Translation

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CORPORATE GOVERNANCE

Last Updated: October 30, 2024
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The corporate governance of Inabata & Co., Ltd. (the "Company") is described below.

I. Corporate governance (basic views), capital structure, corporate attributes, and other basic information

1. Basic views

The Company's Mission is to "contribute to the development of society based on the humanitarian spirit of 'ai (love)' and 'kei (respect).'" Based on this Mission, we believe that in order to meet the expectations of our shareholders, business partners, employees, and all other stakeholders who support our corporate activities, and in order to enhance our corporate value in a sustainable manner, it is essential to develop and establish a strong corporate governance system that will ensure the transparency and fairness of the Company's management and provide a foundation for prompt and determined decision-making.

[Reasons for non-compliance with the principles of Japan's the corporate governance code]

The Company complies with all the principles of the corporate governance code.

[Disclosure based on the principles of Japan's corporate governance code] Updated

[Principle 1-4. Strategically held shares]
1. Policy on strategic holding of listed shares
(1) Basic views
Close business and cooperative relations with various companies are valuable assets to the Company, and the Company believes the establishment, maintenance and development of these relations improve the Company's corporate value in the medium and long term and lead to the benefit of shareholders and investors.
Also, as the Company believes the strategic holding of shares of such companies continues to be an effective way to establish, maintain and develop good cooperative relations, the Company owns strategically held shares.

(2) Policy related to holding and reducing strategically held shares
The Company forms a judgment concerning the pros and cons of strategically held shares based on whether holding them contributes to the establishment of cooperative relations, enhances the Company's corporate value in the medium and long term and leads to the benefit of shareholders and investors.
Specifically, at the meetings of the board of directors, the Company annually conducts a comprehensive review of the reasons backing the suitability of holding each stock, considering the financial status, liquidity of shares of investees, changes in trading volume and income from business with such investees or investee groups, as well as outlook thereof in the medium and long term, and economic rationality such as whether risk and return is proportionate to the capital cost and other qualitative information.
The Company follows a policy of reducing the shares that the holding of which is not considered significant, while considering timing and the effect on the market and the business.
In addition, the Company has achieved its goal of reducing cross-shareholdings by 50% compared to the balance as of March 31, 2021 over the three-year period of its mid-term management plan "New Challenge 2023" ("NC2023"), which concluded in the fiscal year ended March 31, 2024. Furthermore, the financial strategy in the new mid-term management plan "New Challenge 2026" ("NC2026"), which ends in the fiscal year ending March 31, 2027, is to "improve asset efficiency and generate investment funds by reducing cross-shareholdings" and to steadily implement the announced policy of "reducing cross-shareholdings by approximately 80% compared to the balance as of March 31, 2021 by March 31, 2027."

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

[Principle 1-7. Related party transactions]
The Company shall obtain approval of the board of directors in accordance with the Rules of the Board of Directors when directors conduct a conflict-of-interest transaction or a competitive transaction. The Company judges that the board of directors is providing appropriate supervision through these operations. In addition, the Company annually reviews whether there is any related party transaction which involves directors.
Regarding any transaction with major shareholders, the Company determines a price and other terms and conditions in consideration of general transactions after individual negotiation and discloses details of such transactions in securities reports, etc.

[Principle 2-4. Ensuring diversity in companies, including active participation of women]
Supplementary Principle 2-4-1
As global competition intensifies, we recognize the importance of diverse values for the sustainable development of our business. Group employees come from a diverse range of backgrounds and are active on a global scale. We are focusing on implementing measures and enhancing systems to ensure fairness in recruitment, assignment, evaluation, treatment, and promotion regardless of race, religion, nationality, age, gender, sexual orientation, or disability so that each employee can fully demonstrate their abilities. We respect the individuality and abilities of each employee and strive to foster an organizational culture that embraces and makes the most of this diversity and allows employees to work together with a sense of unity.
We also recognize that human resources are our greatest asset, and human resource development is an important management issue. Our human resource and skills development is based on the humanitarian spirit of 'ai (love)' and 'kei (respect)' and our Mission. Our human resource development is simply to nurture human resources who share our IK Values and are able to realize our Vision.
We develop human resources with expertise and the ability to lead our organization and business both domestically and

internationally by providing diverse work experiences and growth opportunities as well as implementing role-based training programs. The development of global human resources who can coexist with the international community and create new value from a global perspective, regardless of national borders, is an important issue for the Group conducting businesses on a global basis.

The Group's materiality is "fostering and strengthening of human capital that contributes to value creation," and we are promoting new work style reforms, diversity and inclusion, employee engagement, human resource and skills development, occupational health and safety, and other initiatives to further expand our systems and enhance our training among other efforts. In addition, we have established strategies, KPIs, and targets related to human capital in our newly formulated "Sustainability Medium-term Plan 2026." We have set two to five KPIs and targets for each of our four strategies: "improve the well-being (state of being physically, mentally, and socially satisfied) of employees who support sustainable growth," "foster diversity and inclusion that makes the most of diverse individuals," "further advance health and productivity management," and "focus on investment in human capital." Going forward, the Sustainability Committee will monitor the progress of the Medium-term Plan, while the board of directors will oversee the steady implementation of these initiatives.

We have formulated a General Employer Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children and are actively promoting it in order to create work environments where women can more actively participate as well as to support the work-life balance of employees, such as by providing childcare and long-term care leave for both men and women.

In the three-year plan from April 1, 2021 to March 31, 2024, we set three targets: (1) increase the percentage of women in managerial positions (manager or higher) to 5% or more, (2) maintain the percentage of women new college graduates hired for Staff positions at the current level of 20% or more, and (3) increase the ratio of women in Staff positions to 15% or more. As of March 31, 2024, these figures were (1) 4.8%, (2) 26.7%, and (3) 16.8%, respectively.

Targets (2) and (3) were achieved, but (1) was not achieved.

In light of this situation, a new four-year action plan from April 1, 2024 to March 31, 2028 was formulated, with two targets: "(1) establish a system and training environment for career building so that the ratio of female managers will be 8% or more by March 2028 and 10% or more by 2030 at the latest" and "(2) maintain (and continue to maintain) the percentage of women new college graduates hired for Staff positions at the current level of 20% or more." We will continue to implement various initiatives to address recognized issues and achieve these targets.

We are also focusing on hiring mid-career employees and promoting them to managerial positions. We hired 32 mid-career employees in fiscal year ended March 31, 2024 and the ratio of mid-career hires among total permanent employees hired during the year was 49%. The ratio of mid-career employees among total employees is 34.4%, and the ratio of mid-career employees among managers is 30.2%, and the number of appointments is progressing. In addition, mid-career hires account for three of the four executive directors, and four of the 16 general managers who are executive managers. We also appoint mid-career hires in senior management to ensure diversity.

We also consider the development of national staff at our overseas subsidiary and their promotion to managerial positions (general manager or higher) to be an important issue that we are working on. As part of the "Sustainability Medium-term Plan 2026," we have set a KPI and target to "encourage managerial appointments for local employees at overseas subsidiaries."

[Principle 2-6. Execution of function as asset owner of company pension]

The Company has set a policy for the operation of the pension assets and a basic policy regarding the operation of pension assets which focus on the management of all operational risks in order to secure payments of the company pension for the future.

The Company delegates all operation of the pension assets to third parties due to expertise required of such operations. All third parties operating the pension have accepted the stewardship code.

Decisions regarding the investees and the execution of voting rights are delegated to the third parties operating the pension assets. As a result, the pension operation liaison committee, which is comprised of responsible persons of the finance, accounting, and human resources departments, regularly discusses and verifies pension finance and the operation of the pension. The committee strives to maximize the interest of the beneficiaries and ensure proper management of transactions involving conflicts of interest.

[Principle 3-1. Enhancement of information disclosure]

(i) With the Mission of contributing to the development of society based on the humanitarian spirit of "ai" (love) and "kei" (respect), which is the Corporate Principle, as the basis of corporate management, the Company operates its businesses with its Vision of continually evolving, serving clients and society through global operations, and meeting their changing needs. The Company discloses its management strategy and plan on the website and in securities report, etc.

(ii) The Company's Mission is to "contribute to the development of society based on the humanitarian spirit of 'ai (love)' and 'kei (respect).'" Based on this Mission, we believe that in order to meet the expectations of our shareholders, business partners, employees, and all other stakeholders who support our corporate activities, and in order to enhance our corporate value in a sustainable manner, it is essential to develop and establish a strong corporate governance system that will ensure the transparency and fairness of the Company's management and provide a foundation for prompt and determined decision-making. Based on the Mission, the Company establishes continuous improvement of corporate governance as its basic policy from the perspective of maintaining healthy corporate management and improving transparency as well as efficiency of operations, supported by the view that sustainable improvement of corporate value is important to all stakeholders.

(iii) The board of directors determines remuneration of directors (excluding directors who are audit and supervisory committee members) within the total remuneration approved at a general meeting of shareholders. The Nominating and Remuneration Committee first reviews the details before the board of directors makes the decision. The board of directors works to ensure objectiveness, fairness and transparency by giving sufficient respect to its opinions. In addition, the Nominating and Remuneration Committee is chaired by the head independent outside director, and the majority of the members of the committee are independent outside directors. Remuneration for directors who are audit and supervisory committee members is determined upon deliberation of directors who are audit and supervisory committee members within the total remuneration approved at a general meeting of shareholders. Remuneration for directors is disclosed in [Incentives] and [Director remuneration] in this corporate governance report and in securities reports.

(iv) When the board of directors elects executives and appoints candidates for directors and executive officers, the Nominating and Remuneration Committee takes measures, for instance, such as interviewing candidates, to examine credentials and aptitude which would contribute to the improvement of corporate value in the medium and long term and to ensure the objectivity, fairness and transparency of any decision the board of directors makes. The Company has the "criteria for independence of outside directors" independently in place for the election of independent outside directors and elects them in accordance with the criteria. When the board of directors dismisses executives, the matter is first deliberated by the Nominating and Remuneration Committee. Then, while giving adequate consideration to the results of the deliberations by the Nominating and Remuneration Committee, the board of directors will decide on the dismissal of the executives by resolution, working to ensure that objectiveness, fairness and transparency is reflected this resolution. Decisions regarding the nomination of candidates for directors who are Audit and Supervisory Committee members are made by the board of directors after receiving consent from the Audit and Supervisory Committee based on the opinions of the Nominating and Remuneration Committee.

(v) With respect to each of the reasons for the election or dismissal or nomination when carrying out election or dismissal of executives or nomination of candidates for directors, the reasons for the election or dismissal the board of directors makes in accordance with the principle mentioned in (iv) above are included in notices of convocation of general meeting of shareholders.

Supplementary Principle 3-1-3

In October 2021, the Group established the Sustainability Committee, chaired by Director, President, to address various issues surrounding the global environment and society such as climate change and human rights as important management matters.

The committee members are the senior managing executive officer in charge of sustainability who serves as the vice-chair, one director and two executive officers in charge of the four business segments, and six selected heads of administrative offices. In addition, seven outside directors and two non-executive directors also participate as observers to verify fair and effective discussions and make recommendations as necessary. All directors participate in the committee, and the board of directors fulfills its supervisory function through the committee.

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

To promote sustainability activities across the Group, sustainability-related matters resolved by the Sustainability Committee and reported to and supervised by the board of directors are implemented and managed through collaboration between the dedicated Sustainability Promotion Department and the Sustainability Committee Secretariat that comprises members appointed from selected administrative offices. To support meaningful discussions at the Sustainability Committee, the Sustainability Promotion Department collates and provides Group-wide sustainability information, working together with Sustainability Promotion Members appointed from the sales divisions and selected administrative offices.

The main sustainability-related issues that have been discussed by the Sustainability Committee and reported to and supervised by the board of directors are as follows.

[FY03/2022] Establishment of Sustainability Basic Policy and Code of Conduct / Establishment of Human Rights Policy

[FY03/2023] Participation in the United Nations Global Compact / Carbon Neutrality Declaration 2050 / Identification of materiality / Information disclosure in accordance with TCFD recommendations / Status of external ESG evaluations / GHG emissions calculation (Scopes 1, 2, and 3) / Progress on TCFD-compliant scenario analysis / Progress on human rights due diligence

[FY03/2024] Disclosure of information in line with TCFD recommendations / GHG emissions calculation (Scopes 1, 2, and 3) / Endorsement of TCFD and TCFD Consortium / Progress on human rights due diligence / Sustainability Medium-term Plan 2026 / Carbon neutral transition plan / Status of external ESG evaluations

In June 2022, the Group identified materiality (important issues) towards the Group's sustainable growth, setting six kinds of materiality, three related to "sustainable value creation" and three related to the "base for business continuity." In May 2024, we formulated the "Sustainability Medium-term Plan 2026," a three-year plan covering FY2024 to FY2026. In addition to explicitly stating the Group's approach to sustainability, we have organized the risks, opportunities, and major initiatives related to materiality, and set forth our long-term vision, strategies, KPIs, and targets related to materiality. In order to achieve the "Carbon Neutrality Declaration 2050" already announced in June 2022, we also announced in this plan an interim GHG emissions reduction target of "25% reduction by FY2026 and 42% by FY2030 (Scopes 1 and 2) compared to FY2022." This target has been set consistent with the 1.5°C scenario target set forth in the Paris Agreement.

Going forward, the Sustainability Committee will monitor the progress of the Medium-term Plan, while the board of directors will oversee the steady implementation of these initiatives.

Please visit our website for more information on the "Sustainability Medium-term Plan 2026."
(https://www.inabata.co.jp/archives/002/202406/20240605_SustainabilityMedium-termPlan2026.pdf)

Based on recognition that human assets are the most important asset for the Group with the trading business serving as a core business, we are further strengthening active use of human capital.

In addition to the materiality of "fostering and strengthening of human capital that contributes to value creation," we have also established strategies, KPIs, and targets related to human capital in the "Sustainability Medium-term Plan 2026" described above. We have set two to five KPIs and targets for each of our four strategies: "improve the well-being (state of being physically, mentally, and socially satisfied) of employees who support sustainable growth," "foster diversity and inclusion that makes the most of diverse individuals," "further advance health and productivity management," and "focus on investment in human capital."

Please refer to Principle 2-4 for our initiatives towards greater diversity for stronger human capital.

We position intellectual property as a complement to our trading business's function and work to strengthen it, operating facilities for R&D in Japan and overseas.

The Group will provide timely and appropriate disclosure of information related to sustainability and maintain transparency and accountability. Comprehensive information related to sustainability, including performance data, is published on the Company's website. (https://www.inabata.co.jp/english/sustainability/)

The Group also recognizes the importance of climate-related financial risk disclosure and endorses the recommendations issued in June 2017 by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We also appropriately identify and disclose the impact of climate change-related events on our own business activities.

The Inabata Group Sustainability Basic Policy, Inabata Group Sustainability Code of Conduct, Inabata Group Human Rights Policy, Inabata Group Materiality, and information disclosure based on TCFD recommendations are described in the latter part of this report.

[Principle 4-1. Roles and responsibilities of the board of directors (1)]

Supplementary Principle 4-1-1

The board of directors makes decisions about important matters related to foundation of management including formulation of a management plan and preparation of an annual budget in addition to matters to be decided by the board of directors stipulated by laws, regulations or the articles of incorporation. Decisions on execution of duties other than these shall be made by the representative director and other executives to the maximum extent that is appropriate in light of the actual business conditions, etc., of the Company.

In addition, the board of directors exercise its supervisory function over the company executives appropriately by stipulating matters that are required to monitor the executives' decision-making and the execution of decided matters and receiving reports thereof.

Matters to be decided by the board of directors and matters that must be reported by the executives are designated clearly in the Rules of the Board of Directors.

[Principle 4-9. Criteria for independence and qualification of independent outside directors]

The Company has the "criteria for independence of outside directors" independently in place and posts them on its website (https://www.inabata.co.jp/themes/english@inabata/pdf/company/independence_20220622.pdf). In electing an independent outside director, the Company aims to appoint a candidate who has abundant experience and knowledge of corporate management, the ability to oversee decision-making and business execution of the board of directors of the Company conducting businesses on a global basis, and the ability to provide appropriate advice from an objective perspective.

[Principle 4-10. Use of optional approach]

Supplementary Principle 4-10-1

In order to ensure objectivity, fairness and transparency when appointing and removing senior management, nominating candidates for director and executive officer and resolving remuneration, etc. for directors, the Company has established the voluntary Nominating and Remuneration Committee, which is chaired by the head independent outside director, and the majority of the members of the committee are independent outside directors. In appointing executives and determining remuneration for directors, the Nominating and Remuneration Committee deliberates prior to the decision of the board of directors. The board of directors works to grant objectiveness, fairness and transparency by giving sufficient respect to the opinions (including succession

plans and the perspective of diversity and skills) of the Nominating and Remuneration Committee. The Nominating and Remuneration Committee is described in the section titled [Voluntary committees].

[Principle 4-11. Prerequisite for securing viability of the board of directors]

Supplementary Principle 4-11-1

There are twelve incumbent directors, of whom seven are independent outside directors. Four of independent outside directors have management experience at other companies.

The Company elects directors after considering matters of diversity and appropriate scale in order to produce a board that is balanced in terms of knowledge, experience, and ability. In electing a new candidate for director, the board of directors makes a decision after discussion by the Nominating and Remuneration Committee while considering the knowledge, experience and views of each candidate.

The expertise and experience required of the Company's directors (skill matrix) is described in the Notice of Convocation of the 163rd Ordinary General Meeting of Shareholders on page 20.

(https://www.inabata.co.jp/themes/english@inabata/investor/event/shareholder_meeting/file/notification_en_163.pdf)

[Our way of thinking about the skill matrix]

Management philosophy of Inabata & Co., Ltd. is "People come first, based on the spirit of "love (ai)" and "respect (kei)," and together we strive towards contributing to the development of society," and our vision is "To continually evolve, serving clients and society, through global operations and meeting their changing needs." In addition, with around 2030 in mind, we have set "IK Vision 2030" as a long-term vision that envisions our future status, and have positioned the new mid-term management plan "NC2026" as a step toward that long-term vision.

In identifying the skills expected of directors, we have decided from the viewpoint of the kind of skills that are required to build systems that enable the Board of Directors of the Company to fulfill the functions relating to decision-making and the supervisory of business execution, as we expand globally, based on this management philosophy, vision, the long-term vision "IK Vision 2030," and the new mid-term management plan "NC2026." From this point of view, we have specifically identified the following skills and formulated a skill matrix.

(Global Management)

We are expanding our business globally, and in particular, in our long-term vision "IK Vision 2030," we anticipate that the overseas business ratio will be 70% or greater. From this point of view, in order to plan the future growth of Inabata & Co., Ltd., we believe that it is extremely useful to appoint those who have knowledge of global corporate management as directors. Therefore, especially when inviting outside directors, we make sure to include managers of companies that are developing business globally, especially top management, or those with equivalent experience. The Global Management item in the skill matrix is based on top management of a company that is developing business globally or whether the candidate has experience equivalent to this.

When judging the candidates under this requirement, Messrs. Katsutaro Inabata, Osamu Chonan, and Hisayuki Suekawa all have abundant experience as executive managers in global companies, demonstrating their global management skills.

(Business and Industry Knowledge)

In managing a specialized trading firm like ours, first and foremost, vast expertise and experience in each business field is indispensable. In particular, regarding executive directors who are in charge of business execution, it is extremely important in practice to the development of the business of a trading firm like ours to hold a wide range of knowledge, experience and personal connections in each of our business fields, and when appointing executive directors, we give consideration to balance among those who have knowledge of the Company's business fields. More specifically, Mr. Katsutaro Inabata was engaged in the Company's plastics segment for many years. Mr. Toyohiro Akao was engaged for many years in the information & electronics segment, and then, after being appointed director, he supervised the chemicals and lifestyle industry segments. These two executives possess knowledge and experience concerning different businesses of the Company.

When inviting outside directors, we give consideration to the broad knowledge and experience in various business fields, and aim to include individuals capable of providing supervision and opinions on business strategies from an objective perspective. In regard to the candidates for outside director, all of the candidates have valuable expertise in their respective fields of business gained from work at other companies.

(Finance and Accounting)

Financial strategy (corporate finance) in corporate management is of course important, and we believe that we need someone among executive directors who is responsible for financial strategy and can lead efforts to improve corporate value through various dialogues with investors. Mr. Kenichi Yokota has long served in management positions in the finance, accounting, and IR departments, and as part of his duties, he has held dialogues with various investors and provided valuable feedback to Company management as part of his consistent efforts to strengthen corporate governance and enhance corporate value. Mr. Takashi Shigemori was engaged in the finance and accounting affairs at a global chemical company. Additionally, after being appointed director at that company, he oversaw its finance and accounting operations.

In addition, in order to strengthen the supervisory function for business execution, we believe that it is useful to include those who are familiar with finance and accounting among directors who are audit and supervisory committee members. Mr. Nobukazu Kuboi has long been engaged in the Company's finance and accounting operations. After being appointed full-time audit & supervisory board member, he was engaged in the Company's audit operations. Mr. Noriya Yokota has held the position of CFO at a major global alcoholic beverages and soft drinks manufacturer. He has extensive knowledge and experience in finance, accounting, and IR operations. Ms. Shiho Ito has specialized expertise as a certified accountant. She has many years of experience in accounting audits at various companies, and this experience will be valuable in strengthening the Company's supervisory function for business execution.

(Legal/Risk Management/Internal Control)

At Inabata & Co., Ltd., which is expanding its business globally, there are various risks such as credit risk of business partners, risk related to business investment, latent risk associated with overseas activities, foreign exchange fluctuation risk, and the product market fluctuation risks. Therefore, risk management is extremely important for management. As director, Mr. Katsutaro Inabata has had direct control over the internal audit department, and in that capacity he has been closely involved with risk management and internal controls. In addition, he has served for many years as chair of the Compliance Committee. Mr. Kenichi Yokota has served for many years as chair of the Company's Internal Control Committee while being directly involved in the establishment of internal control systems. After being appointed director, he has been in charge of the legal and risk management departments.

In addition, we are committed to management that emphasizes compliance above all else, and in order to strengthen the supervisory function for business execution, we believe it is useful to include those who are familiar with the law among directors who are Audit and Supervisory Committee members without fail. Mr. Minoru Sanari is a registered attorney with expertise in all aspects of corporate legal affairs accumulated through his years of work as in-house lawyer at the largest city gas company in Japan.

Additionally, we have chosen to be a company with an audit and supervisory committee with the aim of expediting management decision-making and strengthening the supervisory function for business execution. Companies with an audit and supervisory committee are required to make effective use of the company internal control system to conduct systematic audits. From this point of view, we believe that it is essential to include those who have specialized knowledge and experience in internal control and auditing among directors who are Audit and Supervisory Committee members. Mr. Nobukazu Kuboi has been engaged in the establishment of internal control systems since the rollout of the J-SOX system. Mr. Tomokazu Fujisawa has extensive hands-on experience in internal

control and auditing systems. His experience includes auditing at a major global pharmaceutical company and serving a full-time audit & supervisory board member and a director who is an audit and supervisory committee member. Ms. Shiho Ito has extensive expertise and experience in internal control and auditing after having been engaged in internal controls and audits of various companies over many years as an employee of major audit firms.

(HR/Labor)

In a trading firm like ours, human resources are our greatest asset, and human resource development is an important management issue in the medium to long term. The new mid-term management plan "NC2026" places a priority on improving the well-being of employees who support our sustainable growth, promoting diversity and inclusion, further expanding health and productivity management initiatives, and making greater investments in our human capital. To implement this strategy, we believe it desirable for directors to include those who have experience and skills in HR and labor, and we place great importance on this perspective when inviting outside directors. During his experience as director, Mr. Katsutaro Inabata has been in charge of the human resources department. Mr. Kenichi Yokota currently is in charge of the human resources department and has extensive experience reforming various personnel systems.

In addition, Ms. Takako Hagiwara has experience in human resources management at a major global electronics manufacturer. Since her appointment as outside director, she has used her extensive experience to provide advice and insights on the Company's human resources strategies and on the priority management issue of diversity promotion. Mr. Noriya Yokota has extensive experience in human resources and labor, having served as director of group-wide human resources and general affairs at a major alcoholic beverages and soft drinks manufacturer.

(IT/Digital)

The Company's new mid-term management plan "NC2026" includes a medium-term digital strategy as one of the core management strategies. The basic policy behind the new digital strategy is to enhance the management information infrastructure and strengthen group-wide security. To implement the digital strategy and promote data-driven management and digital transformation initiatives, we need specialized expertise in IT and digital technology. In addition, threats to information security have been increasing year by year, and we believe that IT/digital skills are necessary to strengthen countermeasures against these.

Mr. Kenichi Yokota holds multiple national certifications in the IT and digital fields for information technology engineers and other experts. With that specialized knowledge, he has led many initiatives aimed at strengthening the Group's overall information security. Additionally, Mr. Takashi Shigemori and Mr. Noriya Yokota both have broad expertise in the IT and digital field, having served as CIOs or equivalent positions at major global companies.

(ESG)

Inabata & Co., Ltd. established the Sustainability Committee in October 2021 and considers the promotion of sustainability to be an important management issue. We also consider improving the external evaluation of ESG as an important issue. From this point of view, we believe that it is necessary to include those who have knowledge of sustainability and ESG in corporate management among directors, and we take these points into consideration when inviting outside directors.

Mr. Katsutaro Inabata has expertise in all areas of ESG, having served as chair of the Company's Sustainability Committee. Mr. Kenichi Yokota has led initiatives to improve corporate governance, and while in charge of human resources, he implemented employee engagement surveys and health and productivity management programs. Through these initiatives, he has developed particular expertise in the Governance and Society aspects of ESG. Mr. Nobukazu Kuboi was closely engaged in worksite-level initiatives to introduce a corporate governance code. He has developed particular expertise in the Governance aspect of ESG.

Additionally, Ms. Takako Hagiwara has extensive experience in human resources policymaking and diversity promotion strategies. She is expected to take a leading role in making recommendations in the Society area of ESG. Mr. Noriya Yokota has been in charge of management strategies at a major alcoholic beverages and soft drinks manufacturer that has demonstrated leadership among Japanese companies for its advanced initiatives in the environmental area. He is expected to take a leading role in making recommendations in the Environment area of ESG.

Supplementary Principle 4-11-2

The approval of the board of directors shall be obtained in accordance with the Rules of the Board of Directors when an internal director of the Company serves concurrently as a director or an audit & supervisory board member of another company.

In electing an outside director, the Company checks concurrent positions each candidate holds and focuses on whether it is realistically possible for each candidate to perform the functions and duties required as an outside officer of the Company.

The Company discloses the status of significant concurrent positions directors hold in securities reports [Company Officers], etc.

Supplementary Principle 4-11-3

Based on the idea that enhancement of effectiveness of the board of directors is important, the Company annually conducts board of directors evaluation utilizing an outside consultant. An outline of the board of directors evaluation is posted on the Company's website (https://www.inabata.co.jp/themes/english@inabata/investor/library/governance/file/evaluation202404_en.pdf). Going forward, the Company's policy will be to take appropriate response based on the self-evaluation results and to continuously implement such evaluation of the board of directors.

[Principle 4-14. Training of directors]

Supplementary Principle 4-14-2

When an internal director assumes their posts, the Company provides opportunities to them to understand the legal obligations and roles and responsibilities that they are required to follow as director. For outside directors, the Company provides opportunities to them to have meetings with general managers of each internal department and for overseas visits as appropriate so that they can fully understand the businesses of the Group.

The Company provides opportunities to directors for training after they assume their posts so that they can acquire the required knowledge and further understand their roles and responsibilities. The Company reimburses any director for any required expenses for training.

The implementation status of training of directors is reported once a year to the board of directors.

[Principle 5-1. Policy on constructive dialog with shareholders]

The Company actively holds a dialog with shareholders and investors to contribute to sustainable growth of the Company and improvement of the medium- and long-term corporate value.

The policy on development of a system which facilitates a constructive dialog with shareholders and investors and relevant efforts are as follows:

(1) IR system

- Under the IR system of the Company, the president serves as the responsible person, and the director in charge of IR has also been appointed. Dialog with shareholders and investors is mainly led by the president and the director in charge of IR, and in some cases, by a section dedicated to IR.
- IR Department has a system in place for the collection/analysis of various management information and timely and adequate information provision by collaborating with relevant divisions such as Financial Management Office, General Affairs Office and

sales divisions.

(2) IR activities
- The Company handles requests for individual meetings in a positive manner to a reasonable extent.
- The Company handles requests for individual meetings for outside directors to a reasonable extent.
- The Company holds a briefing on financial results twice a year to explain the progress of the mid-term management plan and overview of financial results.
- The Company creates an occasion for a dialog with individual shareholders and investors through participation in IR events, etc.
- The Company actively works to provide information through its website, company brochure, shareholder news and notices of general meeting of shareholders and so forth.
- The Company creates opportunities for dialog with shareholders and investors abroad by holding IR events overseas.

(3) Compliance with Fair Disclosure Rules
- The Company discloses information in a timely and fair manner, and complies with fair disclosure rules.

(4) Feedback
- The Company stipulated in its Rules of the Board of Directors that a report regarding shareholder opinions and concerns ascertained through dialog with shareholders should be included in the business execution report of the director in charge of IR at least once a year. In the fiscal year ended March 31, 2024, IR-related matters were reported at the meetings of the board of directors held in May and August 2023 and January 2024.

(5) Management of insider information
- The Company carries out thorough control of insider information in accordance with the “rules for information disclosure,” one of the internal rules. In addition, the Company establishes a period between the day after each quarterly closing date and the announcement date as a silent period.

(6) Understanding of shareholder structure
- The Company conducts shareholder identification twice a year in principle to understand the holding of the Company’s shares by substantial shareholders.

(7) Measures to realize management conscious of cost of capital and share prices [Update: October 30, 2024]
As a rule, the president explains measures taken and the progress of these measures at a financial results briefing once a year. Briefing materials are posted on the Company’s website (https://www.inabata.co.jp/archives/001/202406/20240603_01eng_1.pdf). For the fiscal year ended March 31, 2024, the president explained at the financial results briefing on June 3, 2024.

(8) Status of dialogue with shareholders, etc.
The status of dialogue with shareholders is posted on the Company’s website (https://www.inabata.co.jp/themes/english@inabata/investor/library/governance/file/evaluation202406_en.pdf).

2. Capital structure

Foreign shareholding ratio	From 20% to less than 30%

[Status of major shareholders]

Name	Number of shares owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	5,859,800	10.49
Sumitomo Chemical Co., Ltd.	5,591,400	10.01
Custody Bank of Japan, Ltd. (Trust account)	2,279,100	4.08
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	819,500	1.47
Mizuho Bank, Ltd.	744,900	1.33
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	734,588	1.32
MUFG Bank, Ltd.	638,000	1.14
Sumitomo Mitsui Banking Corporation	624,000	1.12
Sumitomo Life Insurance Company	611,000	1.09
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	591,670	1.06

Controlling shareholder (except for parent company)	———
Parent (Listed Stock Market)	N/A

Supplementary explanation

1. Treasury shares held by the Company (72,904 shares) are omitted from the above calculations of percentages (excluding the 266,400 shares of the Company’s shares held by Custody Bank of Japan, Ltd. (trust E account) as trust assets in the Board Benefit Trust (BBT) system).
2. The English names of the above shareholders are based on the “Notice to all shareholders” notified by Japan Securities Depository Center, Inc.

3. Corporate attributes

Listed stock market and market section	Prime Market of the Tokyo Stock Exchange
Fiscal year-end	March
Type of business	Wholesale trade
Number of employees (Consolidated) at the end of the previous fiscal year	1,000 or more
Net sales (Consolidated) for the previous fiscal year	From ¥100 billion to less than ¥1 trillion
Number of consolidated subsidiaries at the end of the previous fiscal year	From 10 to less than 50

4. **Policy for measures to protect minority shareholders in conducting transactions with controlling shareholder**

———

5. **Special circumstances which may have material impact on corporate governance**

———

II. Business management organization and other corporate governance systems regarding decision-making, execution of business, and supervision in management

1. Organizational composition and operation

Organization form	Company with audit and supervisory committee

[Directors]

Maximum number of directors stipulated in articles of incorporation	12 directors
Term of office stipulated in articles of incorporation	1 year
Chairperson of the board	President
Number of directors	12 directors
Appointment of outside directors	Appointed
Number of outside directors	7 directors
Number of independent officers designated from among outside directors	7 directors

Outside directors' relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Takako Hagiwara	From another company											
Osamu Chonan	From another company											
Hisayuki Suekawa	From another company											
Minoru Sanari	Attorney											
Tomokazu Fujisawa	From another company											
Noriya Yokota	From another company											
Shiho Ito	Certified public accountant											

* Categories for relationship with the Company
* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past;
* "●" when a close relative of the director presently falls or has recently fallen under the category; and
"▲" when a close relative of the director fell under the category in the past
a Executive (meaning a person who executes business; hereinafter, the same) of the Company or its subsidiary
b Non-executive director or executive of the parent of the Company
c Executive of a fellow subsidiary company of the Company
d A party whose major client or supplier is the Company or an executive thereof
e Major client or supplier of the Company or an executive thereof
f Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to remuneration as a director
g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
h Executive of a client or supplier of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
j Executive of a corporation that receives a donation from the Company (the outside director himself/herself only)
k Other

Outside directors' relationship with the Company (2) Updated

Name	Designation as audit and supervisory committee member	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
Takako Hagiwara		○	—	Takako Hagiwara has served as representative director of Sony Hikari Corp. and Sony Kibou Corp. (now Sony Kibou/Hikari Corp.) and director of Green House Co., Ltd. She currently serves as representative director of DDD Corp. and outside director of TWINBIRD CORPORATION and NEC Capital Solutions Limited. She held positions of responsibility for many years in the human resources division of a major electronics manufacturer with a global presence in multiple businesses, such as audiovisual equipment, games, movies, and music, in addition to which she has also served in management, and accordingly has extensive knowledge and experience. The Company considers she has sufficiently fulfilled the role that the Company expects at the board of directors and appointed her once more as outside director. The Company expects that she will provide advice in such areas as the Company's human resources strategy, and on the promotion of diversity. As she satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside directors" separately established by the Company, the Company appoints her as independent officer.
Osamu Chonan		○	—	Osamu Chonan has served as representative director, president and chief executive corporate officer of Kewpie Corporation. He currently serves as chairman of the Kewpie Mirai Tamago Foundation and outside director of Lotte Co., Ltd. He held positions of responsibility for many years in the sales division of a food manufacturer with a global presence centered in China and Southeast Asia, in addition to which he has also served in management, and accordingly has extensive knowledge and experience. Based on the above, the Company considers him suitably qualified as an outside director of the Company and appointed him once more as outside director. The Company expects that he will use his abundant experience and extensive knowledge as a manager to provide oversight and advice in relation to the Company's execution of duties from an objective perspective. As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside directors" separately established by the Company, the Company appoints him as independent officer.
Hisayuki Suekawa		○	—	Hisayuki Suekawa has served as representative director, president and CEO of Shiseido Co., Ltd., and currently serves as an unaffiliated director of Morishita Jintan Co., Ltd., a director of Showa Women's University, and an advisor of NIPPON KANZAI HOLDINGS Co., Ltd. He has held positions of responsibility in the corporate planning department of a manufacturing company with a global reach extending to some 120 countries and regions, mainly in cosmetics business, in addition to which he has also served in management, and accordingly has extensive knowledge and experience. Based on the above, the Company has nominated him as a candidate for outside director. The Company expects that he will use his abundant experience and extensive knowledge as a manager to provide oversight and advice in relation to the Company's execution of duties from an objective perspective. As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside directors" separately established by the Company, the Company appoints him as independent officer.
Minoru Sanari	○	○	—	Minoru Sanari has served as General Counsel of the Legal section, General Administration Department and Executive Officer (in charge of Governance) of Tokyo Gas Co., Ltd. He currently serves as Special Counsel of Hayakawa Law Offices. He has specialized knowledge as an attorney and abundant experience in corporate legal affairs and corporate governance for many years at the largest city

Name	Designation as audit and supervisory committee member	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
				gas company. Based on this, the Company has determined that he can be expected to provide accurate audit and supervision for the overall management of the Company and appointed him once more as outside director who is an audit and supervisory committee member. As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the “criteria for independence of outside directors” separately established by the Company, the Company appoints him as independent officer.
Tomokazu Fujisawa	○	○	—	Tomokazu Fujisawa has served as Full-time Audit & Supervisory Board Member and Director who are Audit & Supervisory Committee Member of Astellas Pharma Inc. He has extensive insight and abundant experience, having worked as the director of planning for a business department of a global pharmaceutical company that engages in pharmaceutical businesses around the world, as well as having work experience at said company’s overseas subsidiary. After engaging in audit work, he also served as a full-time audit & supervisory board member of the company and a director who is an audit and supervisory committee member, and accordingly has high level of knowledge and abundant experience. Based on this, the Company has determined that he can be expected to provide accurate audit and supervision for the overall management of the Company and appointed him once more as outside director who is an audit and supervisory committee member. As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the “criteria for independence of outside directors” separately established by the Company, the Company appoints him as independent officer.
Noriya Yokota	○	○	—	Noriya Yokota has served as director of the board and senior executive officer of Kirin Holdings Company, Limited, director of the board of Kirin Business System Company, Limited, and director of the board of Kirin Brewery Company, Limited. He currently serves as Senior Advisor of Newton Investment Partners, Inc. (now Japan Activation Capital, Inc.) He has served as a factory manager and head of the production department at a manufacturer that manufactures and sells alcoholic beverages, beverages, and pharmaceuticals around the world, and after serving as manager of an overseas subsidiary of the company, he has been in charge of human resources, finance, IT, and management strategy as an executive officer, and has a great degree of insight and extensive experience. Based on this, the Company has determined that he can be expected to provide accurate audit and supervision for the overall management of the Company and appointed him as outside director who is an audit and supervisory committee member. As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the “criteria for independence of outside directors” separately established by the Company, the Company appoints him as independent officer.
Shiho Ito	○	○	—	Shiho Ito has served as a partner at Chuo Aoyama Audit Corporation (later MISUZU Audit Corporation) and Shin Nihon & Co. (now Ernst & Young ShinNihon LLC), and currently serves as outside director of Japan Display Inc., a certified public accountant at Shiho Ito CPA Office, and a supervisory director of Nomura Real Estate Private REIT, Inc. She is qualified as a certified accountant and has experience as a partner at major Japanese audit firms, and she serves as outside director of a major global LCD panel manufacturer. She therefore possesses extensive business knowledge in addition to her specialized expertise in accounting. Based on this, the Company has determined that she can be expected to provide accurate audit and supervision for the overall management of the Company and appointed her as outside director who is an audit and supervisory committee member. As she satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as

Name	Designation as audit and supervisory committee member	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
				well as the “criteria for independence of outside directors” separately established by the Company, the Company appoints her as independent officer.

[Audit and supervisory committee]

Committees composition and chairperson’s attributes

	Total committee members	Full-time members	Internal directors	Outside directors	Chairperson
Audit and supervisory committee	5	1	1	4	Outside director

Appointment of directors and/or employees to support duties of the audit and supervisory committee	Appointed

Matters related to the independence of such directors and/or employees from executive directors

The Company has assigned personnel to support the duties of the Audit and Supervisory Committee (hereinafter referred to as “assistant employees”).

Assistant employees shall perform their duties under the direction of the Audit and Supervisory Committee. The appointment, dismissal, and merit rating of assistant employees shall be determined after obtaining the approval of the Audit and Supervisory Committee. When selecting assistant employees, ample consideration shall be given to their experience, knowledge, and initiative. Directors (excluding directors who are audit and supervisory committee members) and employees shall not unreasonably restrict the execution of duties by assistant employees.

Cooperation among audit and supervisory committee, accounting auditor and the internal audit

The Audit and Supervisory Committee, the accounting auditor and the Internal Audit Office collaborate with one another on a regular basis through reporting of audit results and consultation.

When investigating operations and assets of the Company and performing other audit duties, the Audit and Supervisory Committee strives to audit systematically and efficiently in close cooperation with the Internal Audit Office. The Audit and Supervisory Committee receives reports on the audit plan and audit results from the Internal Audit Office on a regular basis, requests an investigation when necessary, and instructs specifically on its duties.

While the Audit and Supervisory Committee and the Internal Audit Office hold meetings periodically with the accounting auditor for reporting of financial audits and quarterly reviews and receive reports on the audit in a timely manner and when required, they work to collaborate with the accounting auditor by sharing information that is recognized as useful for or as having an influence on the auditing of the accounting auditor.

[Voluntary committees]

Voluntary establishment of committee(s) equivalent to nominating committee or remuneration committee	Established

Committee’s name, composition, and chairperson’s attributes

	Committee’s name	All committee members	Full-time members	Internal directors	Outside directors	Outside experts	Other	Chairperson
Committee corresponding to nominating committee	Nominating and Remuneration Committee	5	0	1	4	0	0	Outside director
Committee corresponding to remuneration committee	Nominating and Remuneration Committee	5	0	1	4	0	0	Outside director

Supplementary explanation

When the board of directors resolves to elect or dismiss executives, appoint candidates for directors and executive officers, or determine the remuneration for directors (excluding directors who are audit and supervisory committee members) or other matters, the resolution shall first be deliberated by the Nominating and Remuneration Committee, which is chaired by the head independent

outside director, and the majority of the members of which are independent outside directors.

The board of directors works to ensure objectiveness, fairness and transparency by giving sufficient respect to the deliberations (including succession plans and the perspective of diversity and skills) of the Nominating and Remuneration Committee.

At present, the Nominating and Remuneration Committee consists of four independent outside directors and one internal director as below.

Outside director	Takako Hagiwara (Chairperson of the Nominating and Remuneration Committee, head independent outside director)
Outside director	Osamu Chonan
Outside director	Hisayuki Suekawa
Outside director, audit and supervisory committee member	Noriya Yokota (Chairperson of the audit and supervisory committee)
Director, President	Katsutaro Inabata

[Independent officers]

Number of independent officers 7 officers

Other matters related to independent officers

The Company designates all outside officers who satisfy the requirements of independent officers as such.

[Incentives]

Incentive policies for directors Performance-linked remuneration system

Supplementary explanation

The Company has established fixed remuneration for each position held by directors (excluding directors who are audit and supervisory committee members, outside directors and non-executive directors), and based on this, performance-linked remuneration is calculated by multiplying coefficients according to each level, such as profit before income taxes (excluding gain on sale of investment securities), profitability of invested capital (Return on Invested Capital (ROIC) and Return on equity (ROE)) and stock prices, and ESG scores provided by external evaluation agencies (FTSE Russell and MSCI).

Directors (excluding directors who are audit and supervisory committee members, outside directors and non-executive directors), are responsible for all business activities, such as sales and financial activities of the entire Group, including group companies. The Company expects the results to be shown as consolidated profit before income taxes and designated this as an indicator. In addition, the Company uses ROIC as an indicator because we set “Intensification of investment targeting future growth” as one of our key initiatives in the mid-term management plan “NC2023” and believe that capital efficiency and investment yield should be considered based on the demands of capital markets and the trends in listed companies. In addition, as part of our measures to realize management conscious of cost of capital and share prices, we use ROE and share price (specifically, the difference between the year-on-year growth rate of TOPIX and the year-on-year growth rate of our share price) as indicators. Furthermore, since we recognize addressing sustainability as an important management issue, we use the ESG scores provided by external evaluation agencies as an indicator.

Furthermore, the Company has introduced a Board Benefit Trust (BBT) as a performance-linked share-based remuneration system in order to further clarify the linkage of the remuneration for directors (excluding directors who are audit and supervisory committee members, outside directors and non-executive directors), the Company’s business performance, and the stock value, and enhance their motivation to contribute to the improvement of the Company’s business performance in the medium and long term and to boost corporate value by sharing not only the benefit of the rise in stock prices but also the risks of a decline in stock prices with the Company’s shareholders.

Board Benefit Trust (BBT) is a system in which directors earn points during their term which are exchanged for shares and cash upon resignation. The calculation method for points granted to directors is as follows:

(The calculation method for points to be granted to directors)

Half of the basic points established by role are continuous service points (fixed points). These, along with performance points (continuous service points x performance coefficient), make up the yearly granted points.

The performance coefficient is determined by the consolidated sales target achievement rate and the consolidated operating income target achievement rate. Target achievement rate is the performance compared to the publicly released mid-term management plan.

Individual remuneration for directors (excluding directors who are audit and supervisory committee members) does not consider qualitative factors, but is rather designed to be calculated automatically according to established standards and the multiple. The Human Resource Office of the Company calculates this according to these standards. The results of this calculation are deliberated by the Nominating and Remuneration Committee, which is chaired by the head independent outside director, and the majority of the members of which are independent outside directors. The board of directors determines remuneration for directors (excluding directors who are audit and supervisory committee members) while giving sufficient respect to the deliberation results of the Nominating and Remuneration Committee.

Through these procedures, the Company ensures that objectiveness, fairness and transparency are reflected in decisions on individual remuneration for directors (excluding directors who are audit and supervisory committee members), and the decisions regarding individual remuneration, etc. are not delegated to specific directors, etc.

The Company has not established a guideline on deciding the payment ratio between performance-linked remuneration and other forms of remuneration for directors (excluding directors who are audit and supervisory committee members).

Recipients of stock options

Supplementary explanation

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[Director remuneration]

Disclosure of individual directors’ remuneration No disclosure of individual remuneration

Supplementary explanation

Total remuneration paid to directors of the Company during the fiscal year ended March 31, 2024 is as follows.

Directors (excluding audit and supervisory committee members): 328 million yen

Remuneration breaks down into 155 million yen in fixed remuneration, 116 million yen in performance-linked remuneration, and 56 million yen in Board Benefit Trust (BBT).

However, Board Benefit Trust (BBT) is the carryover amount of the board benefit provision booked in the fiscal year ended March

31, 2024.

Directors (audit and supervisory committee members): 48 million yen
Remuneration breaks down into fixed remuneration only.

Policy on determining remuneration amounts and calculation methods	Established

Disclosure of policy on determining remuneration amounts and calculation methods

The Human Resource Office of the Company calculates remuneration for directors (excluding directors who are audit and supervisory committee members) according to established standards. The results of this calculation are deliberated by the Nominating and Remuneration Committee, which is chaired by the head independent outside director, and the majority of the members of which are independent outside directors. The board of directors determines remuneration for directors (excluding directors who are audit and supervisory committee members) within the total remuneration approved at a general meeting of shareholders while giving sufficient respect to the deliberation results of the Nominating and Remuneration Committee. Through these procedures, the Company is working to ensure that objectiveness, fairness and transparency are reflected in remuneration for directors (excluding directors who are audit and supervisory committee members), and the decisions regarding individual remuneration, etc. are not delegated to specific directors, etc.

Remuneration for directors who are audit and supervisory committee members consists only of fixed remuneration. Remuneration for directors who are audit and supervisory committee members is determined upon deliberation of directors who are audit and supervisory committee members within the total remuneration approved at a general meeting of shareholders.

[Supporting system for outside directors]

Outside directors who are not audit and supervisory committee members obtain information mainly via the Secretarial Department from relevant departments and directors in charge. Outside directors who are audit and supervisory committee members obtain information mainly from the internal director who is a full-time audit and supervisory committee member, or via the internal director who is a full-time audit and supervisory committee member from relevant departments and directors in charge. The Secretarial Department provides various support to outside directors, including information gathering by outside directors.

[Status of former director and president of the Company]

Name, etc. of advisor or counselor who is a former director and president of the Company

Name	Position	Responsibilities	Work status/conditions (full-time, part-time, remuneration status, etc.)	Date of retirement as president, etc.	Term
-	-	-	--	-	-

Number of advisor or counselor who is a former director and president of the Company	0

Other notes

The Company abolished the counselor and adviser system in June 2022.

2. Matters on functions of business execution, auditing, oversight, nominating and remuneration decisions (overview of current corporate governance system)

[Board of directors]

The board of directors of the Company currently consists of a total of 12 directors, 7 of whom are directors (excluding directors who are audit and supervisory committee members) and 5 of whom are directors who are audit and supervisory committee members, and performs its decision-making function for management policies and strategies as well as oversight of executives by holding a regular monthly meeting and ad hoc meetings.

The Company adopts an executive officer system. The Company believes that clearly separating the business execution function of executive officers from the management decision making function of the board of directors and the oversight of executives allows for swift response to changes in the business environment as well as accurate decision making and appropriate supervision concerning management policies and strategies, and strengthens and energizes these functions. Currently, there are 12 executive officers of whom three serve concurrently as directors.

The Company believes that the above stated functions of the board of directors will be strengthened further by having independent outside directors who possess abundant experience and extensive knowledge make up the majority of the board of directors (seven out of 12 directors).

[Nominating and Remuneration Committee]

The Nominating and Remuneration Committee is described in a section titled “[Voluntary committees].”

[Audit and supervisory committee]

The audit and supervisory committee consists of five directors (four of whom are outside directors), and audits the execution of business by directors in accordance with the audit policy, audit plan, etc. established by the audit and supervisory committee.

The directors who are audit and supervisory committee members possess expertise in finance, accounting and laws, etc., and a high degree of independence. Director Nobukazu Kuboi, a full-time audit and supervisory committee member and outside director Shiho Ito, an audit and supervisory committee member, are certified public accountants and have considerable knowledge of finance

and accounting. Outside director Minoru Sanari, an audit and supervisory committee member, is qualified as an attorney-at-law.

Specific efforts for enhancement of the functions of the Audit and Supervisory Committee are described in sections titled “Cooperation among the Audit and Supervisory Committee, accounting auditor and the internal audit,” “Appointment of outside directors,” and “Supporting system for outside directors” within this report.

[Internal audits]

The Company has established an Internal Audit Office under the direct control of the president. The Internal Audit Office is staffed with eight personnel, including certified internal auditors and other qualified professionals. The Internal Audit Office is responsible for compliance with the internal control reporting system related to financial reporting based on the Financial Instruments and Exchange Act, audits to improve group governance of the Company’s domestic and overseas group companies, and audits compliance with the “Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices” and economic security-related laws and regulations, etc. The results of audits conducted by the Internal Audit Office are reported not only to the president, but also to the board of directors and the audit and supervisory committee.

[Accounting auditor]

The accounting auditor of the Company is KPMG Azsa LLC. Certified public accountants who performed account closing operations for the fiscal year ended March 31, 2024 are Koji Yasui (designated limited partner) and Yoshinori Nishi (designated limited partner). There are 8 certified public accountants, 8 people who have passed the certified public accountants examination, etc. and 21 staff members serving as assistants for audit work. Fees (less consumption tax) for the work stipulated by Article 2, paragraph 1 of the Certified Public Accountants Act (Act No. 103 of 1948) paid to KPMG Azsa LLC total 87 million yen and all other fees (less consumption tax) total 145 million yen.

[Summary of the Liability Limitation Agreement]

The Company has concluded an agreement that limits the total amount of liability for damages prescribed by Article 423, paragraph 1 of the Companies Act in accordance with Article 425, paragraph 1 of the Companies Act if each of the directors (excluding executive directors) have acted in good faith and without gross negligence in performing their duties

3. Reasons for adoption of current corporate governance system

The Company believes that the functions to oversee executives have strengthened as we established the audit and supervisory committee and comprised the majority of the board of directors of independent outside directors who have extensive knowledge and experience as well as high expertise and independence, and that the speed of decision-making for corporate management has improved by authorizing executive officers to decide on important business execution. In addition, we ensure objectiveness, fairness and transparency for important decision-making, including the nomination of officers and determination of remuneration, by establishing the Nominating and Remuneration Committee, which is chaired by the head independent outside director and the majority of whose members are independent outside directors. The Company believes that the most suitable corporate governance system has been established through these efforts.

III. Implementation of measures for shareholders and other stakeholders

1. Measures to vitalize the general meeting of shareholders and smooth exercise of voting rights

	Supplementary explanation
Early notification of general meeting of shareholders	The Company annually sends a notice of convocation approximately three weeks prior to the date of a general meeting of shareholders. For the 163rd Ordinary General Meeting of Shareholders held on June 21, 2024, the Company sent the notice of convocation on May 30, 2024.
Scheduling general meeting of shareholders avoiding the peak day	The Company avoids the peak day when setting a date for its general meeting of shareholders to allow constructive dialog with shareholders by enabling a greater number to attend the meeting. The Company held the Hybrid Virtual Shareholder Meetings for the 163rd Ordinary General Meeting of Shareholders to enable shareholders to participate from homes and other locations.
Allowing electronic exercise of voting rights	Voting rights of the Company may be exercised via the internet through a computer, smartphone, or tablet.
Efforts for improvement of environment for exercise of voting rights by institutional investors such as participation in the platform for electronic exercise of voting rights	The platform for electronic exercise of voting rights for institutional investors managed by Investors Communications Japan, Inc. is available.
Providing notice of convocation (summary) in English	The Company prepared an English translation of the summary of the Notice of Convocation of the 163rd Ordinary General Meeting of Shareholders and posted on its English website (https://www.inabata.co.jp/themes/english@inabata/investor/event/shareholder_meeting/file/notification_en_163.pdf), as well as on the websites of Japan Exchange Group, Inc. and the platform for electronic voting, on May 23, 2024.
Others	Prior to the sending of the Notice of Convocation of the 163rd Ordinary General Meeting of Shareholders on May 30, 2024, the Company posted it on its Japanese website (https://www.inabata.co.jp/themes/inabata/investor/event/file/notification_163_1.pdf), as well as on the websites of Japan Exchange Group, Inc. and the platform for electronic voting, on May 23, 2024.

2. IR activities

	Supplementary explanation	Explanation by representative
Preparation and announcement of disclosure policy	The Company has a policy on information disclosure in place and has posted it on its website (https://www.inabata.co.jp/english/investor/management/disclosure/).	
Regular investor briefings for individual investors	-	
Regular investor briefings for analysts and institutional investors	The Company provides financial results meetings for analysts and institutional investors via online distribution twice a year in the second quarter and at fiscal year-end.	Established
Regular investor briefings for overseas investors	The Company holds individual meetings online and in-person for overseas investors in Europe, the United States, and Asia.	Established
Posting of IR materials on website	The Company posts IR materials on its website (https://www.inabata.co.jp/english/investor/) such as financial results, information subject to timely disclosure other than financial results, operation overview/shareholder news, securities reports, semiannual reports, quarterly reports, integrated report and company brochure.	
Establishment of department and/or person in charge of IR	IR Department of Financial Management Office is in charge of IR at the Company.	

3. Measures to ensure due respect for stakeholders

	Supplementary explanation
Formulation of policies for provision of information to stakeholders	The Company has a policy on information disclosure in place and is posted on its website (https://www.inabata.co.jp/english/investor/management/disclosure/).

IV. Matters related to internal control system

1. Basic views on internal control system and the progress of system development

(Basic views on internal control system and the progress of system development)

The Company sets forth the following basic policy on development and improvement of the internal control system based on the Companies Act and the Ordinance for Enforcement of the Companies Act. At the meeting of board of directors held on June 21, 2024, "6. Matters relating to directors and employees assisting the Audit and Supervisory Committee's duties" were revised.

1. System to ensure that performance of duties by directors and employees complies with laws and regulations as well as the articles of incorporation
   (1) Corporate Principle, Management Philosophy/Mission, Vision, and IK Values shall be established.
   (2) Executive directors or executive officers shall be appointed as persons in charge of internal control and the Internal Control Committee shall be established.
   (3) Executive directors or executive officers shall be appointed as persons in charge of compliance and the Compliance Committee shall be established.
   (4) Executive directors or executive officers shall be appointed as persons in charge of internal audits and Internal Audit Office shall be established.
   (5) Executive directors or executive officers shall be appointed as persons in charge of privacy and a system to ensure compliance with the Act on the Protection of Personal Information shall be established.
   (6) An internal whistleblowing system shall be established, reports shall be received on incidents of violations of compliance, and a system to protect internal whistleblowers shall be established.
   (7) A director who has discovered an incident of a violation of compliance shall report to the board of directors and the Audit and Supervisory Committee in an immediate manner.
   (8) The Audit and Supervisory Committee, when it has recognized problems with the operation of compliance system or internal whistleblowing system, shall state opinions and request improvements.
   (9) Matters relating to office regulations and disciplinary action shall be established in the rules of employment, and measures shall be taken to ensure the execution of duties by employees comply with laws and regulations and the articles of incorporation.

2. System to store and manage information on performance of duties by directors of the Company

For performance of duties by directors, reports are made at the meetings of the board of directors, and the contents are recorded in the minutes of such meeting, which are properly stored and managed. Moreover, other records concerning the performance of duties are properly stored and managed in accordance with the rules for document management.

3. System including rules for management of the risk of loss of the Company

For the risk of loss of the Company, the rules for the management of each risk (including systems) are established and appropriately implemented by the office in charge of supervising matters relating to the risk of loss for each risk category (risks such as finance, legal affairs, environment, quality, credit and natural disaster, etc.).

4. System to ensure that duties are performed efficiently by directors of the Company
   (1) The meetings of the board of directors will be held regularly, in principle once a month and ad hoc meetings shall be held as necessary.
   (2) The Management Council and the *shinsa kaigi* (organization which reviews credit and individual important cases) consisting of executive directors and specific executive officers discuss important matters for the Company's management policies and strategies prior to submitting such matters to the board of directors.
   (3) The omission of resolutions at the meetings of the board of directors (approval by documents) is provided for in the articles of incorporation to promote efficiency.
   (4) The Company may, by resolution of the board of directors, delegate all or part of decisions on execution of important duties to directors.
   (5) Decision criteria are established to promote efficiency of performance of duties by directors by delegating authority.

5. System to ensure appropriateness of operations of Inabata Group (the Group)
   (1) Efforts shall be taken for all officers and employees of the Group to familiarize themselves with Corporate Principle, Management Philosophy/Mission, Vision, and IK Values of the Company.
   (2) Executive directors and employees of the Company shall be dispatched to subsidiaries as necessary as officers.
   (3) Subsidiaries shall be under obligation to report sales results, financial position and other important information to the Company on a regular basis in accordance with the rules for group company management. Moreover, concerning important matters arising at subsidiaries, subsidiaries shall be under obligation to seek permission from the Company beforehand and receive approval for the matter.
   (4) An organization to oversee subsidiaries shall be established, and such organization shall have a system established to supervise and guide the subsidiaries' management.
   (5) Internal audits of the subsidiaries shall be conducted in accordance with the rules for internal audits.
   (6) The internal whistleblowing system of the Company shall have a system established to enable whistleblowing by officers or employees of subsidiaries.
6. Matters relating to directors and employees assisting the Audit and Supervisory Committee's duties
   (1) The Company shall assign personnel to support the duties of the Audit and Supervisory Committee (hereinafter referred to as "assistant employees").
   (2) Assistant employees shall perform their duties under the direction of the Audit and Supervisory Committee.
   (3) Appointment, dismissal, and merit rating of assistant employees shall be determined after obtaining the approval of the Audit and Supervisory Committee.
   (4) When selecting the assistant employees, ample consideration shall be given to their experience, knowledge and initiative.
   (5) Directors (excluding directors who are audit and supervisory committee members) and employees shall not unreasonably restrict the execution of duties by assistant employees.

7. System for report to the Audit and Supervisory Committee

To provide a system for reporting to the Audit and Supervisory Committee, internal company rules providing for the following content will be established and appropriately put into operation.
   (1) Officers and employees of the Group shall make prompt and appropriate reports when the Audit and Supervisory Committee of the Company has requested a report on matters relating to the execution of business.
   (2) Officers and employees of the Group shall provide reports to the Audit and Supervisory Committee of the Company whenever deemed appropriate when the Group has incurred significant loss or is at risk thereof.
   (3) Departments inside the Group that have the management responsibility for internal audits, compliance, risk management, subsidiary management, and so forth shall conduct report meetings at the Audit and Supervisory Committee of the Company on a regular basis or as deemed necessary.

(4) The department in charge of the internal whistleblowing system of the Company shall report to the Audit and Supervisory Committee of the Company on a regular basis on the status of whistleblowing incidents from officers or employees of the Group.
(5) Officers and employees of the Group shall be forbidden from treating a person who reported information to the Audit and Supervisory Committee of the Company disadvantageously because of such action.

8. Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively
(1) The representative director shall hold meetings with the Audit and Supervisory Committee on a regular basis, and at such meetings, opinions shall be exchanged on management policies, issues that require the Company's action, major risks surrounding the Company, the status of establishment and operation of internal controls in the Group, the provision of environments for audits, etc., and important issues concerning audits
(2) When the Audit and Supervisory Committee requests the assistance of a lawyer, certified accountant or other outside professional to assist in the execution of his/her duties, or claims for the cost required to commission investigations, appraisals, or other professional services, the Company shall not be in a position to refuse these requests except in cases when the costs related to the aforesaid claims are deemed not to be necessary for the Audit and Supervisory Committee's execution of duties.
(3) In order to make audits by the Audit and Supervisory Committee systematic and efficient, a system to ensure the Audit and Supervisory Committee has close cooperation with the Internal Audit Office shall be established. The Internal Audit Office shall formulate an annual internal audit plan and obtain confirmation from the President and the Audit and Supervisory Committee. The same applies when there are significant changes to the plan. The Internal Audit Office shall give reports on audit results to the Audit and Supervisory Committee and follow requests to conduct an investigation or any specific instructions from the Audit and Supervisory Committee. If the instructions of the President are inconsistent with those of the Audit and Supervisory Committee, the Internal Audit Office shall respect the instructions of the Audit and Supervisory Committee.
(4) Appointment, dismissal and merit rating of the General Manager of the Internal Audit Office shall be determined after obtaining the approval of the Audit and Supervisory Committee.
(5) Amendments to or abolition of the rules for internal audits and implementation rules for internal audits shall require the consent of the Audit and Supervisory Committee.

(Outline of operational status of internal control system)

Based on the basic policy of establishing an internal control system, the Company operates as follows.

1. System to ensure that performance of duties by directors and employees complies with laws and regulations as well as the articles of incorporation

The Company has taken steps to ensure that it can rapidly become aware of information relating to compliance and deal with it, setting up subcommittees (for compliance, information security, privacy, and management of pharmaceuticals, etc.) within the Compliance Committee chaired by the president. In addition, the Company has set up an internal whistleblowing system consisting of two separate routes: The "compliance hotline" is primarily for reporting violations of laws and regulations, such as bribery and other types of corrupt activities, and incidents of serious breaches of compliance, including organizational fraud. The "counseling desk" provides mediation and coordination to help employees resolve issues related to the work environment and work relationships.

Furthermore, the Company has established principles including Inabata Declaration of Compliance and the compliance guideline and conducts related initiatives on a company-wide basis. At the same time, it works to enhance its internal control, having set up the Internal Control Committee to establish, maintain, and promote the internal control system. It has also taken steps to ensure that the Internal Audit Office conducts assessments and operational audits of internal control, that internal control is conducted to a higher standard, and that corporate governance requirements are observed at all times.

The details on the internal whistleblowing system are described in the last page of this report.

2. System to store and manage information on performance of duties by directors of the Company

With regard to performance of duties by directors, related reports are made at the meetings of the board of directors, and the contents are recorded in the meeting minutes. The minutes of meetings of the board of directors and other records concerning the performance of duties are properly stored and managed in accordance with the rules for document management and their detailed provisions.

3. System including rules for management of the risk of loss of the Company

With regard to the risk of loss, the Company has set up subcommittees (for compliance, information security, privacy, and management of pharmaceuticals, etc.) within the Compliance Committee, and has also set up an internal whistleblowing system. In addition, rules for the management of each risk are established and appropriately implemented by Risk Management Office, Business Process Management Office, Financial Management Office, and General Affairs Office.

4. System to ensure that duties are performed efficiently by directors of the Company

The board of directors comprises twelve directors, including seven outside directors, and it met 17 times during the fiscal year ended March 31, 2024. The Management Council or the shinsa kaigi (organization which reviews credit and individual important cases), etc. consisting of executive officers in positions of managing executive officer or higher, discuss important matters relating to the Company's management policies and strategies first, and following their deliberations, the board of directors makes decisions on the performance of duties.

The Company has set rules and regulations on decision-making authority, such as rules for request for approval and regulations on divisional decision-making, to promote efficiency in directors' performance of their duties by delegating authority.

5. System to ensure appropriateness of operations of the Group

The Group's subsidiaries report sales results, financial position and other important information to the Company on a regular basis in accordance with the rules for group company management. Moreover, subsidiaries seek permission from the Company and receive approval before executing important matters.

While executive directors and employees of the Company are dispatched to subsidiaries as officers, Financial Management Office supervises and provides guidance. Internal audits including audits of internal control are conducted throughout the entire Group, including subsidiaries.

Subsidiaries have been made aware of the Company's internal whistleblowing system, enabling whistleblowing from subsidiaries to the Company.

6. Matters relating to directors and employees assisting audit and supervisory committee duties

The Company established the Audit and Supervisory Committee Office and appoints appropriate persons who are independent from directors (excluding directors who are audit and supervisory committee members) and subject to the direction of the audit and supervisory committee. The appointment and merit rating of the members of the Audit and Supervisory Committee Office is subject to the consent of the audit and supervisory committee.

In addition, at the 163rd Ordinary General Meeting of Shareholders held on June 21, 2024, the Audit and Supervisory Committee Office was abolished following the appointment of a director who is a full-time audit and supervisory committee member. Going forward, employees belonging to the Internal Audit Office shall support the duties of the audit and supervisory committee as assistant

employees.

7. System for report to audit and supervisory committee

The Company has established rules on reports to audit and supervisory committee, which it implements appropriately.

Audit and supervisory committee works to gather information, communicating with directors, executive officers, Internal Audit Office, and other employees. Directors who are audit and supervisory committee members attend meetings of the board of directors, and receive reports from directors, executive officers, employees, and others regarding the performance of their duties, requesting explanations as necessary. The General Manager of the Audit and Supervisory Committee Office attends important meetings such as the Management Council and the *shinsa kaigi* (organization which reviews credit and individual important cases) and reports the contents of such meetings to the audit and supervisory committee. With regard to subsidiaries, the Company's audit & supervisory committee members also communicate and exchange information with their directors, audit & supervisory board members, and others, receiving business reports from subsidiaries as necessary.

The department in charge of the Company's internal whistleblowing system reports to the audit and supervisory committee as appropriate regarding contact or requests for advice received via the internal whistleblowing system.

In addition, at the 163rd Ordinary General Meeting of Shareholders held on June 21, 2024, the Audit and Supervisory Committee Office was abolished following the appointment of a director who is a full-time audit and supervisory committee member. Going forward, the director who is a full-time audit and supervisory committee member will attend important meetings such as the Management Council and the *shinsa kaigi* (organization which reviews credit and individual important cases) and report the contents of such meetings to the audit and supervisory committee.

8. Other systems to ensure that audit by the audit and supervisory committee is conducted effectively

The representative director holds meetings on a regular basis with audit and supervisory committee, to exchange opinions.

The Company reimburses audit and supervisory committee members if they claim for reimbursement of costs required for performance of their duties.

The Internal Audit Office formulates an annual internal audit plan and obtain confirmation from the president and the audit and supervisory committee.

The Internal Audit Office reports audit results to the audit and supervisory committee.

The merit rating of the General Manager of the Internal Audit Office shall be determined after obtaining the approval of the audit and supervisory committee.

Amendments to the rules for internal audits and the establishment of implementation rules for internal audits shall require the consent of the audit and supervisory committee.

(Status of development and improvement of risk management system)

Of risks which may affect the Company, credit risk of business partners and risk for legal regulations are monitored and overseen by Risk Management Office. In order to avoid risk for legal regulations, the Company appropriately receives advice from seven lawyers with whom the Company signs an advisory contract.

2. Basic views on eliminating anti-social groups and the progress of related efforts

In Inabata Declaration of Compliance, the Company declares that "We never give in to antisocial groups, we refuse unreasonable demands and avoid easy monetary compromises." In addition, in order to work on the elimination of anti-social groups on a company-wide basis, the Company posts the Inabata Declaration of Compliance as well as the compliance guideline on its internal website and holds training sessions on compliance to keep officers and employees of the Company informed about the importance of eliminating anti-social groups.

General Affairs Department of General Affairs Office is in charge of handling responses to anti-social groups and a manual is established to respond to a situation. In addition, the Company collects information on anti-social groups in collaboration with the anti-organized crime section of Metropolitan Police Department and Tokuboren (association of special violence prevention measures) under the authority of Metropolitan Police Department.

Inabata Declaration of Compliance is available on its website
(https://www.inabata.co.jp/english/sustainability/governance/compliance/)

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures -

Supplementary Explanation

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2. Other matters related to corporate governance system

The Company is ISO9001 and ISO14001 certified to improve customer satisfaction, and is making efforts for its maintenance and management.

In addition to improvement of customer satisfaction, the Company has made efforts on a company-wide basis for BPR (business process reengineering) activities which fundamentally review and redesign all business processes of the Company in order to dramatically reinforce the risk management capabilities and improve efficiency of operations.

From now on, the Company will work to develop and enhance the corporate governance system in order to improve satisfaction of all stakeholders through establishment, maintenance and improvement of the internal control system responding to the internal control reporting system based on the Companies Act and the Financial Instruments and Exchange Act.

(Overview of timely disclosure system)

1. Internal system for timely disclosure of Company information

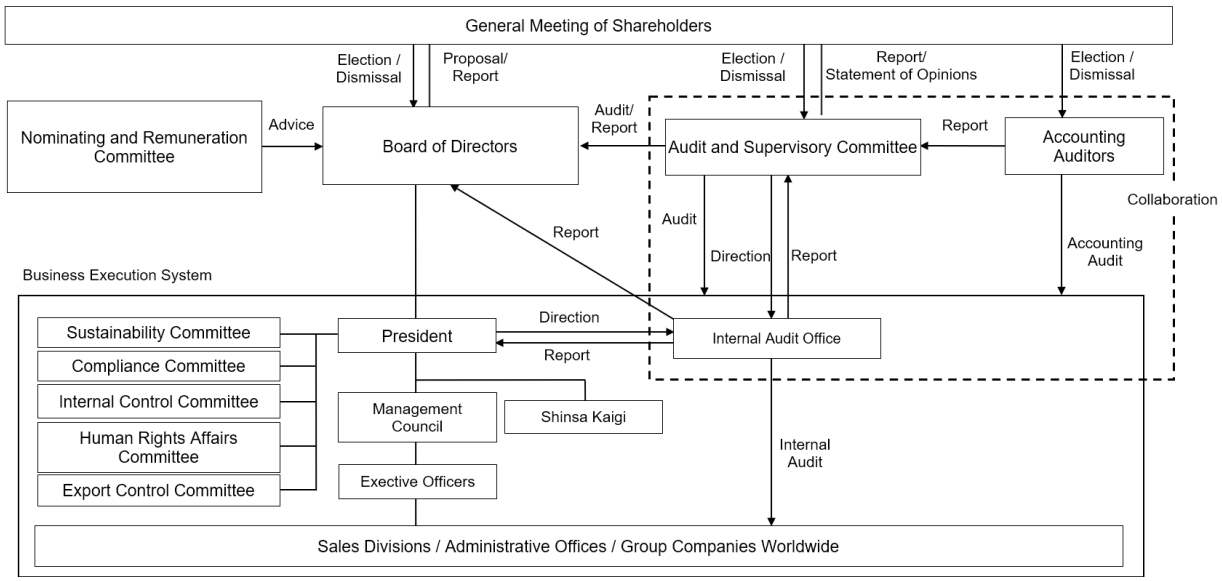
The Company discloses matters required by law and company information to stakeholders, including shareholders and investors, on a timely basis via its website and other means of communication including various printed materials. The means for information communication are as follows.

Financial Management Office collects requests for approval (matters presented based on the rules for request for approval) presented by each division (including subsidiaries), matters presented and approved by the *shinsa kaigi* (organization which reviews credit and individual important cases) and the Management Council and significant facts reported by various reports, and determines whether such items are subject to disclosure. When such items are subject to disclosure, the person responsible for information disclosure formulates a plan for the disclosure statement. Subsequently, the president submits an original proposal of disclosure statement to the board of directors, the approval body, to obtain approval, and then Financial Management Office discloses information.

2. Check function of internal system for timely disclosure

Legal Department of Risk Management Office (office in charge), General Affairs Office and Financial Management Office (main consulted parties) check requests for approval and reports presented, and verify their accuracy. For matters presented to the *shinsa kaigi* and the Management Council, Legal Department of Risk Management Office (office in charge) and General Affairs Office, as well as the *shinsa kaigi* and the Management Council check the accuracy.

The chart of the corporate governance system of the Company is as below.

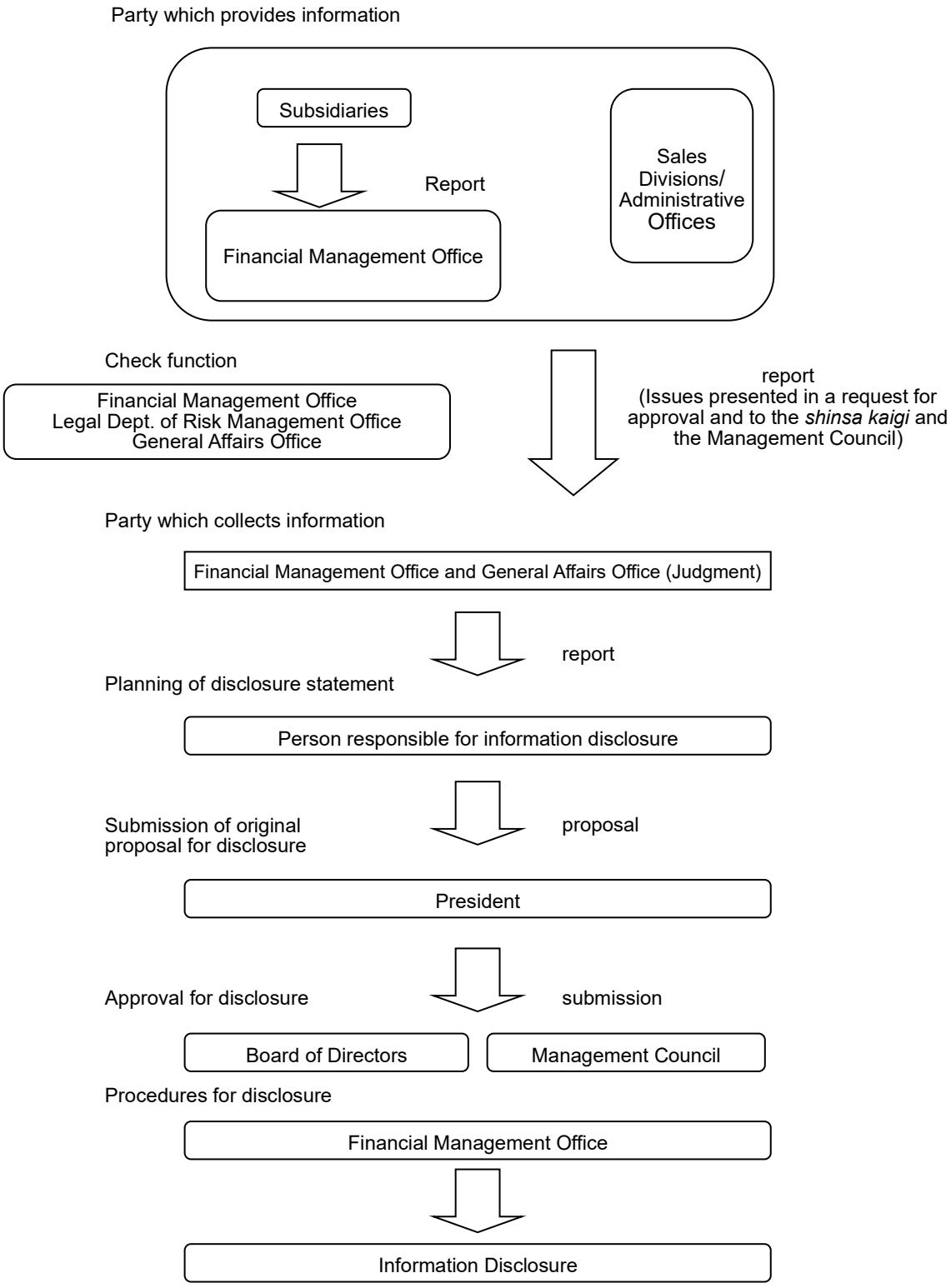


Board of Directors: Of the 12 directors, 7 directors are outside directors.

Audit and Supervisory Committee: Of the 5 directors who are audit and supervisory committee members, four directors are outside directors.

Nominating and Remuneration Committee: Of the 5 directors, 4 directors are outside directors.

The chart of the timely disclosure system of the Company is as below.



Inabata Group Sustainability Basic Policy

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

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

Inabata Group Sustainability Code of Conduct

1. Respect for Human Rights

We will respect human rights and adhere to international norms that protect them. We will not tolerate any human rights infringement, including discrimination or harassment concerning race, nationality, ethnicity, religion, beliefs, gender, age, disabilities, social status, or sexual orientation. Nor will we tolerate inhumane acts, such as forced labor, child labor, and slavery.

We will conduct human rights due diligence to ensure that our business activities avoid causing or contributing to infringements on human rights.

2. Healthy, Safe, and Secure Working Conditions

We will strive to maintain a working environment where all employees can continue to work in healthy, safe, and secure conditions. We will actively seek to identify and eliminate all conditions that could negatively impact the health and safety of our employees.

We will respect the rights of workers and comply with all labor laws and regulations in each of the countries where we do business.

3. Fostering an Open Culture for Active Participation by Diverse Staff

We will continually provide opportunities for all employees to pursue their interests and develop their strengths according to their capabilities. We will create a working environment that encourages interaction, where diverse people respect each other's unique characteristics and abilities and feel a sense of unity as they work . Our goal is to foster a culture of open and active participation.

4. Environmental Conservation

We will earnestly address climate change and other environmental issues and take active steps to protect the environment. Recognizing that our business activities affect the environment, we are implementing a comprehensive range of protective measures. These measures include reducing greenhouse gas emissions and other steps to respond to and mitigate climate change, managing energy usage, using resources efficiently, reducing waste, preventing pollution, managing chemical substances, conserving water resources, and preserving biodiversity.

We utilize an environmental management system to ensure that we comply with all environmental laws and regulations and take steps to appropriately monitor and manage the environmental impact of our activities.

We will contribute to environmental conservation through our business activities, such as by developing and selling products that help reduce the environmental footprint of our customers and society.

5. Crisis Management

The fundamental objectives of our crisis management are first and foremost to protect people’s lives and then to ensure business continuity and reestablish normal operations as quickly as possible in the event of a natural disaster, such as a major earthquake, typhoon, or flood, as well as a pandemic, terrorist action, accident or incident, cyber attack, or security incident. We regularly review our business continuity plan to confirm that it is up to date. When a crisis event occurs, the plan ensures that we can quickly resume operations to minimize the impact on our customers and suppliers, which is essential to maintaining trust in our company.

In the event of a major disaster, our business sites will participate in the restoration and reconstruction efforts of local communities.

6. Constructing a Sustainable Supply Chain

We will construct a sustainable supply chain by working together with all of our supply chain’s stakeholders to address environmental issues such as climate change, as well as human rights and other social issues. We will share our Supply Chain CSR Action Guidelines with our suppliers, and based on those guidelines, we will communicate closely with them and strive to strengthen our partnerships.

We will endeavor to be just and equitable in our business transactions, and we will not abuse our dominant bargaining position. We will conduct fair business in compliance with each country or entity’s regulations governing fair competition and transactions, including antitrust laws.

7. Compliance

We will engage in fair and honest business practices that comply with all laws and regulations on business activities. We will implement thorough anti-bribery and corruption measures to avoid conflicts of interest and to ensure the appropriate handling of information. In addition, the Inabata Declaration of Compliance sets high ethical standards for the behavior of everyone working in the company.

We will maintain an internal whistleblowing system through which we accept and respond to anonymous and confidential reports of non-compliance issues.

We will continue to strengthen the Group's risk management and compliance systems through regularly scheduled internal audits as well as those conducted by Audit & Supervisory Committee.

8. Collaboration with External Stakeholders

We will engage in ongoing dialogue through various platforms with stakeholders, including customers, suppliers, shareholders, investors, industry groups, and local communities to discuss and understand underlying issues and communicate our corporate policies and intentions.

We will use information obtained through that dialogue to improve our business efficiency, enhance our corporate value, and form action strategies to address environmental and social issues. We will also work with stakeholders when implementing our strategies to improve their effectiveness.

We will fulfill our duty as a good corporate citizen by actively contributing to the development of the local community.

9. Sustainability Information Disclosure

We will provide timely and appropriate disclosure of information related to sustainability and maintain transparency and accountability. We will actively monitor and act on international sustainability initiatives, including disclosing information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures. We believe these are essential for us as a company to maintain our stakeholders' trust and fulfill their expectations.

Inabata Group Human Rights Policy

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

1. Policy scope

The Human Rights Policy applies to all Inabata Group officers and employees, including contractors and temporary employees. We also encourage our business partners and all stakeholders to respect human rights and expect them to act in accordance with the policy.

2. Accepting and respecting international norms and legal compliance

Inabata has declared its support of the Ten Principles of the United Nations Global Compact, which includes human rights. We accept and respect international norms on human rights, including the International Bill of Human Rights, International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the United Nations Convention on the Rights of the Child. We also implement measures aligned to the United Nations Guiding Principles on Business and Human Rights. We also comply with the laws and regulations of the countries and regions where we conduct our business activities. If a national law conflicts with international principles on human rights, we will seek ways to honor the principles of internationally recognized human rights.

3. Policy application

All departments work together to build a system for following the policy, with the board of directors and Human Rights Affairs Committee responsible for overseeing implementation of the policy.

4. Significant human rights issues

As a company conducting sustainable business activities in a diverse society, we recognize the following human rights issues as significant to our business.

- Prohibition of human trafficking, forced labor, and child labor
- Ensuring mental and physical health and safety
- Prohibition of prejudice and discrimination based on race, skin color, nationality, language, religion, thought, age, sex, sexual orientation, gender identity, with or without disabilities, wealth, form of employment, etc.
- Prohibition of all types of harassment, bullying, and unfair treatment
- Freedom of association of workers and respect for collective bargaining rights
- Ensuring minimum wages and managing appropriate working hours
- Protection of personal information and privacy

5. Human rights due diligence

Inabata will build a system for human rights due diligence based on the United Nations Guiding Principles on Business and Human Rights. We seek to identify and prevent or mitigate the negative impacts on human rights caused by our business activities. Inabata will engage in dialogues and consultations with our stakeholders to address adverse human rights impacts.

6. Remedy and corrective action

We maintain an appropriate and effective grievance mechanism for stakeholders inside and outside the company to report concerns related to our business activities. In the event that our activities have been found to have caused or contributed to the negative impacts on human rights, we will provide remedy and take corrective action through appropriate procedures.

7. Education and awareness

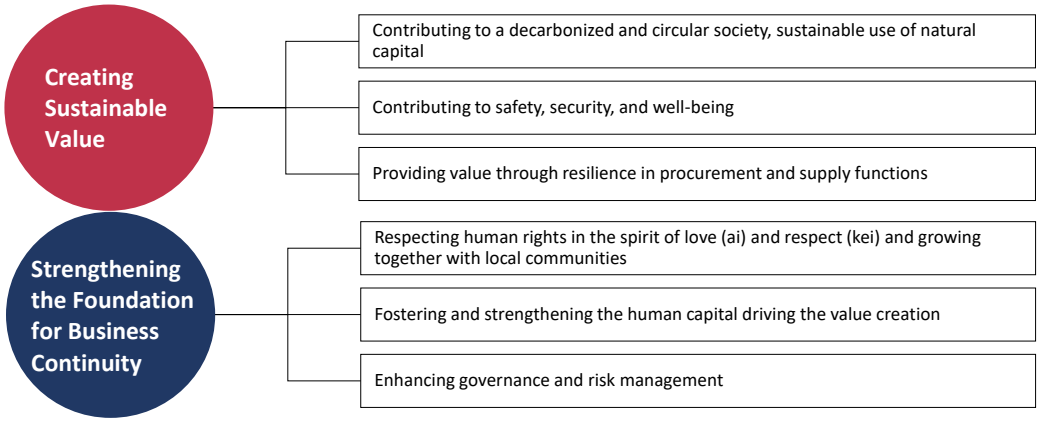
To ensure that the policy is fully understood and effectively implemented, we take steps to educate and raise the awareness of all Inabata Group officers and employees about human rights issues.

8. Information disclosure

Inabata reports on its activities related to respect for human rights through the corporate website, integrated reports, and other means of communication.

March 2022

Inabata Group Materiality



Overview

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

Materiality and the Business Segments

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

Information Disclosure Based on TCFD Recommendations

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Table of Contents----------

1. Policy and Basic Approach on Climate Change
2. TCFD's core elements of recommended climate-related financial disclosures and a summary of responses by the Inabata Group
3. Governance
4. Strategy
5. Risk Management
6. Metrics and Targets

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1. Policy and Basic Approach on Climate Change

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

The Inabata Group fully recognizes the effects of climate change and the need for countermeasures, and has made it clear that the Group strives to conserve the global environment through business activities in its Sustainability Basic Policy, Sustainability Code of Conduct, and Declaration of Compliance. When we announced materiality in June 2022, we highlighted "contributing to a decarbonized and circular society" and identified global environmental problems, including climate change, as one of the key issues for management.

We consider climate change a risk to the Group, but one that also presents business opportunities. Therefore, as well as taking steps to reduce GHG emissions, we seek to provide products and solutions that contribute to a decarbonized society.

Having endorsed the recommendations issued in June 2017 by the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD),* we work to develop appropriate understanding of the impact of climate change on our business activities and disclose the details of such impact.

* The TCFD was launched in 2015 at the request of the Group of Twenty (G20). Recognizing the significant impact that climate change will have on financial markets, the Final Report (Recommendations of the TCFD) released in 2017 called on companies and other entities to disclose information on the risks and opportunities presented by climate change.

2. TCFD's core elements of recommended climate-related financial disclosures and a summary of responses by the Inabata Group

Core elements	Description	Inabata Group response
Governance	Disclose the organization's governance around climate-related risks and opportunities.	Sustainability issues, including climate change, are deliberated and examined at the Sustainability Committee, which is chaired by the president. All directors participate in the Sustainability Committee, thereby serving the Board of Directors' oversight function through the committee. The Regulations of the Board of Directors require the director in charge of sustainability to report to the Board of Directors on the status of initiatives to address sustainability issues. The content of deliberations and examinations at the Sustainability Committee is also reported appropriately to and overseen by the Board of Directors as part of the abovementioned process.
Strategy	Disclose the impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Regarding the 4ºC scenario, whereas the Group's bases in Japan and overseas are assumed to suffer damage due to intensifying extreme weather events, the risk is not estimated to be so great as to significantly impact business operations. In terms of opportunities, demand for products adapted to rising temperatures and changing weather patterns is expected to increase. Accordingly, it is concluded that the Group will be able to maintain its resilience. Regarding the 1.5ºC scenario, we identified the increase in operating costs due to introduction of carbon pricing and steep rises in the price of electricity as a risk. However, the risk is projected to be more than offset by gaining revenue opportunities from future growth in technologies and products that contribute to low-carbon economy and reduced environmental impact. We have reaffirmed that the growth strategy of expanding our environment-related business set out in the New Challenge 2026 medium-term management plan and the strategy to contribute to the global environment through business specified in the Sustainability Medium-term Plan 2026 will have a great impact on our growth in the decarbonized society of the future.
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks.	The Inabata Group's Sustainability Committee manages climate-related risks. The committee deliberates risks identified and examined from both qualitative and quantitative perspectives based on scenario analysis. This is reported to and overseen by the Board of Directors as necessary. The Board of Directors oversees Group-wide risks of high importance in an integrated manner, taking into account reports from the Sustainability Committee as well as other risks reported by the Risk Management Office, the Financial Management Office, the Compliance Committee, and other units.

Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.	To commit to achieving the global goal of limiting the increase in temperatures to 1.5ºC as stated in the Paris Agreement, the Inabata Group has set the long-term goal of carbon neutrality by FY2050 (covering Scopes 1 and 2 emissions of the consolidated Group). In addition, we have set the medium-term target of reducing GHG emissions by 25% compared to FY2022 levels by FY2026 and 42% by FY2030 (covering Scope 1 and 2 emissions of the consolidated Group) in the Sustainability Medium-term Plan 2026. This target was set in compliance with the 1.5˚C goal stated in the Paris Agreement. Since FY2021, we have calculated Scope 3 emissions in order to understand emissions for our entire supply chain. Currently this applies only to the parent company, but we will expand the scope of calculations in the future.

3. Governance

In October 2021, the Inabata Group set up the Sustainability Committee, chaired by the president, to promote Group-wide initiatives that address sustainability further.

The committee members are the senior managing executive officer in charge of sustainability who serves as the vice-chair, one director and two executive officers in charge of the four business segments, and six selected heads of administrative offices. In addition, seven outside directors and two non-executive directors also participate in the committee as observers to provide necessary opinions. All directors participate in the committee, thereby serving the Board of Directors' oversight function through the committee.

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

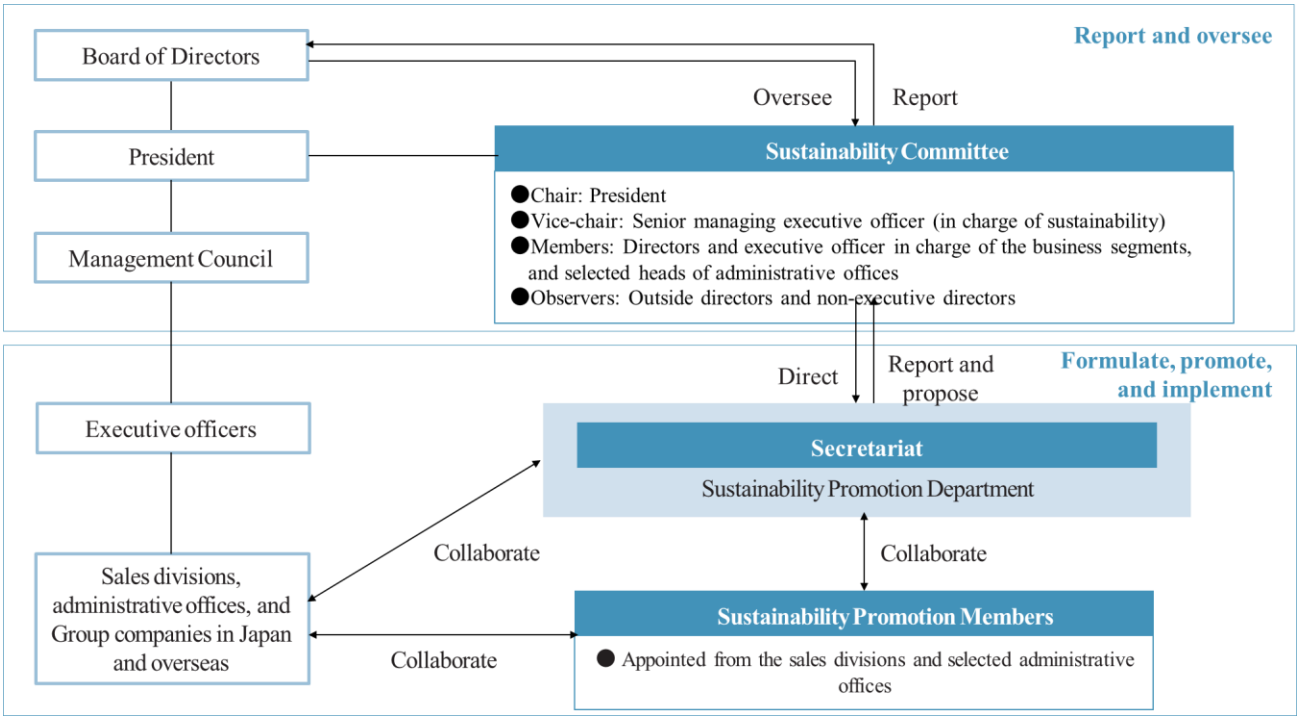
The Regulations of the Board of Directors require the director in charge of sustainability to report to the Board of Directors at least once a year on the status of initiatives to address sustainability issues (such as considerations for climate change and other global environmental issues, respect for human rights, considerations for employee health and working environment, fair and reasonable treatment of employees, fair and reasonable transactions with business partners, and crisis management for natural disasters). In addition, the status of these initiatives is reported to the Board of Directors through the quarterly reports on business execution. The content of deliberations and examinations at the Sustainability Committee is also reported to and overseen by the Board of Directors as part of the abovementioned process.

Since the Inabata Group recognizes that addressing sustainability is an important management issue, it has set environmental, social, and governance (ESG) scores by multiple external evaluation organizations (FTSE Russell and MSCI) as the indicators for performance-linked remuneration* for directors to enhance the effectiveness of the Board's approach to sustainability issues.

To promote sustainability activities across the Inabata Group, matters resolved by the Sustainability Committee are implemented and managed through collaboration between the dedicated Sustainability Promotion Department and the Sustainability Committee Secretariat that comprises members appointed from selected administrative offices. To support meaningful discussions at the Sustainability Committee, the Sustainability Promotion Department collates and provides Group-wide sustainability information, working together with Sustainability Promotion Members appointed from the sales divisions and selected administrative offices.

*Performance-linked remuneration is calculated by multiplying coefficients that are based on the levels of the following: profit before income taxes based on job-specific fixed remuneration (excluding gains on sale of investment securities), capital profitability (ROIC and ROE), stock value, and ESG score from multiple external evaluation organizations (FTSE Russell and MSCI).

■ **Sustainability promotion system**



■**Main sustainability-related matters discussed by the Sustainability Committee and reported to the Board of Directors**

FY2021	Establishment of Sustainability Basic Policy and Code of Conduct Establishment of Human Rights Policy
FY2022	Participation in the United Nations Global Compact Carbon Neutrality Declaration 2050 Identification of materiality Information disclosure in accordance with TCFD recommendations Status of external ESG evaluations Progress on calculation of GHG emissions (Scopes 1, 2, and 3) and TCFD-compliant scenario analysis Progress on human rights due diligence
FY2023	Information disclosure in accordance with TCFD recommendations Calculation of GHG emissions (Scopes 1, 2, and 3) Endorsement of TCFD and TCFD Consortium Progress on human rights due diligence Sustainability Medium-term Plan 2026 Carbon Neutrality Transition Plan Status of external ESG evaluations

4. Strategy

The Inabata Group strives to understand the business risks and opportunities arising from the transition risks and physical risks of climate change, and to reflect this in the formulation of climate change countermeasures and business strategies.

In addition to 2030, which is the year for achieving our long-term vision IK Vision 2030, the scenario analysis below assumes 2050, which is the year for achieving our carbon neutrality target. We consider both qualitative and quantitative aspects with reference to the 4ºC scenario, which assumes no implementation of more ambitious climate change measures and intensifying extreme weather events, and the 1.5ºC scenario (partly combined with the 2ºC scenario), which assumes implementation of more ambitious climate change measures aimed at decarbonization.

Reference scenarios		
■1.5℃ scenario	IEA Net Zero Emissions by 2050	
■2ºC scenario (partial)	IEA Sustainable Development Scenario	RCP2.6
■4ºC scenario	IEA Stated Policies Scenario	RCP8.5

Scenario analysis was conducted with the following process.

(1) Visualization of the world in the future based on scenarios

↓

(2) Analysis of impact of climate change risks in business segments

↓

(3) Qualitative analysis of scenario and identification of key responses in business segments

↓

(4) Calculation of financial impact (quantitative scenario analysis)

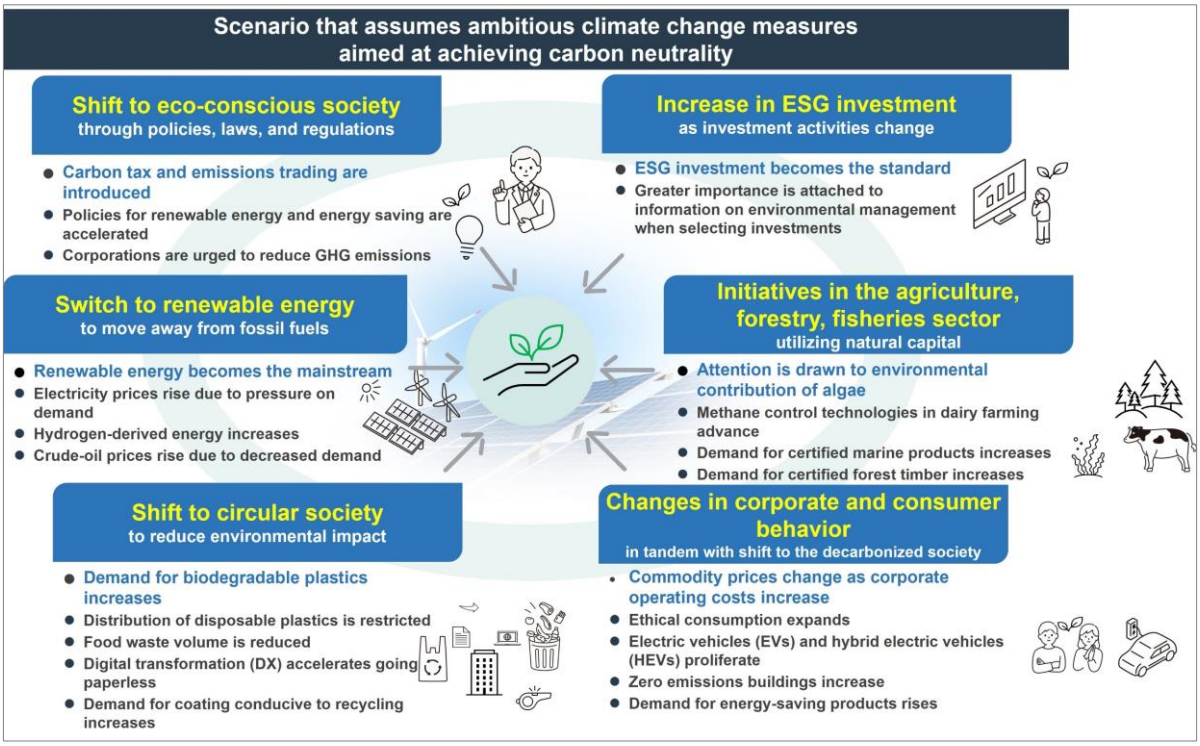
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(5) Results of scenario analysis (summary)

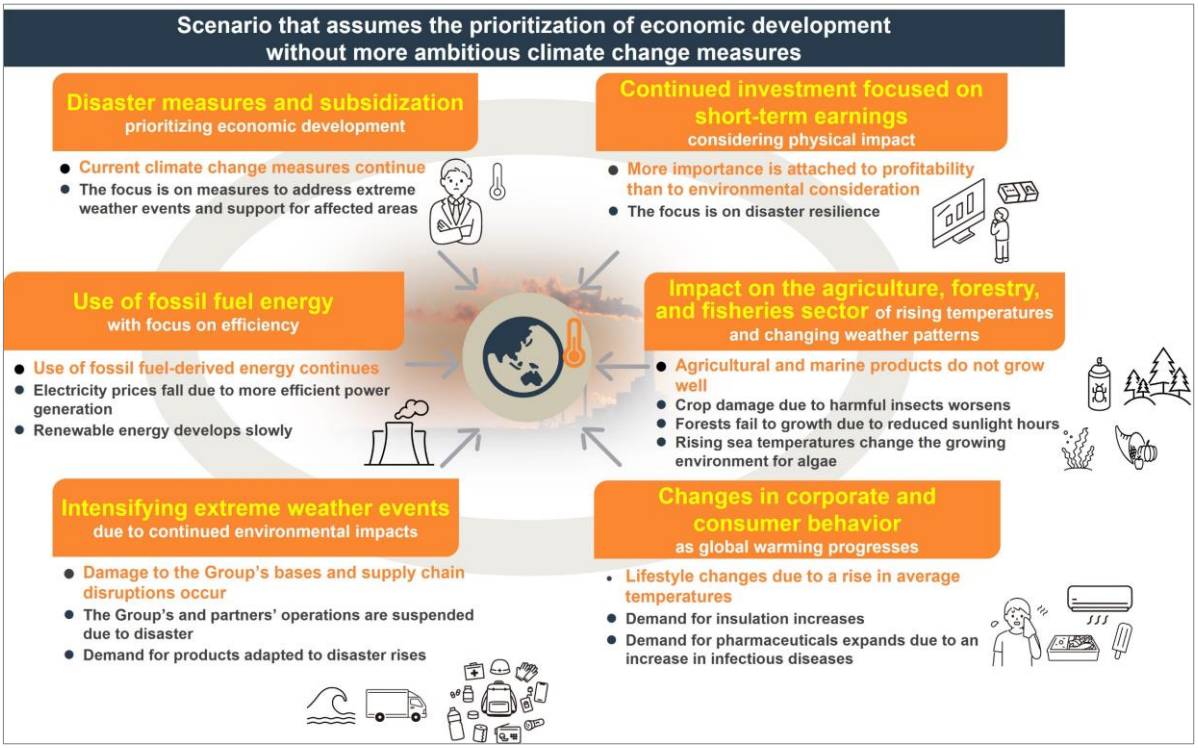
(1) **Visualization of the world in the future based on scenarios**

Before conducting qualitative and quantitative analysis, we visualized what the world might be like based on the above scenarios. The following sections describe future visions of society based on 1.5 ºC and 4 ºC senarios.

➢ **Future vision of society based on the 1.5ºC senario**



➢ **Future vision of society based on the 4ºC senario**



(2) Analysis of impact of climate change risks in business segments

Next, we determined the extent of the impact that climate-related risks would have in the 1.5℃ and 4℃ senarios on our four business segments (Information & Electronics, Chemicals, Life Industry, and Plastics). In the 1.5℃ senario, we mainly assessed the impact of transition risks. In the 4℃ senario, we mainly assessed the impact of physical risks.

Each segment differs not only in the products it handles, but also in terms of aspects such as the market where the products are sold and the supply chain. Therefore, we recognize that risks that will have an impact and the extent of said impact will differ depending on the segment, as indicated below.

◎: Significant impact ○: Impact
△: Minor impact ×: No direct impact expected

1.5℃

		Information & Electronics	Chemicals	Life Industry	Plastics
		Display components, semiconductor materials, internet of things (IoT) products, etc.	Functional chemicals, coating materials, construction materials, etc.	Pharmaceuticals, home products, agricultural products, processed marine products, etc.	Plastic compounds, film, sheets, etc.
Policies and regulations	Introduction of carbon pricing	○	○	○	○
	Plastics regulations	○	△	△	◎
	Recycling regulations	○	◎	○	◎
	Regulations on use of renewable energy	◎	○	△	○
	Energy-saving regulations	◎	△	△	△
Tech	Diffusion of renewable energy technologies	◎	△	×	×
	Diffusion of low-carbon technologies	◎	◎	△	○
Market	Change in energy costs	△	△	△	△
	Change in raw materials costs	○	○	○	◎
	Change in demand for important products	◎	○	○	◎
	Change in customer behavior	○	○	○	○
Reputation	Change in the Group's reputation among customers	○	○	○	○
	Change in the Group's reputation among investors	△	△	△	△

4℃

		Information & Electronics	Chemicals	Life Industry	Plastics
		Display components, semiconductor materials, IoT products, etc.	Functional chemicals, coating materials, construction materials, etc.	Pharmaceuticals, home products, agricultural products, processed marine products, etc.	Plastic compounds, film, sheets, etc.
Acute problem	Intensifying extreme weather events	○	○	○	◎
Chronic problems	Rise in average temperatures	△	○	◎	○
	Changes in rainfall and weather patterns	△	○	○	△
	Decline in biodiversity	×	×	○	×
	Poor growth of raw materials	×	○	○	×
	Changing ocean environment	×	×	○	△
	Proliferation of harmful insects	×	△	○	△
	Increase in infectious diseases	×	×	◎	△
Reputation	Change in the Group's reputation among customers	○	○	○	○
	Change in the Group's reputation among investors	△	△	△	△

(3) Qualitative analysis of scenario and identification of key responses in business segments

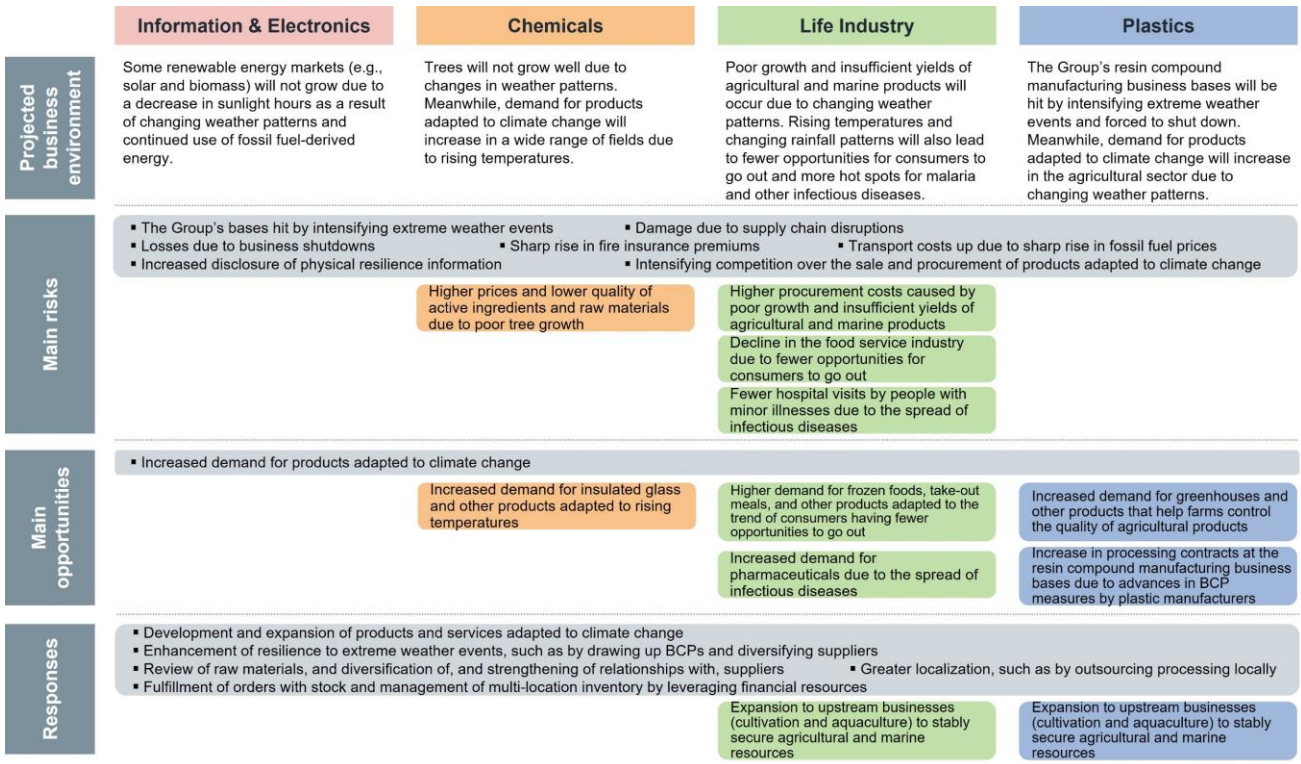
We then conducted a qualitative scenario analysis for each business segment. We analyzed projected business environments, main risks, and main opportunities for the 1.5˚C and 4˚C scenarios based on the reference scenarios, the content of (1) and (2) above, and other factors. In addition, we also identified key responses to address risks and seize opportunities going forward.

Although trading is the core function of the four segments of Information & Electronics, Chemicals, Life Industry, and Plastics, they operate under different business models combining auxillary functions in line with customer needs. Their markets and supply chains differ as well. Therefore, the segments have both common risks and opportunities as well as unique risks and opportunities they do not share.

➢ 1.5ºC scenario

	Information & Electronics	Chemicals	Life Industry	Plastics
Projected business environment	Green transformation (GX) and eco-friendly products will progress in a wide range of fields. In particular, advances in renewable energy and energy-saving technologies, including electrified vehicles (xEVs) and hydrogen technology, will lead to significant market expansion.	GX and eco-friendly products will progress in a wide range of fields, resulting in increased demand for new products and technologies.	Local production for local consumption will be more needed to reduce GHG emissions from transport. Laws and regulations will be adopted to reduce food loss and waste. GHG emissions from livestock will be deemed problematic. Poor growth and insufficient yields of agricultural and marine products will occur due to changing weather patterns.	The distribution volume of plastics derived from fossil fuels will be regulated from an eco-friendly perspective. There will be a gradual shift to biomass or recycled plastics (post-consumer, post-industrial, and chemically recycled plastics) and biodegradable plastics.
Main risks	▪ Introduction of carbon pricing ▪ Operating costs up due to rising electricity prices ▪ Costs incurred to respond to energy-saving regulations at the Group's bases ▪ Gradual reduction of existing products derived from fossil fuels resulting in less demand for related products ▪ Rising raw materials prices due to shift to decarbonized society ▪ Increased disclosure of climate-related information ▪ Damage to supply chain due to increased frequency of extreme weather events		Poor growth and insufficient yields of agricultural and marine products causing procurement costs to rise	
Main opportunities	Proliferation of xEVs leading to increased demand for related products Higher demand for domestically produced raw materials as need for local production for local consumption, and ethical consumption, grow Increased demand for products related to renewable energy and energy-saving technologies Diffusion of DX and hydrogen technologies resulting in higher demand for related products	Proliferation of xEVs leading to increased demand for related products Increased demand for non-fossil and recycling technologies	Higher demand for domestically produced raw materials as need for local production for local consumption, and ethical consumption, grow	Proliferation of xEVs leading to increased demand for related products Increased demand for biomass or recycled plastics, and biodegradable plastic materials
Responses	▪ Shift to renewable electricity at high-emission manufacturing bases ▪ Actively considering the purchasing of non-fossil certificates ▪ Electrification and switch to more energy-efficient equipment at manufacturing bases ▪ Responses to requests from CDP and other organizations ▪ Introduction of power consumption systems ▪ Phased shift of head offices and branches to eco-friendly buildings ▪ Pass-through of higher raw materials prices to selling prices ▪ Greater localization, such as by outsourcing processing locally ▪ Enhancement of resilience to extreme weather events, such as by drawing up business continuity plans (BCPs) and diversifying suppliers ▪ Preemptive development of new and alternative low-carbon technologies, and formation of partnerships ▪ Fulfillment of orders with stock and management of multi-location inventory by leveraging financial resources ▪ Gathering of information about alternative low-carbon technologies, new low-carbon materials and services, etc. ▪ Preemptive development of low-carbon and decarbonized businesses including mergers and acquisitions			
	Construction and operation of biomass power plant in Sakaiminato City, Tottori Prefecture (planning to go into operation in May 2026)		Formation of partnerships to develop domestically made products with the aim of reducing transport CO_2 emissions through local production for local consumption	Planning to obtain biomass certification from the International Sustainability and Carbon Certification

➢ **4ºC scenario**



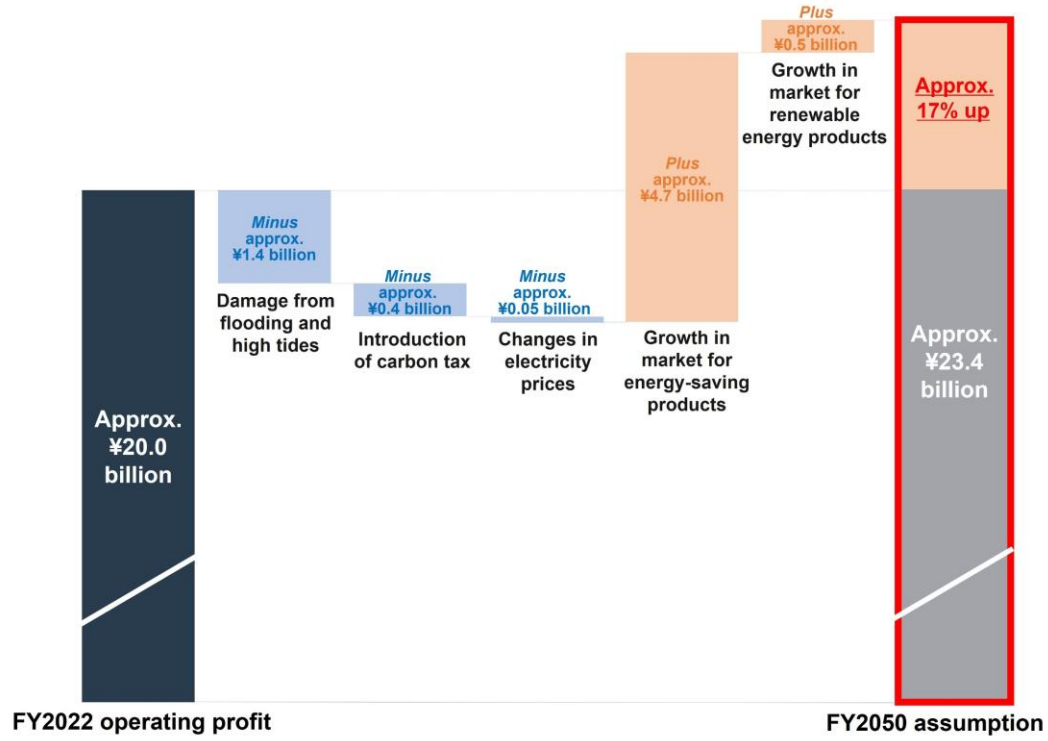
(4) Calculation of financial impact (quantitative scenario analysis)

In addition to qualitative analysis, we also conducted quantitative analysis.

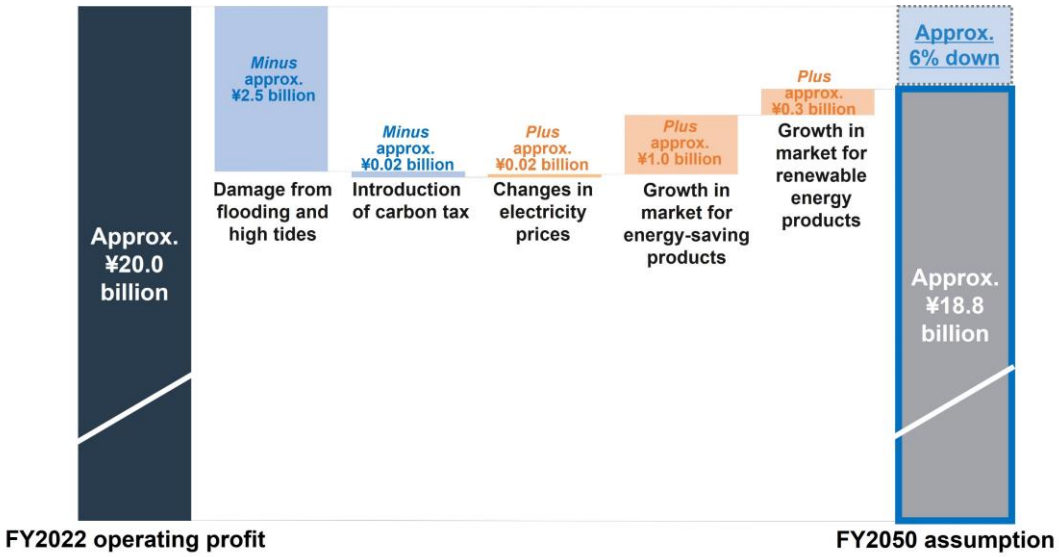
We selected the calculable risks and opportunities from the content considered in (1) to (3), and collected the Inabata Group's performance figures and information about the forecasted future (parameters) from external organizations for the calculation. We then calculated the financial impact of the risks and opportunities based on both the 1.5˚C and 4˚C scenarios.

Note that these financial impact estimates were obtained by narrowing down the scope of the analysis and establishing hypothetical situations based on the limited information and data available at this point in time.

➢ **1.5ºC scenario**



➢ **4ºC scenario**



Formula for the estimates	
■Physical damage from flooding and high tides	Estimates of amounts of disaster damage at each Group base by reference to *Manual for Economic Evaluation of Flood Control Investment* by the Ministry of Land, Infrastructure, Transport, and Tourism. Damage information (rates of damage and number of days of business stoppage) for each base specified using the hazards map.
■Carbon tax	Estimates based on GHG emissions by the Inabata Group and future CO_2 prices.*1 (*1. Refer to values under the Net Zero Emissions by 2050 Scenario in the IEA's *World Energy Outlook 2021*)
■Electricity prices	Estimates based on power consumption by the Inabata Group and future electricity prices.*2 (*2. Refer to values under the Stated Policies and Sustainable Development Scenarios in the IEA's *World Energy Outlook 2019*)
■Diffusion of renewable energy and energy-saving products	Estimates based on projections of the Group's related product sales as well as of future electrical capacity and market size for clean energy technologies.*3 (*3. Refer to Stated Policies, Sustainable Development, and Net Zero Emissions by 2050 Scenarios in the IEA's *World Energy Outlook 2021*)

(5) Results of scenario analysis (summary)

The results of analyses (1) to (4) are summarized below.

Regarding the 4ºC scenario, whereas the Group's bases in Japan and overseas are assumed to suffer damage due to intensifying extreme weather events, the risk is not estimated to be so great as to significantly impact business operations. In terms of opportunities, demand for products adapted to rising temperatures and changing weather patterns is expected to increase. This has made us recognize anew the potential to contribute to society by helping society as a whole adapt to global warming while maintaining the Group's resilience.

Regarding the 1.5ºC scenario, we identified the increase in operating costs due to introduction of carbon pricing and steep rises in the price of electricity as a risk. However, the risk is projected to be more than offset by gaining revenue opportunities from future growth in technologies and products that contribute to low-carbon economy and reduced environmental impact. We have reaffirmed that the growth strategy of expanding our environment-related business set out in the New Challenge 2026 medium-term management plan and the strategy to contribute to the global environment through business specified in the Sustainability Medium-term Plan 2026 will have a great impact on our growth in the decarbonized society of the future.

In regard to our environment-related business, we have focused efforts on expanding sales of products that reduce environmental load—which is part of our multi-faceted approach to markets with potential for future growth and steady monetization efforts, a key initiative under the New Challenge 2023 medium-term business plan.

Expansion of our environment-related business is set out in the New Challenge 2026 medium-term management plan that was released May 2024 as a companywide growth strategy. Released at the same time, the Sustainability Medium-term Plan 2026 sets a target of achieving net sales of 100 billion yen for environment-related business by FY2026. Efforts to achieve these goals are being driven across all segments.

Regarding the totalization of net sales, we reexamined the fields of environment-related business based on the FY2021 report and reorganized them with a focus on the cleantech field. We calculated and reported net sales over time as follows.

■Environment-related business fields and net sales

Field	Main items	Net sales		
		FY03/2022	FY03/2023	FY03/2024
Energy & Power	Renewable energy- and battery-related items	¥13.5 billion	¥17.5 billion	¥24.4 billion
Resources & Environment	Sustainable raw materials, recycling, and water-related items	¥4.2 billion	¥7.5 billion	¥10.7 billion
Materials & Chemicals	Low-carbon materials and environmental pollutant reduction	¥0.7 billion	¥1.5 billion	¥3.1 billion
Agriculture & Food	Food waste reduction and soil improvement	–	–	–
Transportation & Logistics	EV charging and green logistics	–	–	–
Environmental certification	Forestry certifications and marine product certifications	¥0.3 billion	¥0.3 billion	¥0.1 billion
Total (simple sum)		¥18.7 billion	¥26.9 billion	¥38.6 billion

* The above figures have been rounded off to the first decimal place, so individual figures and totals may not match.

* Scope: Inabata Group (domestic and overseas consolidated companies).

* No sales for the Agriculture & Food and Transportation & Logistics fields.

5. Risk Management

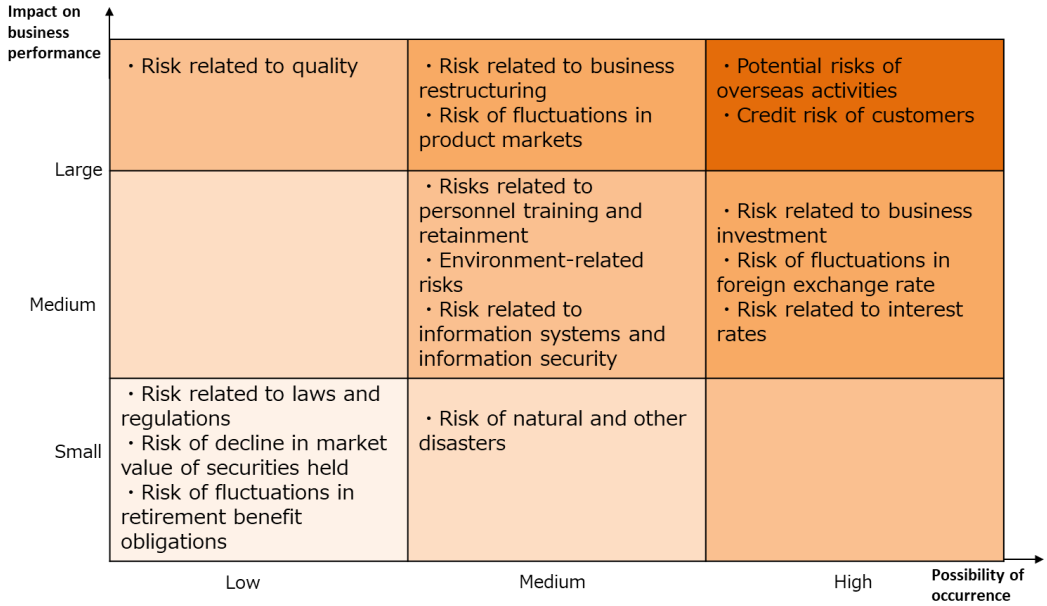
At the Inabata Group, climate-related risks are managed by the Sustainability Committee as we believe that traditional risk management methods alone are insufficient to manage long-term impacts that include elements of uncertainty. The committee deliberates risks identified and examined from both qualitative and quantitative perspectives based on scenario analysis and monitors progress. This is reported to and overseen by the Board of Directors as necessary.

Regarding Group-wide risk management, the Risk Management Office, the Financial Management Office, the Compliance Committee, and other units implement appropriate risk management in collaboration with each other by applying their individual expertise to analyze and evaluate risks related to partners, products, import and export, financial management, compliance, and so forth. Important matters are reported to and overseen by the Board of Directors as necessary.

The Board of Directors oversees group-wide risks of high importance in an integrated manner, taking into account reports from the Sustainability Committee as well as other risks reported by abovementioned expert units.

In addition, each risk is assessed from the dual perspectives of assumed impact on performance and probability, as part of the annual Board of Directors effectiveness evaluation.

■Main risks as assessed in the FY03/2024 Board of Directors effectiveness evaluation



In June 2022, we identified materiality (key issues) for the sustainable growth of the Inabata Group. Issues are identified by assessing their importance based on risks and opportunities. Contributing to a decarbonized and circular society has also been identified as an important material issue.

Risks and opportunities for each key issue have been reorganized and stated in the Sustainability Medium-term Plan 2026 released May 2024.

■**The Process of Identifying Materiality**

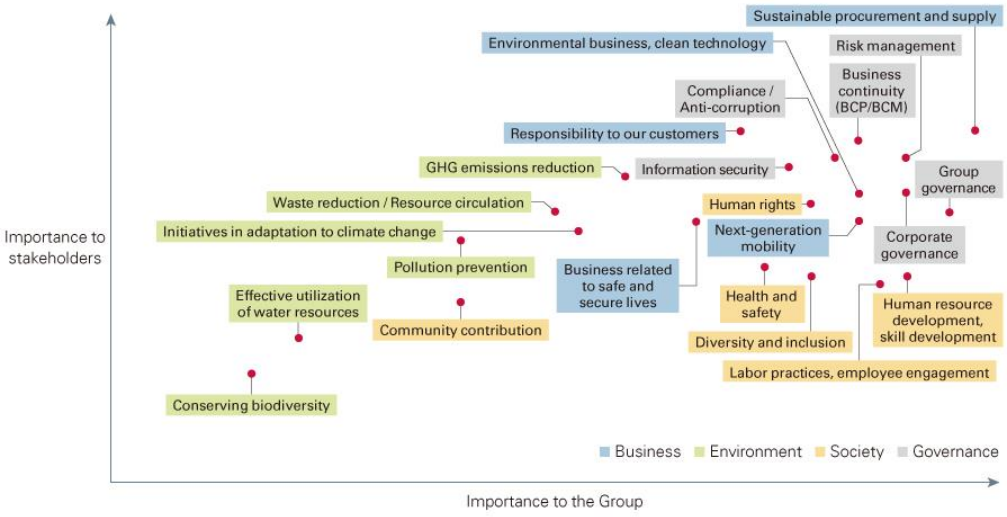
STEP1 List social issues

Refer to international guidelines (e.g., Global Reporting Initiative standards, Sustainability Accounting Standards Board standards, United Nations Sustainable Development Goals, ISO 26000, and United Nations Global Compact's Ten Principles).
Refer to external evaluations and requests (e.g., environmental, social, and governance surveys by FTSE Russel and MSCI, and investor requests).

STEP2 Extract issues and evaluate importance

The Sustainability Committee Secretariat and Sustainability Promotion members narrowed down 23 issues from the four fields of business, environment, society, and governance, and evaluated them according to the two criteria of importance to the Group and importance to stakeholders. Based on the results, issues were consolidated, descriptions were reviewed, and tentative material issues were identified. The Sustainability Committee deliberated on tentatively identified material issues.

Results of importance evaluation (materiality map)



STEP3 Verify validity from an external perspective

Stakeholder dialogues were held with external experts who have a broad knowledge of sustainability, the director in charge of sustainability (Director, Senior Managing Executive Officer), and the Sustainability Committee Secretariat.

STEP4 Decide at the management level

Discuss candidate issues selected based on external opinions and make the final decision at a Sustainability Committee meeting.

■**Inabata Group Materiality**



■**Materiality: Risks, Opportunities, and Main Initiatives (Excerpt detailing matters related to climate change)**

Creating Sustainable Value	Contributing to a decarbonized and circular society; sustainable use of natural capital

Risks and Opportunities	Main Initiatives	Response	
		Risks	Opportunities
Risks ● Rising costs associated with stricter policies, laws, and regulations for climate change ● Lower earnings associated with stricter policies, laws, and regulations and lower consumer demand for petroleum-based plastics ● Lower earnings associated with changes in production areas, yield, quality, etc. of agricultural and marine products due to climate change ● Reputational decline and exclusion from supply chains due to inadequate disclosure of climate change impacts and natural capital use ● Damage to Company bases and supply chain disruptions due to intensifying extreme weather events	Promote activities to reduce GHG emissions toward carbon neutrality	◎	◎
	Introduce renewable energy	◎	◎
	Disclose information appropriately in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and other rules	○	○

● Reputational decline due to greenwashing	Expand sales from the environment-related business (e.g., clean technology)		◎
Opportunities ● Growing demand for renewable energy and batteries ● Growing demand for products adapted to changing corporate and consumer behavior associated with global warming ● Growing demand for biomass, recycled, and biodegradable plastics and the like ● Growing demand for sustainable agricultural and marine products ● Higher corporate evaluation owing to the consistent promotion of environmental activities and appropriate information disclosure	Acquire sustainability certifications		○
	Formulate, revise, and operate business continuity plans (BCPs)	○	○
	Diversify suppliers and outsourcing partners, and decentralize inventories	◎	◎

Note: The symbols in the Response column indicate the importance of the initiatives (◎ > ○).

Other risks and opportunities and main initiatives related to materiality are available on our website.
(https://www.inabata.co.jp/archives/002/202406/20240605_SustainabilityMedium-termPlan2026.pdf)

6. Metrics and Targets

In June 2022, the Inabata Group set the long-term target of achieving carbon neutrality by FY2050 (covering Scope 1 and 2 emissions of the consolidated Group) in order to commit to achieving the global goal of limiting the increase in temperatures to 1.5ºC as stated in the Paris Agreement.

Climate change is one of most pressing issues facing global society. There are calls for climate action worldwide, and moves towards decarbonization are accelerating in Japan and abroad. The Inabata Group's Carbon Neutrality Declaration 2050 responds to global calls for climate action and declares that the Group will further accelerate climate change measures.

We then established the medium-term target of reducing GHG emissions by 25% compared to FY2022 levels by FY2026 and 42% by FY2030 in the Sustainability Medium-term Plan 2026 released May 2024. This target was set in compliance with the 1.5˚C goal stated in the Paris Agreement.

Going forward, in addition to reducing power consumption through efforts such as converting lights to LED, installing and switching to energy efficient air conditioners and other equipment, and improving work efficiency, we will implement renewable energy by utilizing renewable energy certificates and other measures.

Since FY2021, we have calculated Scope 3 emissions in order to understand emissions for our entire supply chain. Currently this applies only to the parent company, but we will expand the scope of calculations in the future.

■GHG emissions reduction targets

Long-term target	FY2050	Achieve carbon neutrality by FY2050
Medium-term target	FY2030	Reduce by 42% compared to FY2022
	FY2026	Reduce by 25% compared to FY2022

■Inabata supply chain emissions (FY03/2023) [Baseline year for targets]

Scope	GHG emissions [t-CO_2e]	Ratio of total [%]
Scope1	2,755	0.1
Scope2 (Market baseline)	43,666	2.2
Scope3	1,960,235	97.7
Scope1,2,3 total	2,006,656	100

Scope 3 breakdown by category			GHG emissions [t-CO_2e]	Scope 3 ratio [%]
Upstream	Category 1	Purchased goods and services	1,435,020	73.207
	Category 2	Capital goods	2,984	0.152
	Category 3	Fuel-and energy-related activities not included in Scope 1 or 2	71	0.004
	Category 4	Upstream transportation and distribution	55,189	2.815
	Category 5	Waste generated in operations	53	0.003
	Category 6	Business travel	2,377	0.121
	Category 7	Employee commuting	234	0.012
	Category 8	Upstream leased assets	Not applicable since the category is included in Scopes 1 and 2.	–
	Subtotal (upstream)		1,495,928	76.3
Downstream	Category 9	Downstream transportation and distribution	Excluded from calculations since it is difficult to ascertain actual conditions and make reasonable estimates for the wide variety of products sold and of transportation destinations.	—
	Category 10	Processing of sold products	Excluded from calculations since it is difficult to ascertain actual conditions and make reasonable estimates for the wide variety of products sold and of transportation destinations.	—
	Category 11	Use of sold products	Not applicable since there are no activities in this category.	—
	Category 12	End-of-life treatment of sold products	464,242	23.683
	Category 13	Downstream leased assets	64	0.003
	Category 14	Franchises	Not applicable since there are no activities in this category.	—
	Category 15	Investments	Not applicable since there are no activities in this category.	—
	Subtotal (downstream)		464,306	23.7
Total (upstream + downstream)			1,960,235	

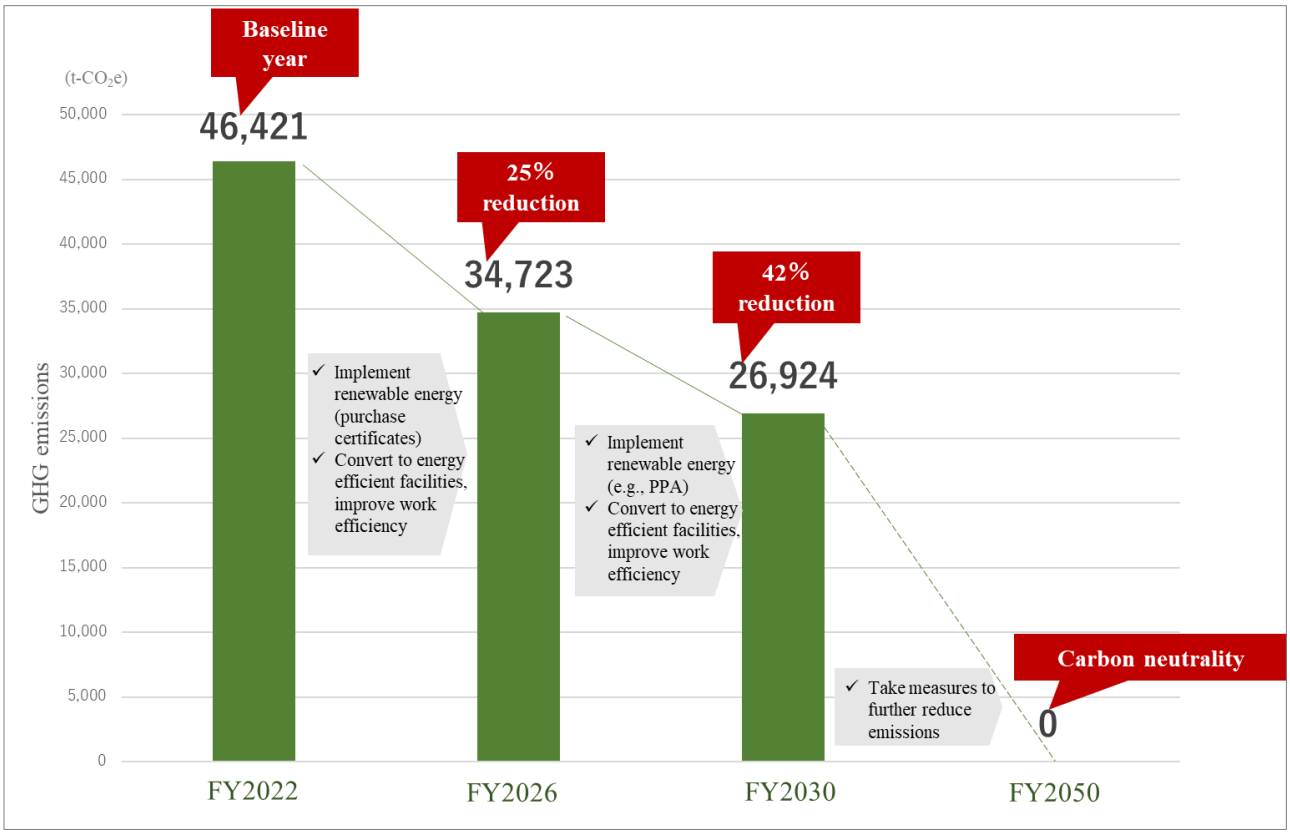
Scope of calculations

Scopes 1 and 2: Inabata & Co., Ltd. and domestic and overseas consolidated subsidiaries

Scope 3: Inabata & Co., Ltd.

*Please consult this page for past performance data.

* FY2023 performance figures are scheduled to be disclosed in the summer of 2024.



In addition, in our business activities we are focusing efforts on providing a wide range of products and solutions that contribute to building a decarbonized society. We have set a target of achieving net sales of 100 billion yen for our environment-related business by FY2026 in the Sustainability Medium-term Plan 2026. The expected percentage of sales for each environment-related business field in the final year of the plan is as follows.

■ Energy & Power (e.g., renewable energy- and battery-related items): Approx. 70%

■ Resources & Environment (e.g., sustainable raw materials, recycling, and water-related items): Approx. 20%

■ Materials & Chemicals, Agriculture & Food, Transportation & Logistics, Environmental Certification: Approx. 10%

See Strategy (5) Results of scenario analysis (summary) for net sales of our environment-related business from FY2021 to FY2023.

■Internal Whistleblowing System

Inabata's internal whistleblowing system consists of two separate routes. The "compliance hotline" is primarily for reporting violations of laws and regulations, such as bribery and other types of corrupt activities, and incidents of serious breaches of compliance, including organizational fraud. The "counseling desk" provides mediation and coordination to help employees resolve issues related to the work environment and work relationships.

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

The compliance hotline also allows for anonymous reporting to an external contact, specifically a designated lawyer or an English or Chinese speaking specialist, all of whom are independent of company management, or to an internal contact, including the director who is a member of audit and supervisory committee.
The rules stipulate that in the case of the whistleblowing route where one of the directors who is a member of the audit and supervisory committee is serving as an internal contact, an outside officer or independent specialist may be designated to act as an investigating body to investigate matters, such as a conflict of interest concerning an executive director, for which the Audit and Supervisory Committee determines that Inabata's standard investigative procedures would be unsuitable.

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