated Sustainability Medium-term Plan 2026, which outlines detailed strategies, KPIs, and targets aligned with the Group's materiality.

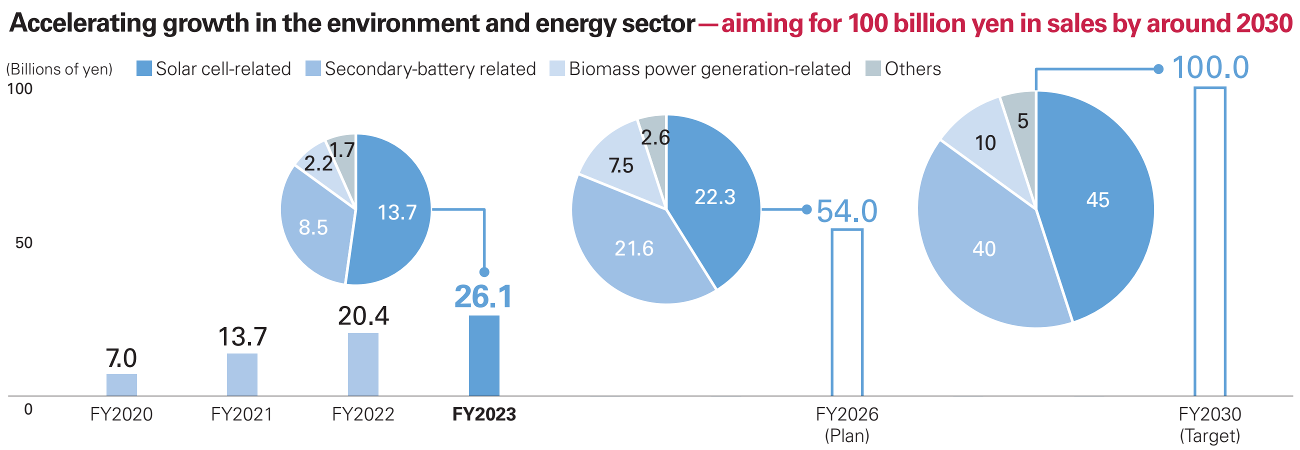
Enhancing investments in environment-related business and life industry business, including food products

The pillar of the company-wide growth strategy is expanding earnings through increased investment. The focus of this investment is set on two key areas: environment-related business and life industry business, including food products.

In environment-related business, we have taken steps such as investing in manufacturers within the Information & Electronics segment, with a focus on expanding our business related to lithium-ion batteries, a critical power source for EVs. In addition, solar power, which is also a major focus of the U.S. government, is considered a leading renewable energy source. As a result, we expect the market for solar panels and other power generation equipment to continue expanding. Meanwhile, there is a growing trend toward environmentally friendly inkjet dyes and similar products in the Information & Electronics sector, which presents business opportunities for us. In the Plastics segment, although the current sales ratio is low, the recycling business shows promising growth potential. Recycling is a business that requires a diverse range of players throughout the process, from waste collection to resource recovery. In coordinating these processes, trading company functions are essential, and profits can be secured in proportion to the value we provide. We are increasingly recognizing the potential of environment-related products, such as those mentioned above, in our daily business operations, and this is starting to be reflected in our performance. In the three years of NC2026, we will proactively invest in and pursue M&A opportunities with environment-related companies that have capabilities not currently possessed by Inabata.

In life industry business, including food products, many projects require a long period to become profitable, making them quite challenging. Nevertheless, within this sector, the food products business stands out due to its large market size. We are particularly focusing on high-value Japanese food products and ingredients. Given the increasing emphasis on food safety and security, opportunities are growing for Japanese food products in global markets. We aim to achieve high profit margins by expanding our operations across the entire value chain in this sector, from upstream to downstream, setting ourselves apart from other businesses. It goes without saying that this sector is highly competitive, with many major trading companies and other competitors.

Sales target for the environment and energy sector (Information & Electronics segment)



However, we believe that our strengths will stand out in slightly niche areas that are not overly large in market scale. For example, the Inabata Group has secured a certain share in the processing and sale of seafood products for conveyor-belt sushi chains. We also operate a blueberry business with top-tier market share at our own farm in Hokkaido. In recent years, these unique businesses have served as a foundation for expanding networks of people and information into related fields. In other words, we recognize that the potential for growth in the food sector has been increasing.

In the Business Planning Office, which is crucial to the company-wide growth strategy, a pressing issue is to strengthen the team of specialists responsible for identifying investment opportunities, researching potential M&A targets, and managing post-merger integration (PMI). We will implement necessary measures, including mid-career recruitment, to address this.

In our main business areas outside the key investment sectors, we have reorganized our strategies using a new framework that categorizes each business segment into "Core," "Growth," and "Next." The "Core" strategy involves further cultivating core businesses, while the "Growth" strategy focuses on bolstering initiatives and accelerating profitability in growth areas. The "Next" strategy is dedicated to exploring promising fields and regions. We have outlined in NC2026 the approach of allocating management resources to these three categories to accelerate growth. This framework was adopted based on insights gained from discussions with investors, aimed at providing clearer information disclosure. We have generally received positive feedback from outside directors, who find the framework to be clear and easy to understand.

Segment growth strategy framework under NC2026

Core	Further cultivate core businesses
Growth	Bolster initiatives and accelerate profitability in growth areas
Next	Explore promising business fields and regions

Accelerate growth

Investments, etc.	Accelerate growth through focused allocation of management resources

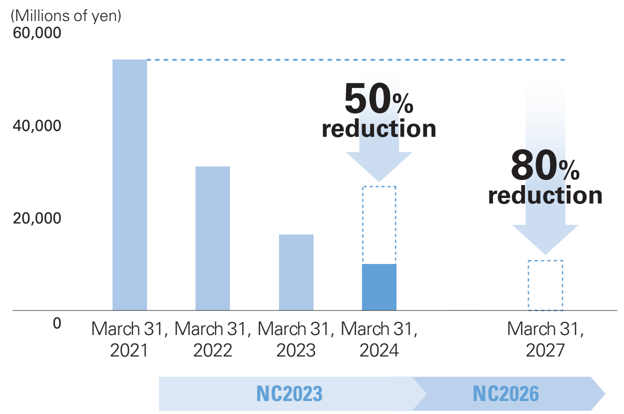
Implement management focusing on the cost of capital and stock price
Continue to disclose survey results related to human capital

Financial strategy

The financial strategy of NC2026 will be guided by two main directives. The first is to further improve capital efficiency and focus on shareholder returns. The second is to practice management focusing on the cost of capital and stock price.

At Inabata, we emphasize capital efficiency. Starting from FY2023, we have added ROE to the existing return on invested capital (ROIC) as key performance indicators (KPIs) for executive compensation. In recent years, our net profit has been somewhat inflated due to the sale of

Reduction of strategic shareholdings*



* Strategic shareholdings: Stocks listed in Japan

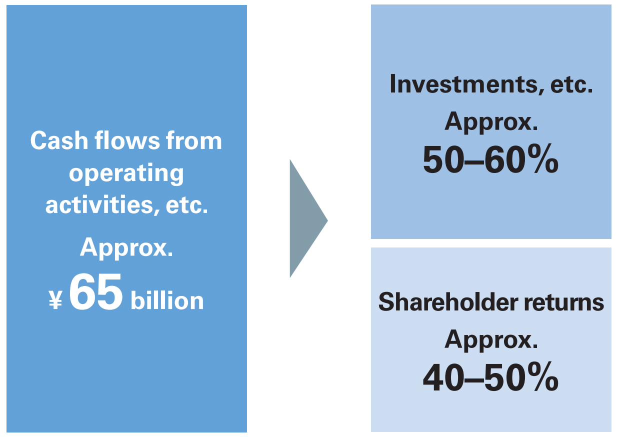
strategic shareholdings. As the sale of these strategic shareholdings has now largely been completed, we have set a target of maintaining ROE of 10% or more moving forward. To achieve this, we believe that the primary approach is to enhance profitability by increasing the earnings of our businesses while managing shareholders' equity.

In February 2024, the Tokyo Stock Exchange (TSE) recognized our disclosure on management focusing on the cost of capital and stock price as a best practice from an investor's perspective. In fact, prior to the TSE's request in March 2023, which encourages listed companies to act on cost of capital-conscious management, we had already been addressing issues related to capital profitability and growth, and developing strategies to tackle these challenges. We believe that the recognition also stems from our early discussions and specific disclosures on these issues at the Board level.

On the other hand, a current challenge is that the P/E ratio, which reflects capital market expectations, remains below average. For specialized trading companies, despite relatively low business risks, factors such as small market capitalization and low liquidity contribute to a discounted valuation. However, some specialized trading companies do have a high P/E ratio. Since a low growth expectation typically results in a lower P/E ratio, it is essential to implement the growth strategy outlined in the new medium-term management plan. Outside directors have long emphasized the need for growth investment, and this has been integrated into the strategy. Over the next three years, we plan to allocate approximately 50–60% of our free cash flow to growth investments. While we will remain flexible with share buybacks based on the situation, as a rule, we will not allocate these funds to retained earnings.

Under NC2023, we increased shareholder returns through progressive dividends and maintaining a total return ratio of around 50%, which has generally received positive feedback from investors. We will continue these two measures in NC2026.

Capital allocation under NC2026



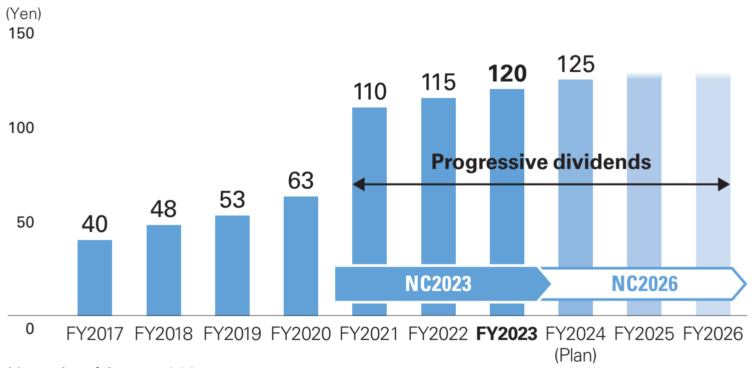
Basic policy on shareholder returns under NC2026

(1) Progressive dividends*

(2) The target for total return ratio will be set at roughly 50%.

* Fundamentally, we will ensure that dividends per share does not decline year on year by continually increasing our dividends.

Dividends per share



Note: As of August 2024

Sustainability strategy

The newly formulated Sustainability Medium-term Plan 2026 highlights strategies and KPIs based on the six material issues identified in 2022. When we previously set the goal of achieving net-zero greenhouse gas (GHG) emissions by 2050, there were many requests from sales divisions to provide not only long-term numerical targets but also the strategies and direction for achieving them. Accordingly, the current medium-term plan works backward from the long-term goal of achieving carbon neutrality by FY2025, setting a target of reducing emissions by 25% compared to FY2022 by its final year, FY2026.

Reduction targets for GHG emissions (Scope 1 and 2)

Compared to FY2022

- **Reduce by 25% by FY2026**
- **Reduce by 42% by FY2030**
- **Achieve carbon neutrality by FY2050**

Additionally, we have organized the six material issues into two main frameworks, setting specific goals for each. The first framework, "Creating sustainable value," focuses on contributing to the realization of a decarbonized and circular society while expanding our environment-related business. The sales target for environment-related business is set at 100 billion yen in FY2026.

For the second framework, "Strengthening the foundation for business continuity," we have prioritized enhancing employee well-being as the first strategy. To measure progress, we will use engagement surveys each fiscal year. Our target is to achieve a positive response rate of 70% or higher for all survey items, including questions about job content and corporate mission. While there have been some reservations about disclosing the survey results internally, it is crucial to transparently share the identified issues to demonstrate our commitment to external stakeholders. Despite the tough challenge, we will continue to provide clear disclosures.

Digital strategy

The digital strategy focuses on enhancing management information infrastructure and reinforcing Group-wide security. Under this policy, one of the key initiatives, "Improve productivity by leveraging in-house generative AI services," emphasizes leveraging unstructured data. It is estimated that 70–80% of the information and data held by companies consists of unstructured data, including electronic files and emails created by employees. Currently, such data is not always effectively utilized within the Company. By integrating and systematizing this underutilized data through generative AI, we believe we can create entirely new value from our existing data assets. From a risk management perspective, we have strengthened our information security measures in line with a "zero trust" approach. This includes implementing an endpoint detection and response (EDR) system* and a security information and event management (SIEM) system that aggregates and analyzes logs from all systems, in response to the increasing threats of cyberattacks.

For a specialized trading company such as Inabata, information is paramount. By applying generative AI to the information and data accumulated by various departments and individuals, we can streamline analysis and processing from new perspectives. This approach holds the potential to dramatically enhance productivity.

* A system that detects and analyzes suspicious behavior or virus infections occurring in real time on network-connected PCs and mobile devices and responds as necessary.

Insights gained from stakeholder dialogues reflected in NC2026 KPIs

The Inabata Group will continue to prioritize communication with a diverse range of stakeholders. In particular, we are committed to maintaining sincere and ongoing dialogues with shareholders and investors. Through our discussions with shareholders, we have reaffirmed their focus on capital efficiency in recent years, and are strongly motivated to meet their expectations and requests. Moreover, we have seen an increase in inquiries and feedback related to environmental, social, governance (ESG) matters, including corporate governance, climate change, and the expansion of human capital. In NC2026, which started this fiscal year, we have incorporated insights gained from our dialogues with stakeholders into our KPIs. Moving forward, we will continue to listen to market feedback and consider various opinions to integrate them into our management strategy.

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Analysis of current situation

The Inabata Group has been committed to capital-efficient management since before the Tokyo Stock Exchange's March 2023 request to all listed companies on the Prime and Standard markets to take action on management practices conscious of capital cost and stock price.

Since FY2021, results have significantly improved, and financial soundness has also been substantially enhanced. In this context, we have strengthened our capital policies, including increasing dividends and repurchasing shares (**Table 1**), which has led to a higher market evaluation (stock price). Additionally, although ROE was roughly equivalent to the cost of shareholders' equity until FY2020, it has since increased to significantly exceed this level since FY2021 (**Graph 1**). We believe that if we can maintain ROE of 10% or more, we will be able to sustainably exceed the cost of shareholders' equity. In terms of market valuation, while the P/B ratio has been increasing, it has not yet reached the 1x benchmark, and we consider it to still be insufficient (**Graph 2**).

To increase the P/B ratio, improvements in ROE and an increase in the P/E ratio are necessary (**Graphs 3 and 4**). However, the fact that the P/B ratio has not yet reached 1x is likely due to the P/E ratio not rising, which suggests that investors have low expectations for future profit growth.

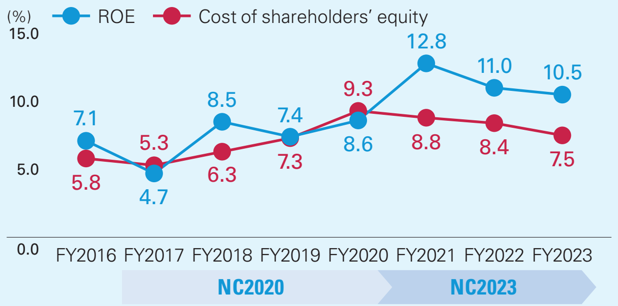
The factors contributing to this include the Inabata Group's focus on organic growth by utilizing existing management resources as its basic strategy. This approach has led to less aggressive growth investments, such as M&A. In addition, the growth initiatives implemented by the Group have not been fully recognized by investors. Therefore, moving forward, we will accelerate growth initiatives while maintaining the current level of capital profitability. We will also enhance information disclosure through dialogue with investors and other means, and strive to increase expectations for future profit growth.

Table 1: Review of NC2023

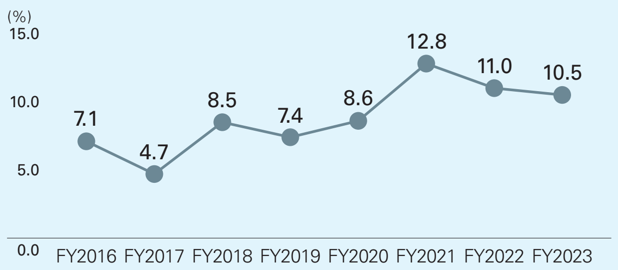
Expansion of earnings	• Achieved record highs in both net sales and operating profit for three consecutive periods • Steadily improved the operating profit margin from 2.6% in FY2020 to 2.8% in FY2023
Capital (asset) control	• Significantly expanded shareholder returns since FY2021 - Distributed 19.6 billion yen in dividends over the three-year period* - Repurchased 4.88 million shares for 12.3 billion yen, and canceled 7.58 million shares over the three-year period • Made progress in reducing strategic shareholdings beyond the target
Stock price	• Stock price has steadily increased (approximately 1.9 times over the three-year period of the NC2023) • P/B ratio is trending up, but has not yet reached the benchmark of 1x
Investments	• Invested approximately 21.5 billion yen over three fiscal years

(*Based on resolutions of the Board of Directors)

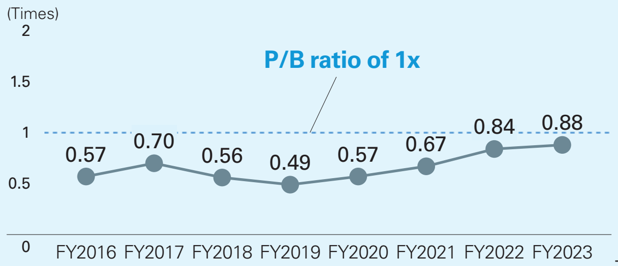
Graph 1: ROE and cost of shareholders' equity



Graph 3: ROE

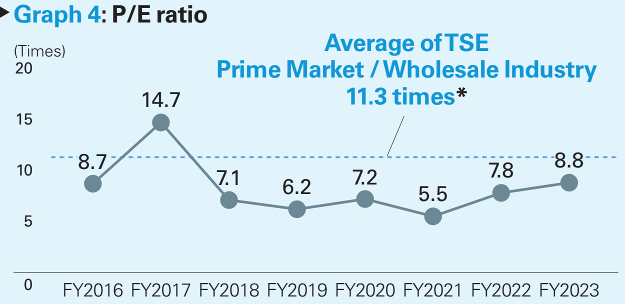


Graph 2: P/B ratio



Notes: 1. Included allowance of doubtful accounts at a European subsidiary in FY2017.
2. All figures are as of the end of the fiscal year.

Graph 4: P/E ratio



* Market capitalization weighted average, as of March 31, 2024

Table 2: Specific initiatives aligned with key focus areas of NC2023 (Major investments)

1 Further development of core businesses and horizontal expansion into growth sectors	• Acquisition of Maruishi Chemical Trading Co., Ltd. as a subsidiary • Establishment of a joint venture with Daicel Corporation to enhance compound business functions
2 Multifaceted approach to markets with potential for future growth and steady monetization efforts	• Participation in biomass power generation projects • Investment in semiconductor-related companies • Investment in a high-performance filler production company
3 Intensification of investment targeting future growth	• Acquisition of Daigo Tsusho Co., Ltd. as a subsidiary • Establishment of a U.S. subsidiary that manufactures lithium-ion battery-related materials • Investment in a French company engaged in the development, extraction, and sales of plant extract components

Policy for improvement

In the new medium-term management plan, NC2026, we have set the theme of achieving a share price level that regularly exceeds a P/B ratio of 1x as soon as possible. Specifically, we will implement measures in line with the following four points.

(1) Firmly implement growth strategies to drive sustainable growth in business value, and foster expectations for future profit growth
(2) Maintain ROE of 10% or more
(3) Control and/or curtail the cost of capital, including by utilizing financial leverages
(4) Continue buying back shares

Specific measures

(1) Firmly implement growth strategies to drive sustainable growth in business value, and foster expectations for future profit growth

Measures on this theme have already been undertaken under NC2023, and some have shown positive results (**Table 2**). Regarding major business investments, under "(1) Further development of core businesses and horizontal expansion into growth sectors," we acquired Maruishi Chemical Trading Co., Ltd., which operates in areas such as polyurethane and other resin materials, polymers, and coatings. In addition, we established a joint venture with Daicel Corporation to enhance production capabilities for plastic compounds.

Under "(2) Multifaceted approach to markets with potential for future growth and steady monetization efforts," we participated in wood biomass power generation projects in places such as Fukuyama City, Hiroshima Prefecture, and Sakaiminato City, Tottori Prefecture. We also invested in semiconductor-related companies and a high-performance filler production company.

Under "(3) Intensification of investment targeting future growth," we established a manufacturing facility jointly with Toyo Ink SC Holdings Corporation (now artience Co., Ltd.), and acquired Daigo Tsusho Co., Ltd., a company primarily engaged in the processing and e-commerce of eel.

We will continue these initiatives in the future, aiming to further enhance our business value.

(2) Maintain ROE of 10% or more

We will expand our core businesses and actively invest to increase profits and improve profit margins. At the same time, we will continue to conduct share buybacks and cancellations to control shareholders' equity.

(3) Control and/or curtail the cost of capital, including by utilizing financial leverages

In addition to direct measures, such as leveraging debt, we will advance indirect measures such as enhancing information disclosure and actively engaging in dialogue with investors. These efforts aim to reduce risks and informational gaps with the market and control and/or curb the cost of capital.

(4) Continue buying back shares

In FY2024, the Board of Directors resolved in its meeting held on May 9, 2024 to repurchase up to 1.2 million shares. The repurchase was completed on July 4, and all repurchased shares were canceled on July 17.

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

We provide optimal global supply chain solutions that demonstrate the value of partnering with the Inabata Group by combining the expertise of our four segments, centered on the chemicals business, with the multifaceted capabilities that complement our trading company functions.

Segment expertise

Information & Electronics | Chemicals | Life Industry | Plastics

×

Core capabilities honed over many years

Trading company function

Suppliers → Inabata → Customers

×

Multifaceted capabilities that generate added value

Manufacturing & processing function

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 function

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

Finance function

We propose and implement solutions for clients' challenges such as reducing capital burden and avoiding foreign exchange risks. Having positioned the net D/E ratio* as an important management indicator, we work to enhance and maintain our financial soundness.

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

We provide optimal global supply chain solutions—including suitable products, procurement flows, inventory management, supplier reliability, and business continuity planning (BCP)—to remain a trusted partner for our clients including both customers and suppliers.

Based on the above business model, we will actively pursue business investments (growth investment) to expand market and client base within our segments, enhance multifaceted capabilities, acquire new functions, and address other priorities. The chemicals business, in which we have established expertise and a strong presence, supports a wide range of industries and is expected to see steady growth in global demand moving forward. Through business investments aimed at further evolving the trust and business model we have developed, we strive to achieve our long-term vision.

Business investments (growth investment)

- Business domains where the Inabata Group's expertise and strengths can be leveraged
- Investments contributing to trading

Business model example 1

Functions and added value provided by our own warehouses

Inabata Thai's logistics solutions

In the rapidly growing Asian market, there is a significant demand to manage the increasing volume of logistics. Inabata addresses client needs through accurate inventory management and prompt delivery by operating its own warehouses. In 2016, we established a large warehouse in Indonesia. Even in Thailand, where we handle a diverse range of products, we began deploying our own warehouse in 2019.

Inabata Thai Co., Ltd. stores approximately 10,000 tons of inventory across Thailand, including plastics, chemical materials, and food ingredients. To accommodate various types of items—such as those requiring room temperature, refrigeration, freezing, or hazardous materials—we previously contracted with over 20 warehouses. However, this approach led to operational complexities, and issues such as incorrect shipments and damage to bags were not uncommon.

We now operate our own warehouse with a storage capacity of 4,900 tons in the Bang Phli area near Bangkok, consolidating the storage of room temperature goods into three locations, including contracted warehouses in Ayutthaya and Siracha. These warehouses cover industrial zones within a 200 km radius of Bangkok, where major industries are concentrated. At our warehouse, we check the condition of each bag upon receipt and assign barcodes to all items to ensure thorough management. As a result, we can greatly enhance logistics efficiency, even when handling large volumes of diverse items simultaneously, by rapidly processing and dispatching them in smaller, manageable quantities. In addition, our layout and staffing arrangements within the warehouse benefit from years of inventory management experience and expertise, enhancing overall efficiency.

With our own warehouse, we have gained direct control over complex logistics management, establishing efficient and accurate operations. Offering high-quality logistics services that differentiate us from competitors enhances client satisfaction and convenience, contributing to the growth of our trading business.

Exterior view of Inabata warehouse

Inside Inabata warehouse

Business model example 2

Manufacturing and processing functions that complement trading

Business model for the plastic compounding business

The Plastics segment, which is one of Inabata's key segments, expanded overseas using the strength of the plastic compound manufacturing business (compounding business) and grew to a segment that accounts for close to 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 plastic compound 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.

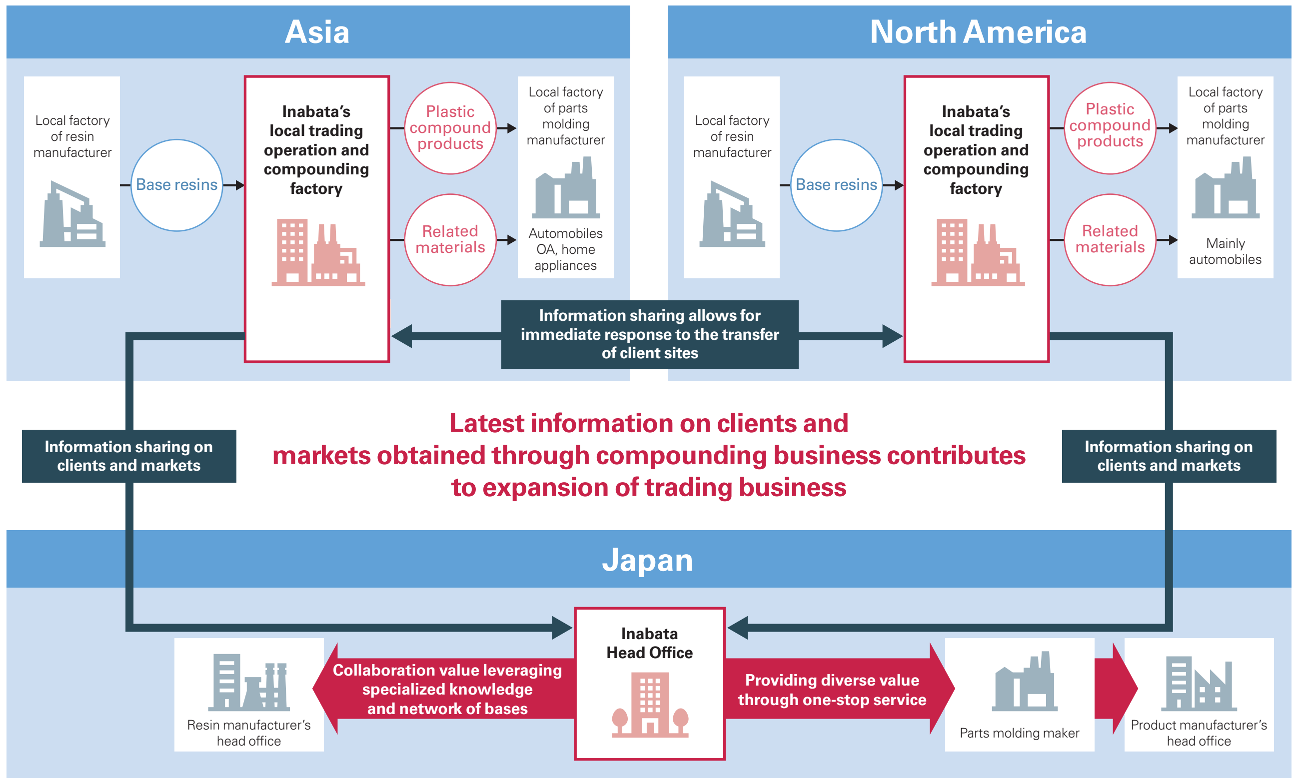
What is plastic compounding?


Base resins

Blending and coloring base resins with pigments, additives, other resins, etc.


Processing that adds functions such as weather resistance by blending and coloring base resins with pigments, additives, and other resins according to their intended use

Business model for the plastic compound business

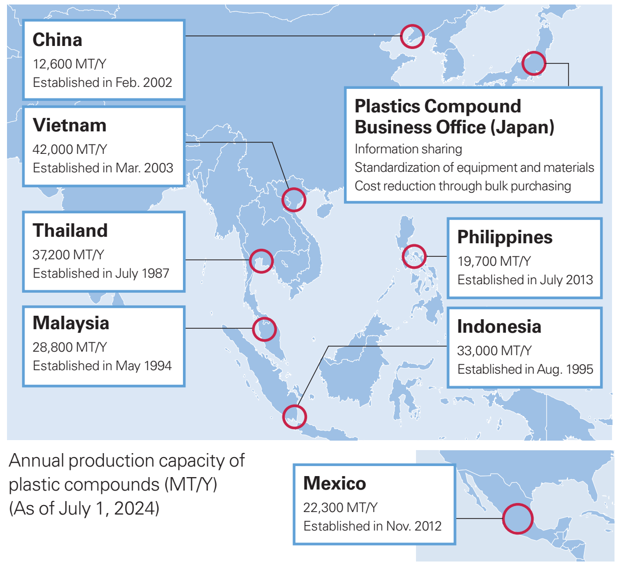


* Of the 766.0 billion yen in consolidated net sales for FY2023, sales in the Plastics segment amounted to 360.4 billion yen (47.1%).

Production network expanded in collaboration with clients

As clients manufacturing OA equipment, automobiles, and other products grow their global production bases, the demand for locally sourced resin materials at each site is increasing. We have established and expanded plastic compound manufacturing and processing bases to align with our clients' needs. As of July 2024, we are operating at seven locations in seven countries.

Having plastic compound manufacturing and processing bases near our clients' production sites enables us to supply materials in a timely manner that meets their needs.

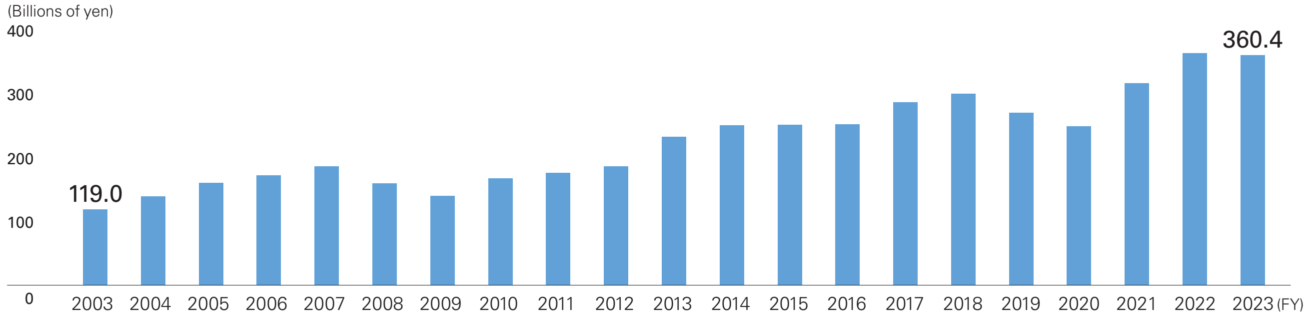


Annual production capacity of plastic compounds (MT/Y) (As of July 1, 2024)

Strong presence in the compounding business contributes to Plastics segment growth

Having manufacturing and processing capabilities allows us to gain deeper insights into customers' production plans and new product development, greatly contributing to the expansion of the Plastics segment.

Plastics segment sales



TOPIC

Further strengthening plastic compounding business capabilities through the establishment of a joint venture with Daicel

Demand for plastics is expected to continue expanding globally, driven by economic growth in Asia and emerging markets, as well as increasing needs for lightweight automobiles. Meanwhile, quality requirements from clients such as automotive manufacturers and OA/electronics companies are becoming more sophisticated, necessitating the accumulation and advanced management of production technology.

To further strengthen our plastic compounding business, a key strength of the Plastics segment, we have established a joint venture with Daicel Corporation, which excels in the field of general engineering plastics. The new company, Novacel Co., Ltd., focuses on the research, development, and sales associated with resin coloring and resin compounding and began operations on July 1, 2024. This initiative aims to enhance technology levels, expand global manufacturing contract business using our production facilities, improve earnings through increased production efficiency, and bolster our proposals for new clients and product markets. Additionally, by jointly managing this new company, we aim to build a strong global position in the plastic compounding industry.

Overview of Novacel Co., Ltd.

Company name: Novacel Co., Ltd.
Established: April 1, 2024
Headquarters: Minato-ku, Tokyo
Business: Research, development, and sales associated with resin coloring and resin compounding
Investment ratio: Inabata & Co., Ltd. 66.7%, Daicel Corporation 33.3%