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CORPORATE GOVERNANCE

Last Updated: June 23, 2022
Inabata & Co., Ltd.

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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 Management philosophy/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.

Updated Reasons for non-compliance with the principles of Japan’s the corporate governance code

[Supplementary Principle 3-1-3]

In October 2021, the Group established the Sustainability Committee, chaired by the president, to address various issues surrounding the global environment and society such as climate change and human rights as important management matters. In addition to appointing the director in charge of Financial Management, Investor Relations and Sustainability as vice chairman and the director and the executive officer in charge of each business division as Sustainability Committee members, the Group has a system that incorporates external perspectives by appointing outside directors, etc., observers of the committee.

In November 2021, the Sustainability Committee formulated and published the Inabata Group Sustainability Basic Policy and the Inabata Group Sustainability Code of Conduct. In the Action Guidelines, for each of the nine items such as “respect for human rights” and “environmental conservation,” individual guidelines are published. In March 2022, the Group formulated the Inabata Group Human Rights Policy on “business and human rights” that are of growing international concern by resolution of the board of directors. In April 2022, the Group participated in the United Nations Global Compact, the world’s largest sustainability initiative. These initiatives of the Group are described in the latter part of this report and on the Company’s website. (<https://www.inabata.co.jp/english/csr/>)

In June 2022, the Group identified materiality (important issues) towards the Group’s sustainable growth, setting six kinds of materiality, three related to “Creating Sustainable Value” and three related to the “Strengthening Foundation for Business Continuity.” For each kind of materiality, we will establish an indicator, goal and plan in 2023. The outlines of each identified materiality and explanation on the segment relating to the materiality of “Creating Sustainable Value” are described in the latter part of this report.

In addition, in the three-year mid-term business plan “New Challenge 2023” (“NC2023”), which started in April 2021, the Group has set “enhancement of human capital utilization efforts” as one of our major priority measures and is working on it as an important management issue. We also set “fostering and strengthening of human capital that contributes to value creation” in the materiality identified this time. Based on recognition that human assets are the most important asset for the Group with the trading business serving as a core business, we will further strengthen active use of human capital. Our initiatives towards greater diversity for stronger human capital are described in the latter part of this report. 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/csr/>)

Particularly recognizing the importance of climate-related financial information disclosures, we disclose 9 disclosure items out of 11 items that the TCFD recommends. Though select TCFD recommendations require further study and discussion to comply fully, and we plan to disclose “scenario analysis” in the “Strategy” area, and “calculating Scope 1 and 3” and “short- and mid-term goals” in the “Goal and Indicator” area in 2023. Going forward, we will continue to increase disclosure in line with TCFD recommendations. Matters regarding information disclosure in line with TCFD recommendations are described in the latter part of this report.

Updated Disclosure based on the principles of Japan’s corporate governance code

[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.

Additionally, in the three-year mid-term business plan “NC2023” that will end in the fiscal year ending March 31, 2024, the Company set “Continuous review of asset holdings and further improvement of fund and asset efficiency” as the major priority

measure. Specifically, in three years during the implementation of “NC2023,” we will reduce cross-shareholdings by 50% compared to the balance as of March 31, 2021. Furthermore, we added a new policy to continue to reduce cross-shareholdings by approximately 80% compared to the balance as of March 31, 2021 over the next five years (by March 31, 2027). Based on this policy, we will more strictly examine the significance of our holdings and promote further reduction.

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

In the spirit of “ai (love)” and “kei (respect),” which is the Corporate Principle, we believe that the various experiences, skills, and values that come from diverse people such as women, foreigners, and mid-career hires are essential for continuing and expanding business in a changing market environment for the Group conducting businesses on a global basis.

In order to ensure diversity, the Group is committed to fair hiring, placement, evaluation, benefits and compensation packages, and promotion without regard to age, gender, or other characteristics.

In the mid-term business plan “NC2023,” based on recognition that human assets are the most important asset for the Group with the trading business serving as a core business, we will further strengthen active use of human capital under the name of “enhancement of human capital utilization efforts” as one of our key initiatives.

In order to improve diversity, we will strengthen our initiatives for employee engagement and new workstyle reform along with attempts to further enhance the systems.

We are also advancing action plans aimed at creating work environments where women can more actively participate and at supporting the work-life balance of employees, such as by providing childcare and long-term care leave for both men and women.

With regard to the promotion of women to managerial positions, percentage of women in managerial positions (manager or higher) is 3.6%, but we have set a goal of increasing this to 5% or more by 2025. In addition, in order to promote the active participation of women, we will maintain the percentage of women new college graduates hired to Staff positions at the current level of 20% or more, and increase the ratio of women in Staff positions to 15% or more.

Regarding the promotion of foreign nationals to managerial positions, at our overseas subsidiary, 50% of staff in managerial positions or higher are local hires, and we are seeking to raise the percentage above 70% within the next five years.

With regard to the promotion of mid-career employees to managerial positions, the ratio of mid-career employees among total employees is a little under 30%, but the ratio of mid-career employees among managers is just over 30%, and the number of appointments is progressing. Of the four executive directors, mid-career hires account for three. Of the 16 general managers who are executive managers, five are mid-career hires. We will continue to strive for fair promotion.

We develop human resources under the two primary policies of fostering “global staff” and local employees. The implementation status of personnel development and improvement of the internal environment is described on pages 67 to 70 of the “Integrated Report 2021.”

https://www.inabata.co.jp/themes/english@inabata/investor/library/integrated_report/file/integrated_report2021_en.pdf

[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 Management philosophy/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 Mission, management strategy and plan on the website and in securities report, etc.
- (ii) 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 in 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.

[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.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 and the audit & supervisory board]

Supplementary Principle 4-11-1

There are eleven incumbent directors, of whom six are independent outside directors. Three 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.

Knowledge, experience, and abilities of directors (skill matrix) are described in the Notice of Convocation of the 161st Ordinary General Meeting of Shareholders on page 33.

(https://www.inabata.co.jp/themes/english@inabata/investor/event/shareholder_meeting/file/notification_en_161.pdf)

[Our way of thinking about the skill matrix]

Management philosophy/Mission 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 mid-term business plan "NC2023" 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/Mission, vision, the long-term vision "IK Vision 2030," and the mid-term business plan "NC2023." 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.

(Business Strategy)

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 of Information & Electronics, Plastics, Chemicals, and Life Industry, and when appointing executive directors, we give consideration to balance among those who have knowledge of these business fields.

(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. 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.

(Legal/Risk Management)

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, country risk associated with overseas business, foreign exchange risk, and the risk of fluctuations in commodities markets. Therefore, risk management is extremely important for management. 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.

(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. In the mid-term business plan "NC2023," we are strengthening our efforts to further enhance the system for global human resource development and diversity improvement, employee engagement, and new work style reforms. From this point of view, 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.

(IT/Digital)

Knowledge of IT and digital is indispensable for promoting DX (digital transformation). 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.

(Internal Control/Audit)

The Company made a transition to 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.

(ESG)

Inabata & Co., Ltd. established the Sustainability Committee last year 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.

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/inabata/investor/library/governance/file/evaluation202204_jp.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.

English version: https://www.inabata.co.jp/themes/english@inabata/investor/library/governance/file/evaluation202204_en.pdf

[Principle 4-14. Training of directors and audit & supervisory board members]

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/site 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. In principle, the president and the director in charge of IR lead a dialog with shareholders and investors.
- There is a section dedicated to IR (IR Department) within Financial Management Office which serves as a contact point for shareholders and investors.
- 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 business 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, 2021, IR-related matters were reported at the meetings of the board of directors held in July and December 2021 and January 2022.
- (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.

2. Capital structure

Foreign shareholding ratio From 20% to less than 30%

Updated Status of major shareholders]

Name	Number of shares owned (Shares)	Shareholding Ratio (%)
Sumitomo Chemical Co., Ltd.	13,836,000	24.10
The Master Trust Bank of Japan, Ltd. (Trust account)	6,163,500	10.74
Custody Bank of Japan, Ltd. (Trust account)	2,032,300	3.54
Custody Bank of Japan, Ltd. (Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	1,736,000	3.02
DFA Intl Small Cap Value Portfolio	1,071,100	1.87
Maruishi Chemical Trading Co., Ltd.	961,600	1.68
ASKA Pharmaceutical Co., Ltd.	785,300	1.37
Mizuho Bank, Ltd.	744,900	1.30
NORTHERN TRUST CO. (AVFC) RE U. S. TAX EXEMPTED PENSION FUNDS SEC LENDING	670,948	1.17
THE BANK OF NEW YORK MELLON 140044	639,955	1.11

Controlling shareholder (except for parent company) ———

Parent (Listed Stock Market) N/A

1. Treasury shares held by the Company (3,395,519 shares) are omitted from the above table and calculations of percentages (excluding the 94,300 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. "Custody Bank of Japan, Ltd. (Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)" is a trust asset entrusted with the Company's shares previously held by Mizuho Bank, Ltd. as a retirement benefit trust, and voting rights are to be exercised at the direction of Mizuho Bank, Ltd.
3. 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	Updated	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]

Updated	Maximum number of directors stipulated in articles of incorporation	13 directors
	Term of office stipulated in articles of incorporation	1 year
	Chairperson of the board	President
Updated	Number of directors	11 directors
	Appointment of outside directors	Appointed
Updated	Number of outside directors	6 directors
Updated	Number of independent officers designated from among outside directors	6 directors

Updated Outside directors’ relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Kiyoshi Sato	From another company											
Takako Hagiwara	From another company											
Kenji Hamashima	From another company											
Satoshi Tamai	Certified public accountant											
Minoru Sanari	Attorney											
Tomokazu Fujisawa	From another company											

- * 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

Name	Designation as audit and supervisory committee member	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
Kiyoshi Sato		○	—	<p>Kiyoshi Sato has served as president and CEO, and vice chairman of the board of Tokyo Electron Ltd. He currently serves as an outside director of Shibaura Machine Co., Ltd. and Mazda Motor Corp.</p> <p>He has global and abundant experience and extensive knowledge as a member of the management of Japan's leading company of manufacturing equipment for semiconductors and flat panel displays. The Company considers he has sufficiently fulfilled the role that the Company expects at the board of directors 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.</p> <p>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.</p>
Takako Hagiwara		○	—	<p>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 Corp. and NEC Capital Solutions Limited.</p> <p>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.</p> <p>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.</p>
Kenji Hamashima	○	○	—	<p>Kenji Hamashima has served as representative director and senior executive vice president and president and chief executive officer of USHIO INC. He currently serves as special adviser of the same company.</p> <p>He has global and abundant experience and extensive knowledge as a member of the management of a manufacturer which produced applied optics products such as industrial light sources, and industrial machinery. In addition, considering the record of sufficiently fulfilling the roles that the Company has expected for a term of office of two years as an outside director of the Company, the Company has determined that he can be expected to provide accurate auditing and supervision for overall management of the Company, and appointed him as outside director who is an audit and supervisory committee member. 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.</p> <p>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.</p>
Satoshi Tamai	○	○	—	<p>Satoshi Tamai serves as Representative of Satoshi Tamai Certified Public Accountant Office, Advisor of accrea Inc., and Outside Auditor of Toho Lamac Co., Ltd. and PC Depot Corp.</p> <p>Although he has no direct experience of being involved in corporate management in any form other than as an outside officer, he has knowledge as an accounting</p>

Name	Designation as audit and supervisory committee member	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
				<p>expert and extensive insight as he has experience working at a large trading company, is qualified as a certified accountant and has served as a representative partner at a major domestic audit corporation, as well as serving as an outside audit and supervisory board member of multiple companies. In addition, considering the record of sufficiently fulfilling the roles that the Company has expected for a term of office of two years as an outside director of the Company, the Company has determined that he can be expected to provide accurate auditing and supervision for overall management of the Company, and appointed him as outside director who is an audit and supervisory committee member.</p> <p>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.</p>
Minoru Sanari	○	○	—	<p>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 Senior Adviser of the Company.</p> <p>He has specialized knowledge as an attorney and abundant experience in corporate legal affairs and corporate governance for many years at the largest city 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 as outside director who is an audit and supervisory committee member.</p> <p>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.</p>
Tomokazu Fujisawa	○	○	—	<p>Tomokazu Fujisawa has served as Full-time Audit & Supervisory Board Member and Director who are Audit & Supervisory Committee Member of Astellas Pharma Inc.</p> <p>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 as outside director who is an audit and supervisory committee member.</p> <p>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.</p>

[Audit and supervisory committee]

Updated Committees composition and chairperson's attributes

	Total committee members	Full-time members	Internal directors	Outside directors	Chairperson
Audit and supervisory committee	4	0	0	4	Outside director

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

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

The Company established the Audit and Supervisory Committee Office as a dedicated organization to support the duties of the Audit and Supervisory Committee and appoints an appropriate appointee who is independent from directors (excluding directors who are audit and supervisory committee members). Persons who belong to the Audit and Supervisory Committee Office shall perform their duties under the direction of the Audit and Supervisory Committee. Taking into account the important role that constitutes one part of the audit function, the General Manager of the Audit and Supervisory Committee Office shall be an Audit and Supervisory Officer who takes responsibility to support the duties of the Audit and Supervisory Committee. In addition, the Appointment, dismissal and merit rating of the persons who belong to the Audit and Supervisory Committee Office shall be determined after obtaining the approval of the Audit and Supervisory Committee. When selecting the persons who belong to the Audit and Supervisory Committee Office, ample consideration shall be given to that person's experience, knowledge and leverage. The directors (excluding directors who are audit and supervisory committee members) and employees shall not unreasonably restrict the execution of duties of the Audit and Supervisory Committee Office.

Updated 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.

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 instructions from 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.

[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	4	0	1	3	0	0	Outside director
Committee corresponding to remuneration committee	Nominating and Remuneration Committee	4	0	1	3	0	0	Outside director

Updated 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 three independent outside directors and one internal director as below.

Outside director	Kiyoshi Sato (Chairman of the Nominating and Remuneration Committee)
Outside director	Takako Hagiwara
Outside director, audit and supervisory committee member	Kenji Hamashima
Director, President	Katsutaro Inabata

[Independent officers]

Number of independent officers 6 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

Updated Supplementary explanation

The Company has established fixed remuneration for each position held by directors (excluding directors who are audit and supervisory committee members and directors who are not executive directors), and based on this, a performance-linked remuneration system according to each level, such as profit before income taxes (excluding gains on some strategically held shares), ROIC (Return on Invested Capital), and ESG scores provided by external evaluation agencies (FTSE Russell and MSCI).

Directors (excluding directors who are audit and supervisory committee members and directors who are not 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 adopted ROIC as a new indicator because we set "Intensification of investment targeting future growth" as one of our key initiatives in the mid-term business 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. Furthermore, since we recognize addressing sustainability as an important management issue, we have added the ESG scores provided by external evaluation agencies as a new 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 executive 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.

(Yearly granted points = continuous service points + continuous service points x performance coefficient)

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 business 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

[Director remuneration]

Disclosure of individual directors' remuneration No disclosure of individual remuneration

Updated Supplementary explanation

Total remuneration paid to directors during the fiscal year ended March 2022 of the Company is 344 million yen. Remuneration breaks down into 188 million yen in fixed remuneration, 114 million yen in performance-linked remuneration, and 41 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 2022.

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.

[**Updated** Supporting system for outside directors]

Outside directors who are not audit and supervisory committee members obtain information required for the performance of duties directly or via the Secretarial Department from relevant departments and directors in charge. The Secretarial Department provides various support to outside directors, including information gathering by outside directors who are not audit and supervisory committee members.

Outside directors who are audit and supervisory committee members obtain information required for the performance of duties directly or via the Audit and Supervisory Committee Office from relevant departments and directors in charge. The Audit and Supervisory Committee Office provides various support to outside directors who are audit and supervisory committee members, including information gathering.

2. **Updated** 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 11 directors, 7 of whom are directors (excluding directors who are audit and supervisory committee members) and 4 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 11 executive officers of whom four 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 as managers make up the majority of the board of directors (six out of 11 directors).

[Nominating and Remuneration Committee]

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

[Audit and supervisory committee]

The Company transitioned to a company with an audit and supervisory committee per resolution at the 161st Ordinary General Meeting of Shareholders held on June 22, 2022. The audit and supervisory committee consists of four audit and supervisory committee members (all of whom are outside directors). The audit and supervisory committee cooperates with the board of directors and oversees executives and audits the execution of business by executives.

The directors who are audit and supervisory committee members possess expertise in finance, accounting and laws, etc., and a high degree of independence.

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 and is aiming to strengthen the human resources of the Internal Audit Office in order to enhance internal audits. The Internal Audit Office handles the internal controls reporting system related to financial reporting based on the Financial Instruments and Exchange Act and conducts internal audits as needed. The Internal Audit Office regularly reports audit plans and audit results to the board of directors.

[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 2022 are Koji Yasui (designated limited partner) and Kazushi Chiba (designated limited partner). There are 14 certified public accountants, 10 people who have passed the certified public accountants examination, etc. and nine 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 78 million yen and all other fees (less consumption tax) total 0 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. **Updated** 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. **Updated** 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 161st Ordinary General Meeting of Shareholders held on June 22, 2022, the Company sent the notice of convocation on May 31, 2022.
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. From the perspective of promoting dialog with shareholders and preventing the spread of infection, the Company held the so-called Hybrid Virtual Shareholder Meetings in June 2022.
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 161st 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_161.pdf), as well as on the websites of Japan Exchange Group, Inc. and the platform for electronic voting, on May 24, 2022.
Others	Prior to the sending of the Notice of Convocation of the 161st Ordinary General Meeting of Shareholders on May 31, 2022, the Company posted it on its Japanese website (https://www.inabata.co.jp/themes/inabata/investor/event/file/notification_161.pdf), as well as on the websites of Japan Exchange Group, Inc. and the platform for electronic voting, on May 24, 2022.

2. **Updated** 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/csr/governance/).	
Regular investor briefings for individual investors	The Company provided one briefing on company information via online distribution for the fiscal year ended March 2022.	Established
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 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/csr/governance/).

IV. Matters related to internal control system

1. **Updated** 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. As partial amendments to the Articles of Incorporation were resolved at the 161st Ordinary General Meeting of Shareholders held on June 22, 2022, the Company made the transition to a company with an audit and supervisory committee on the same date.

The basic policy for the establishment of the framework for the internal control system below was revised through a resolution at the board of directors meeting held on June 22, 2022 after the transition to a company with audit and supervisory committee.

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 establishes the Audit and Supervisory Committee Office as a dedicated organization to support the duties of the Audit and Supervisory Committee and appoints an appropriate appointee who is independent from directors (excluding directors who are audit and supervisory committee members).
- (2) Persons who belong to the Audit and Supervisory Committee Office shall perform their duties under the direction of the Audit and Supervisory Committee.
- (3) Appointment, dismissal and merit rating of persons who belong to the Audit and Supervisory Committee Office shall be determined after obtaining the approval of the Audit and Supervisory Committee.
- (4) When selecting the persons who belong to the Audit and Supervisory Committee Office, ample consideration shall be given to that employee's experience, knowledge and leverage.
- (5) Directors (excluding directors who are audit and supervisory committee members) and employees shall not unreasonably restrict the execution of duties of the Audit and Supervisory Committee Office.

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 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.

(Outline of operational status of internal control system)

The Company strives to develop its internal control system and operate it appropriately in accordance with the "basic policy on development and improvement of the internal control system." Since a resolution was passed to amend the articles of incorporation at the 161st general meeting of shareholders held on June 22, 2022, the Company transitioned to a company with an audit and supervisory committee on the same date. The outline of operational status in the fiscal year ended March 31, 2022 as a company with an audit & supervisory board before the transition is 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 assessments and operational audits of internal control are conducted by the Internal Audit Office, 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 nine directors, including three outside directors, and it met 16 times during the fiscal year ended March 31, 2022. The Management Council and the shinsa kaigi (organization which reviews credit and individual important cases), consisting of full-time directors and audit & supervisory board members, 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 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. System relating to employees assisting audit & supervisory board members' duties

The audit & supervisory board does not currently have any employees directly assisting audit & supervisory board members. However, it has a system whereby personnel from various departments provide support as necessary for the duties of the audit &

supervisory board, and the details of interviews conducted by the audit & supervisory board with the directors, executive officers, the Internal Audit Office and other employees of the Company and its subsidiaries, as well as the accounting auditor, are recorded and stored.

7. System for report to audit & supervisory board members

The Company has established rules on reports to audit & supervisory board members, which it implements appropriately.

Audit & supervisory board members work to gather information, communicating with directors, executive officers, Internal Audit Office, and other employees. They attend important meetings, including meetings of the board of directors, the Management Council, and the *shinsa kaigi* (organization which reviews credit and individual important cases), and receive reports from directors, executive officers, employees, and others regarding the performance of their duties, requesting explanations as necessary. With regard to subsidiaries, the Company's audit & supervisory board 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 & supervisory board members regarding contact or requests for advice received via the internal whistleblowing system.

8. Other systems to ensure that audits by audit & supervisory board members are conducted effectively

The representative director holds meetings on a regular basis with all audit & supervisory board members, including outside audit & supervisory board members, to exchange opinions.

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

(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/csr/governance/>).

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures -

Supplementary Explanation

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

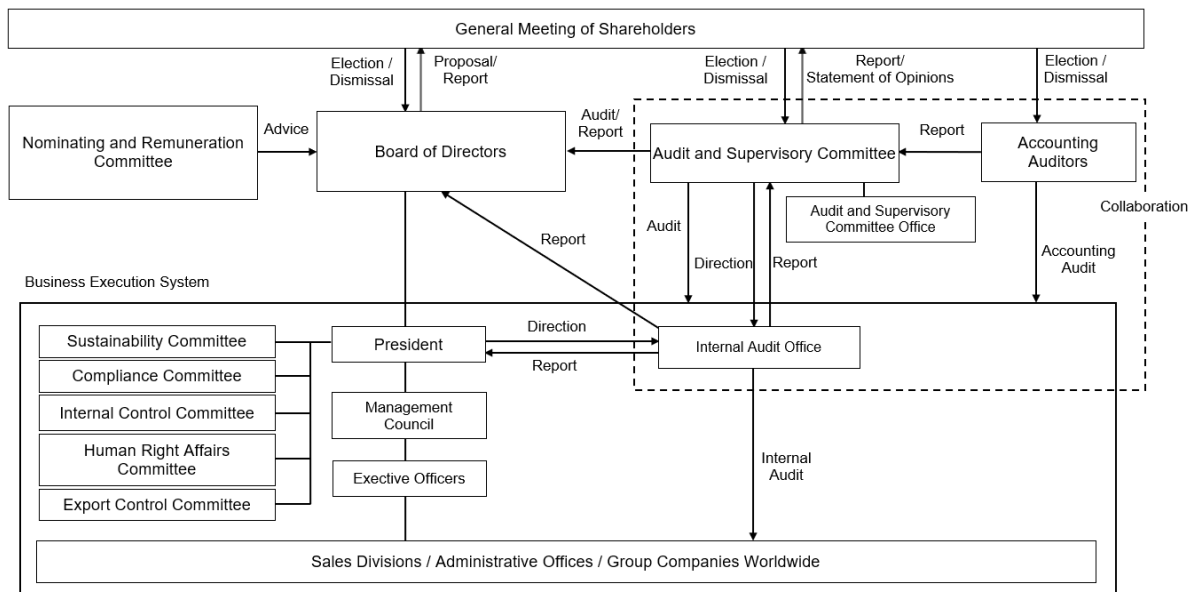
The Company discloses matters required by law and company information to stakeholders, including shareholders and investors, on a timely basis via its website and other means of communication including various printed materials. The means for information communication are as follows.

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.

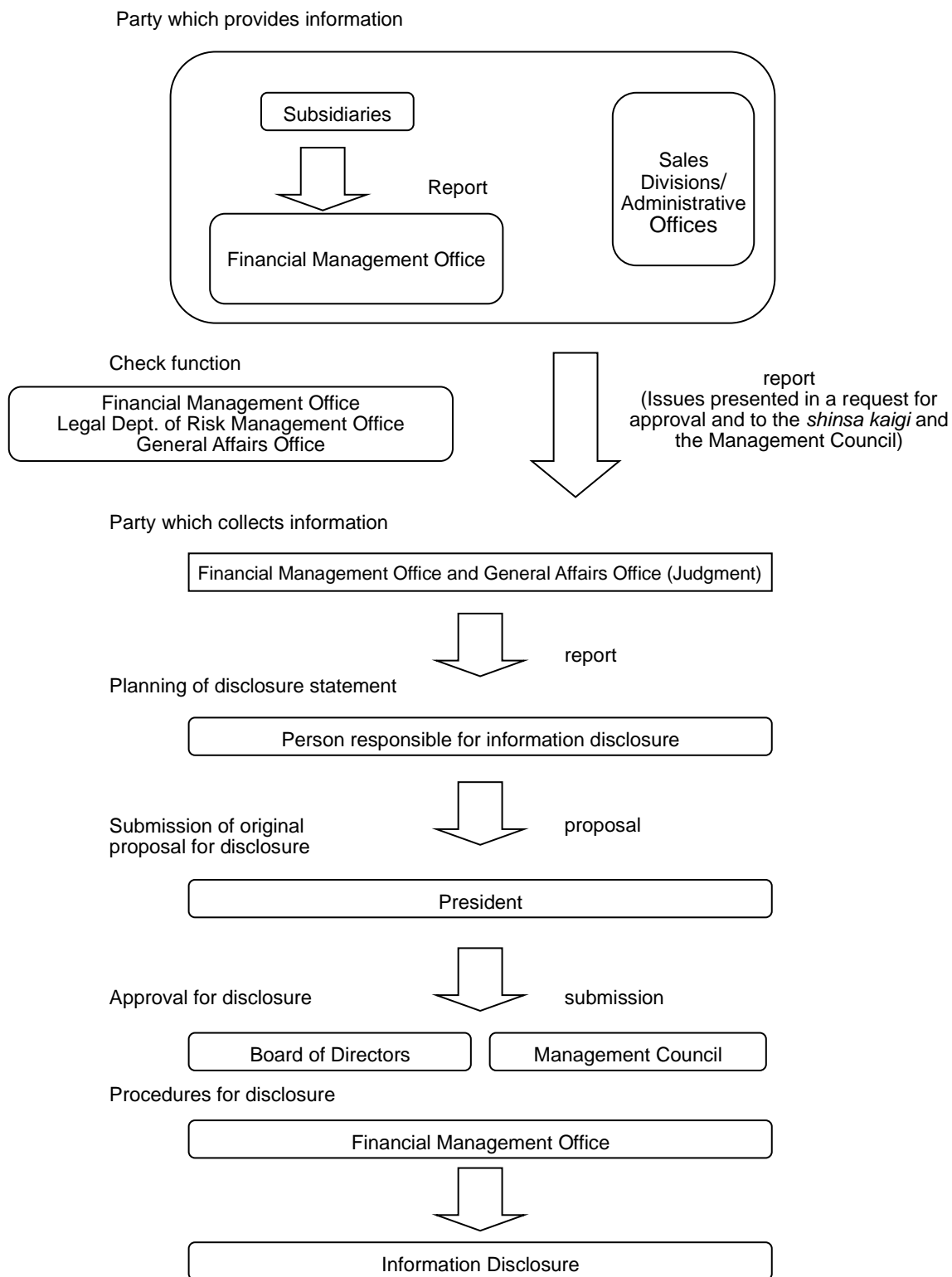


Board of Directors: Of the 11 directors, 6 directors are outside directors.

Audit and Supervisory Committee: Of the 4 directors who are audit and supervisory committee members, 4 directors are outside directors.

Nominating and Remuneration Committee: Of the 4 directors, 3 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.

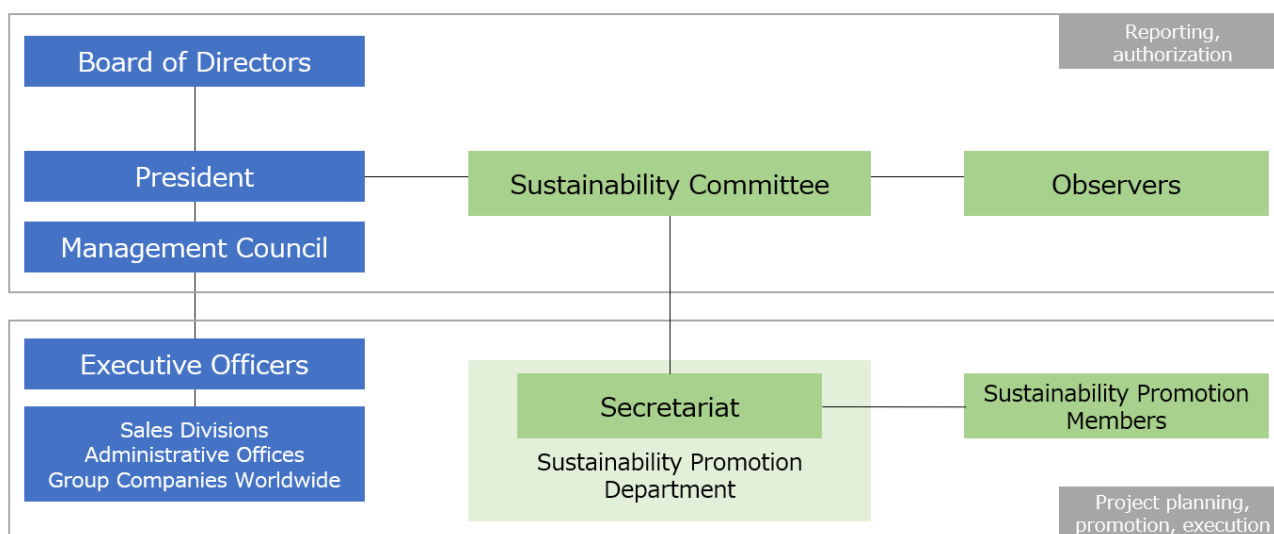
We will use information obtained through that dialogue to improve our business efficiency, enhance our corporate value, and form action strategies to address environmental and social issues. We will also work with stakeholders when implementing our strategies to improve their effectiveness.

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.

Sustainability Promotion System



◆ Sustainability Committee

The president of Inabata & Co., Ltd. chairs the Sustainability Committee, and the director in charge of sustainability serves as the vice chair. The committee members consist of directors and executive officers in charge of the four business segments and selected heads of administrative offices. The committee formulates, authorizes, and monitors the Group's sustainability policies and measures, and it reports to the board of directors.

◆ Observers

Outside directors, non-executive directors, and audit and supervisory officers serve as observers of the Sustainability Committee. The observers monitor the fairness and effectiveness of the discussions at the committee and provide recommendations as necessary.

◆ Secretariat

Senior Manager of the Sustainability Promotion Department also serves as the head of the secretariat, whose members consist of Sustainability Promotion Department staff and selected staff from administrative offices. The secretariat convenes the Sustainability Committee at the behest of the committee chair. The secretariat also provides the committee with sustainability-related information to facilitate meaningful discussion.

◆ Sustainability Promotion Members

Staff from sales divisions and selected administrative offices make up the Sustainability Promotion Member(s). Members collect information and compile ideas about sustainability-related matters from their respective divisions and offices to present to the committee.

◆ Sustainability Promotion Department

The Sustainability Promotion Department is a body dedicated to promoting sustainability throughout the Group in accordance with the resolutions of the Sustainability Committee.

Inabata Group Materiality



Overview

	Materiality	Key points
Creating Sustainable Value	Contributing to a decarbonized society and circular society, sustainable utilization of natural capital	To build a decarbonized society, circular society, we will focus on environment-related businesses, or environmental load-reducing products, in areas including renewable energy, alternative fuels, recycling, and electric vehicles. We will also promote a sustainable use of natural capital in our building- and food-related businesses. To conserve the environment, 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.
	Contributing to a safe, secure, and well-being	We will provide solutions that contribute to safe and secure life and well-being of people through our mobility, food, and life science businesses. Chemicals are fundamental to industries across the board. 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	Constantly providing a flexible and optimal deal is an important function of Inabata Group as a trading company. In an uncertain, unpredictable society, the functions of Inabata Group demonstrate an 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 supply chain management. To achieve this, we will use our global network and leverage our multifaceted functions of a trading company, such as product development, partnerships, and logistics expertise.
Strengthening Foundation for Business Continuity	Respect human rights in the spirit of love (ai) and respect (kei) and grow 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 also aim to share values with people where we operate around the world, growing together with the people and their communities.
	Fostering and strengthening the human capital creating value	People creating new values is the Group's greatest asset. People who are trusted to become the best partners of clients through high ethics, passion, and providing solutions from a global perspective are the source of sustainable value creation. We believe that an organizational culture that recognizes diversity and values free and open discussions and teamwork leads to high employee satisfaction and supports sustainable growth both for the employees and the company. We will further implement measures 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 society and circular society	Renewable energy	★	★		
		Alternative fuels	★			
		Recycling	★	★		★
		Electric vehicles	★	★		★
	sustainable utilization of natural capital	Building materials		★		
		Food			★	
	Contributing to a safe, secure, and well-being	Mobility	★	★		★
Food				★	★	
Life Science				★		

Information disclosure based on TCFD recommendations

■ Basic Policy

Climate change is one of the most pressing issues facing global society. Unprecedented extreme and intense weather events are already occurring with greater frequency and they are seriously impacting both the natural environment and people around the world. The Paris Agreement is an international treaty on climate change measures seeking to “hold the increase in the global average temperature to well below 2° C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5° C above pre-industrial levels” with the aim of achieving a balance between anthropogenic emissions and the absorption of greenhouse gases (GHG) in the second half of this century.

The Inabata Group fully recognizes the effects of climate change and the need for countermeasures and has stated in its Sustainability Basic Policy and Code of Conduct and the Inabata Declaration of Compliance that it will use its business to conserve the Earth’s environment. We further proclaimed our intent in June 2022 by placing measures to address climate change and environmental issues as a management priority in our materiality declaration “Contributing to a decarbonized society and circular society”. We consider climate change as presenting both risk and opportunity for the Group and, while taking steps to reduce GHG emissions, we will seek to provide products and solutions that contribute to creating a carbon-free society.

We also recognize the importance of climate-related financial risk disclosure and have begun providing information in accordance with the recommendations issued in June 2017 by the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). Though select TCFD recommendations require further study and discussion to comply fully, we will continue to increase disclosure in line with the recommendations.

*The G20 created the Task Force on Climate-related Financial Disclosures in 2015. Recognizing the significant impact that climate change will have on financial markets, the Final Report (Recommendations of the TCFD) released in 2017 called on companies to disclose information on the risks and opportunities associated with climate change.

Governance

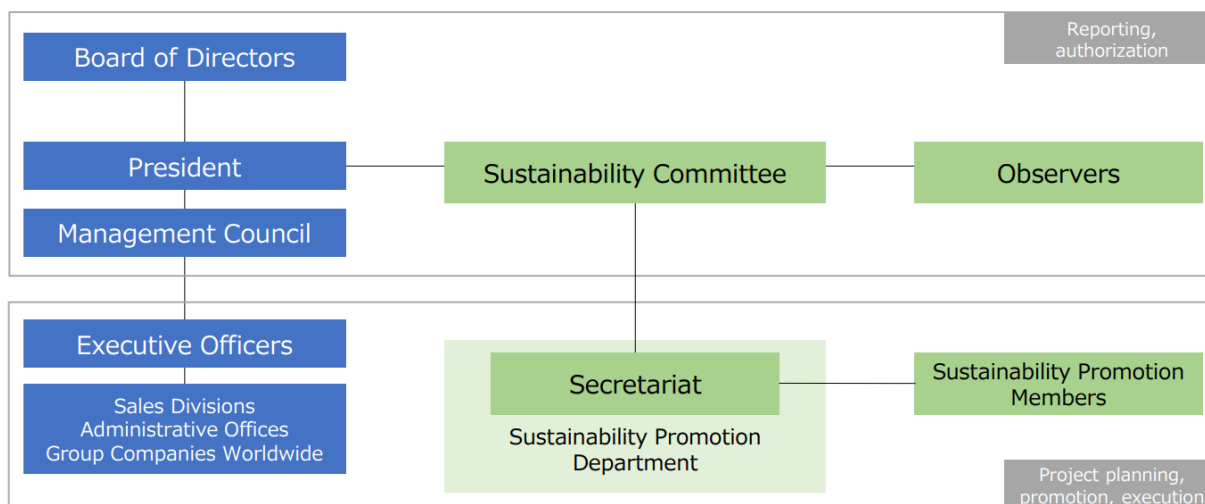
The Inabata Sustainability Committee formulates, authorizes, and monitors policies and measures related to climate change and sustainability. The committee meets a minimum of once annually (more often as needed) and reports to the board of directors. The company president chairs the committee, and the officer in charge of sustainability is the vice chair. The committee comprises two directors, one executive officer from each business segment, and six heads of main administrative offices. In addition, six outside directors, one non-executive director, and one audit and supervisory officer participate as observers to monitor the committee for fairness and effectiveness and to make recommendations as necessary.

The matters resolved by the Sustainability Committee are implemented and managed by the Sustainability Promotion Department, which serves as the committee’s secretariat and promotes the sustainability activities of the Group. The Sustainability Promotion Department, which is comprised of members from each of the sales divisions and main administrative offices, supports meaningful discussion by the Sustainability Committee by

collecting and providing sustainability-related information from across the Group.

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

Sustainability Promotion System



> Sustainability Promotion System

https://www.inabata.co.jp/themes/english@inabata/pdf/csr/sustainability_structure_en_2206.pdf

Strategy

The Inabata Group strives to comprehend the business risk and opportunity arising from the transition risk and physical risk from climate change and to incorporate them into its climate change countermeasures and business strategies. The Sustainability Committee analyzes and monitors the status of response to climate change-related risks and opportunities and evaluates the potential long-term impact on Group business. Inabata Group lists "Contributing to a decarbonized society and circular society" as one of its materiality.

Our recent analysis on the impact of climate change determined that the financial risks the Group faces are not to a degree to significantly impact its business operations. Instead, business opportunities are more significant than the risk considering our future growth and hence, more important. Changes could increase customer reliance on trading companies, and we can grow even under a high risk of climate change based on a solid foundation of trust with clients. We will further engage in various activities to ensure we take every advantage of the business opportunities, such as by proactively gathering information, developing products, forming partnerships, and introducing new measures for new conditions.

At the same time, we found distinct impacts on specific segments, particularly on business related to renewable energy in the Information & Electronics segment and on the agricultural, marine products, and other food businesses in the Life Industry segment.

We plan to disclose the results of our scenario analysis in fiscal 2023.

Item	Climate change risk	Degree of impact	Business risk	Length of impact	Business opportunity	Length of impact	Response
T r a n s i t i o n g r i s k	G o v e r n m e n t p o l i c y l a w	Carbon tax, tax increase	Medium · Passing on tax increase raises procurement cost for energy, raw resources, materials, and products	Short to long term	· Introduce renewable energy to stabilize energy costs · Opportunity to increase revenue with low-carbon products	Short to long term	· Collect country-specific information on carbon tax trends · Develop recycling materials and low-carbon products, form partnerships, create a procurement network (diversify suppliers)
		Tighter environmental regulations (low carbon, energy saving)	Medium to large · Need to reduce our factory CO2 emissions, higher cost for energy saving measures · Higher costs from the need to switch to low-carbon products · Higher costs for raw materials, materials, and products	Short to medium term	· Reduce costs with environment-friendly offices · Increased profit opportunities for low-carbon products	Short to medium term	· Convert to environment-friendly offices · Develop new low-carbon products · Develop upstream and downstream channels to construct an efficient agricultural product production and processing cycle · Develop business using the J-credit system
		Stricter renewable energy policy	Medium to large · Higher costs from introducing renewable energy · Increased costs for raw resources, materials, products and semi-finished products that use using fossil fuel energy	Short to medium term	· Introduce renewable energy to reduce CO2 and energy costs · Increased business opportunities related to solar and biomass power generation · Increased profit opportunities from increased demand to shift from petroleum-based materials to fossil-free raw materials	Short to medium term	· Study best timing to introduce renewable energy · Focus on businesses related to renewable energy · Use and expand sales of fossil-free raw materials
	M a r k e t	Transition to low-carbon technology	Large · Increased investment into new and alternative technologies, investment failure, and risk of irrecoverable loss · Decreased sales volume and profit for existing products due to lack of innovative carbon technologies	Short to long term	· Invest in low-carbon technology to broaden order opportunities · Increase profits by developing and pursuing procurement opportunities for low-carbon technologies	Medium to long term	· Advance development and form partnerships for new low-carbon and alternative technologies · Gathering information on new low-carbon and alternative technologies, new materials, and new services (such as by participating in international initiatives)
		Soaring raw material and energy prices	Medium to large · Increased procurement costs and decreased orders when prices are passed on (mainly in the manufacturing and processing departments)	Short to medium term	· Higher sales from the increases in raw material and energy prices · Creation of renewable energy business	Short to medium term	· Review raw material usage, diversify and strengthen relationships with suppliers
		Changes in consumption trends	Medium · Decreased product sales from changes in consumer food demand	Short to medium term	· Increased consumer awareness of local production for local consumption and greater demand for domestic products · Increased consumer awareness of safe and secure lifestyles	Short to medium term	· Develop domestic products and form partnerships to reduce CO2 emissions during transport for local production for local consumption
		Increasing market uncertainty	Large · Reduced business from revamped customer supply chains · New electric vehicle and fuel cells make some current businesses obsolete	Short to medium term	· Accelerating localizing of customer production activities increases opportunities for new transactions · Conversion to electric vehicles and fuel cells resulting in increased demand for batteries and lightweight resins	Medium to long term	· Strengthen overseas manufacturing companies · Advance develop low-carbon technologies and products, form partnerships (including investing in venture companies)
	R e p u t a t i o n	Increasing demands from stakeholders	Medium · Decreased reputation due to slow implementation of low-carbon and carbon-free business initiatives	Medium to long term	· Increased opportunities for low-carbon and carbon-free businesses	Medium to long term	· Advance development and form partnerships, including M&A, for low-carbon and carbon-free businesses

P h y s i c a l r i s k	l m m i n p e n t e v e n t	Intense and frequent typhoons, heavy rains, intense heat, and other weather events	Large	<ul style="list-style-type: none"> Supply chain disruptions cause business stagnation or decrease (such as from damage to petrochemical plants along coast) Risk of operation shutdowns due to damage to our own factories or power plant facilities Intense weather events seriously damaging agriculture, forestry, or fishery products and poor harvests causing procurement and supply shortages 	Short to medium term	<ul style="list-style-type: none"> Increasing need for reliable procurement and supply Create new business opportunities by proposing product and logistics alternatives for emergency situations 	Short to medium term	<ul style="list-style-type: none"> Use financial power to increase inventory Strengthen supply chain resilience by creating a BCP and diversifying suppliers Promote localization including local consignment of processing Extend business upstream to secure stable agricultural and fishery resources (expand business domain from agriculture to aquaculture)
	P r e s e n t	Average temperature rise, rain and weather pattern changes, sea level rise	Large	<ul style="list-style-type: none"> Supply chain disruptions cause business stagnation or decrease (such as from damage to petrochemical plants along coast) Sluggish solar and biomass power generation sales (due to changes in the amount of sunshine and poor tree growth) Increased procurement costs from intensified competition for agricultural and fishery products, decreased agricultural business profitability 	Medium to long term	<ul style="list-style-type: none"> Increasing demand for products and services adapted to climate change Increasing need for reliable procurement and supply 	Medium to long term	<ul style="list-style-type: none"> Strengthen supply chain resilience by creating a BCP and diversifying suppliers Develop products and services adapted to climate change Extend business upstream to secure stable agricultural and fishery resources (expand business domain from agriculture to aquaculture)

Risk management

The Inabata Group believes that traditional risk management methods alone are insufficient to manage the potential impact from long-term risks, which include considerable elements of uncertainty.

The Sustainability Committee deliberates risk, opportunities, and countermeasures related to climate change, analyzes and evaluates the risk, monitors the Group's progress, and delivers reports to the Board of Directors.

Additionally, the Compliance Committee monitors risk to the Group arising from various sources, including from environmental laws and regulations, with the intention of preventing risk situations and planning risk countermeasures. The committee, which is chaired by the president, has four regularly scheduled meetings each year and convenes at other times when necessary. As deemed necessary, important meeting content is reported to the Board of Directors.

Indicators and targets

Inabata & Co., Ltd. has a long-term target to reach net zero GHG emissions*1 by 2050. We plan to set specific near- and medium-term targets related to climate change in fiscal 2023.

The Group has been disclosing its scope 2 emissions data since fiscal 2018. In fiscal 2021, CO₂ emissions*2 were 28,824 metric tons. Group is preparing to disclose scope 1 and 3 emissions data beginning in the current fiscal year.

*1: Inabata & Co., Ltd. scope 1 and 2

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

Energy and climate related data

		FY2019	FY2020	FY2021
CO ₂ emissions (Metric tons-CO ₂) ^{*3}	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases	35,510	28,198	28,824
	Inabata & Co., Ltd. ^{*1}	433	422	359
	Overseas resin compound manufacturing business bases ^{*2}	35,077	27,776	28,465
Power consumption (1000kWh)	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases	53,674	44,131	45,926
	Inabata & Co., Ltd. ^{*1}	900	888	886
	Overseas resin compound manufacturing business bases ^{*2}	52,774	43,243	45,040
CO ₂ emissions per basic unit of sales (metric ton-CO ₂ / ¥100 million)	Inabata & Co., Ltd. and overseas resin compound manufacturing business bases ^{*4}	10.71	8.95	8.23

*1 Tokyo Head Office, Osaka Head Office, Nagoya Branch

*2 Seven overseas subsidiaries engaged in the resin compound business, which is a strength of the Inabata Group

*3 Scope 2 only. A unit is calculated using the emission factor provided by the Ministry of the Environment and the Ministry of Economy, Trade and Industry for each electric power company.

Units for overseas resin compound manufacturers are calculated using the country-specific emission factors in the IGES List of Grid Emission Factors published by the Institute for Global Environmental Strategies. In accordance with the updated emission factors per unit, the figures reported in fiscal 2021 have been retroactively revised from fiscal 2019 forward.

*4 The sales parameter uses the simple net value of sales.

Please visit the following site for the latest company information.

> Sustainability data

<https://www.inabata.co.jp/csr/data/>

■Investment in human capital and intellectual property

1. Investment in human capital

Greater diversity for stronger human capital

Recognizing that diverse values are important for business continuity and growth, we focus on fair hiring, placement, evaluation, compensation packages, and promotion without regard to age or gender. The medium-term management plan, New Challenge 2023 (NC2023), will further broaden our system to promote diversity while stepping up measures to enhance employee engagement and implement new workstyle reform. We are also advancing action plans aimed at creating work environments where women can more actively participate and at supporting the work-life balance of employees, such as by providing childcare and long-term care leave for both men and women.

Goal 1: Increase the percentage of women in managerial positions (manager or higher) to above 5% (ongoing).

Goal 2: Ensure that at least 20% of new college graduates hired to Staff positions are women.

Goal 3: Increase the percentage of women in Staff positions to at least 15%.

In 2021 we began systematically examining and implementing measures to achieve these goals, including enhancing communications from top management, facilitating understanding among staff, and offering increased motivation and support for employees, particularly women.

We will revise the current rule to help employees balance work and personal/family responsibilities. We will eliminate the previous provision that rescinds employees' annual leave if it is unused for two years and develop a reserve system that allows employees to retain up to five days per year for childcare and long-term care.

As of May 2022, persons with disabilities represented 2.0% of our workforce.

As of May 2022, Inabata & Co., Ltd. employed 15 foreign nationals. The hiring of new college graduates and mid-career professionals is based on qualifications regardless of nationality.

We develop human resources under the two primary policies of fostering "global staff" and local employees. At our overseas subsidiary, 50% of staff in managerial positions or higher are local hires, and we are seeking to raise the percentage above 70% within the next five years.

■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 general manager of the Audit and Supervisory Committee who supports the Audit and Supervisory Committee' performance of duties.

The rules stipulate that the general manager of the Audit and Supervisory Committee serving as an internal contact may designate an outside officer or independent specialist to investigate matters, such as a conflict of interest concerning an executive director, for which he or she determines that Inabata's standard investigative procedures would be unsuitable.

The rules stipulate that the full-time audit & supervisory board member serving as an internal contact may designate an outside officer or independent specialist to investigate matters, such as a conflict of interest concerning an executive director, for which it determines that Inabata's standard investigative procedures would be unsuitable.