

We will actively invest for future growth, accelerating the enhancement of the Group’s corporate value.

Kenichi Yokota
Director, Senior Managing Executive Officer
Administrative Affairs



Record highs for consolidated net sales and operating profit
Aggressive investments, including M&A

In the second year of the medium-term business plan, NC2023, sales for FPDs, which are a core product in our information & electronics business, were lower than expected due to factors such as deteriorating market conditions and inventory adjustments, negatively impacting our overall financial performance. However, as the yen has depreciated significantly compared to the previous fiscal year, our plastics business recorded earnings that surpassed the plan, supported by strong demand overseas. As a result, the Group’s consolidated net sales and operating profit exceeded initial targets, reaching record highs. Ordinary profit and net profit were slightly lower than targets, affected in part by an increase in interest paid due to rises in rates overseas.

In NC2023, one of our priority policies is the “intensification of investment targeting future growth.” Accordingly, we have been exploring opportunities for growth investment, including M&A.

In February 2023, we acquired shares in Daigo Tsusho Co., Ltd., making it a subsidiary. Its operations involve the manufacture and sale of agricultural and marine products and the sale of materials for food packaging. This acquisition was the first project carried out by our Business Planning Office, which was established in 2021 and is responsible for sourcing investment projects. In making Daigo Tsusho a subsidiary, we aim to strengthen our functions and expand our business domain by incorporating its capabilities and expertise in areas such as e-commerce into our Group.

Over two years have now passed since the Business Planning Office was established, and it has deepened collaboration with members of each sales division. While utilizing their expertise in finding and approaching target companies for investment, as well as the networks developed on the sales front lines, members from both sides are closely sharing opinions and ideas, working to discover promising investment projects and carry out business planning. While this internal collaboration framework was a key component in the successful acquisition Daigo Tsusho, I also feel that it was the

exceptional character of our employees, demonstrated through their integrity and enthusiasm, that played a major role. Their qualities were undoubtedly noticed by the president of Daigo Tsusho and helped in gaining his support for the proposal. While it can be slightly difficult to explain these qualitative factors to our shareholders and investors in a logical sense, our management team believes that our founding spirit of “love (*ai*)” and “respect (*kei*)” along with the IK Values are deeply instilled among our employees and practiced in our daily operations, and this acquisition serves as a proof.

Sales of strategic shareholding progressing as planned
Steadily reorganizing the allocation of management resources

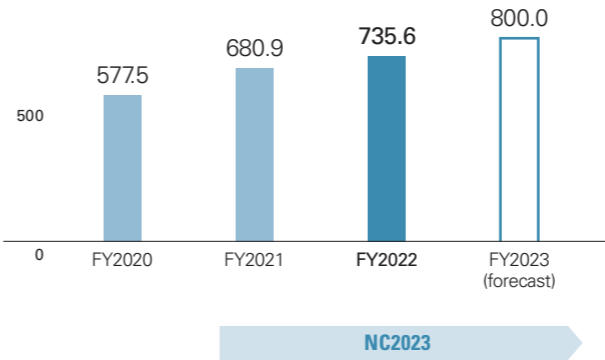
In the medium-term business plan, one of our quantitative targets for FY2023 is an ROE of at least 10%. While our current ROE level is above this target, it reflects gains on sales of strategic shareholdings, which will only contribute

temporarily. Therefore, to ensure that a high level of profit is maintained despite this fact, we must grow our business while steadily taking the next steps. One of our measures connected to this aim, the “intensification of investment targeting future growth,” has become increasingly important. In regard to this point, our outside directors have offered a number of suggestions that we endeavor to remain constantly mindful of. This has led us to further accelerate investment in fields such as renewable energy, food and agriculture, mobility, and recycling.

Our main means of funding our growth investments is the allocation of cash acquired from the sale of strategic shareholdings. As previously announced, we plan to reduce the balance of strategic shareholdings by 50% during the current medium-term business plan period, and by approximately 80% by the end of March 2027, relative to the balance at the end of March 2021. Rather than keeping these gains on sales as retained earnings, we will use them to invest in targets that will lead to future growth, with a focus on sustained generation of returns that exceed the cost of capital. We will also emphasize

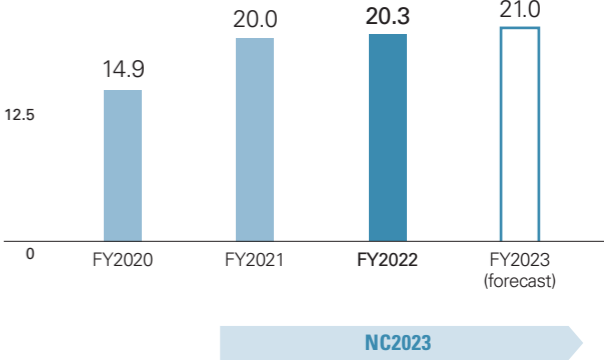
Net sales

(Billions of yen)
1,000



Operating profit

(Billions of yen)
25.0



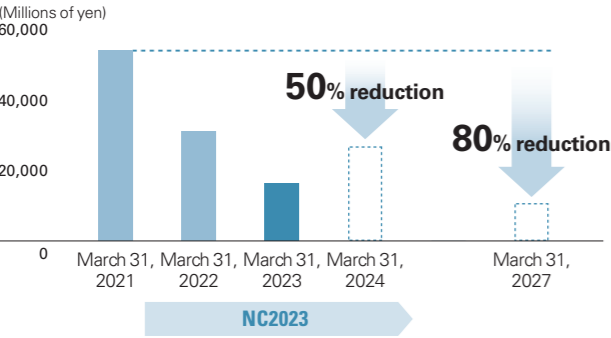
Medium-term business plan NC2023
Key initiatives

1. Further development of core businesses and horizontal expansion into growth sectors
2. Multifaceted approach to markets with potential for future growth and steady monetization efforts
3. Intensification of investment targeting future growth
4. Further improvement of global management information infrastructure
5. Continuous review of assets and further improvement of capital and asset efficiency
6. Enhancement of human capital utilization efforts

shareholder returns, aiming to continue to pay progressive dividends while further enhancing returns. In addition, we will focus on maintaining a balance between long-term and short-term interest-bearing debt through measures such as issuing corporate bonds, while also diversifying our funding methods.

We are making steady progress toward two quantitative targets in our long-term vision, IK Vision 2030: “1 trillion yen in consolidated net sales” and “sales and operating profit generated outside of Japan of 70% or more.” We are also continuing efforts to build a “third pillar of business” to stand alongside our information & electronics and plastics businesses. I believe it is important to continue to communicate the importance of appropriately reorganizing the allocation of management resources while responding to societal changes in each era.

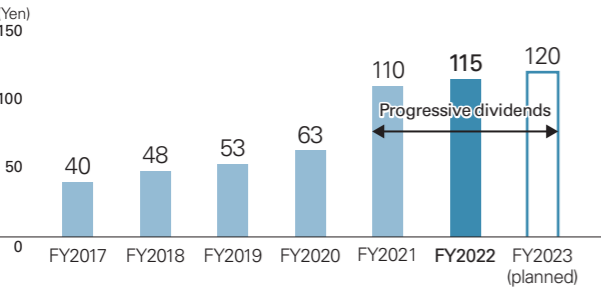
Strategic shareholdings*



Investments and lending

(Billions of yen)	FY2021	FY2022	Cumulative
Growth investment	1.20	2.86	4.07
Fixed investment	2.01	2.78	4.78
Total	3.21	5.64	8.85

Dividends per share



Employee well-being as a focus point for enhancing human capital

As a trading company, one of the six material issues we identified in 2022 was “fostering and strengthening the human capital driving the value creation.” However, at present we have not sufficiently implemented measures for developing and enhancing human resources, and I believe this remains a challenge for our Company. In particular, given that our business overseas is rapidly expanding, we have not sufficiently provided career development opportunities for the national staff working at our Group companies and bases in various countries and regions overseas. Therefore, in FY2023, we will put in place a support system for career development that aligns with each individual’s experience, strengths, and goals. Alongside this, in order to reward employees, who are the source of our growth, I feel it is also essential to improve their treatment, especially by developing improved pay structures at our overseas bases.

In addition to reviewing salary standards and other such factors concerning employee treatment, another of our focus points for the enhancement of human capital is employee well-being. Taking this as the foundation, we consider it an urgent priority to establish systems and an environment that empowers each employee to demonstrate their potential through their own initiative. As an indicator for this, we have been conducting an employee engagement survey since 2021. We have analyzed employee’s satisfaction levels with respect to elements such as working environments, pay levels, and human resources systems on a division and office basis, as well as a country and region basis. We observed that needs for flexible work styles such as telework vary significantly according to country and region. Our Global Human Resources Management Department, which was established in 2022, is responsible for thoroughly identifying such needs, redesigning flexible systems for each area, and formulating policies for labor management. In addition, from the perspective of enhancing employee benefits and sharing value with shareholders as a listed company, in FY2023, we determined to grant restricted stock (RS) to employees. We also increased financial incentives for the employee shareholding association at the same time. While these measures contribute to the formation of long-term assets for employees, they are also expected to help build affinity toward the Company. In this way, I feel they play an important part in the enhancement



of human capital in the wider sense.

To fully leverage our people, which are the most important management resource, and increase business continuity potential, the promotion of diversity is essential, including women’s empowerment. Particularly in Japan, as the population continues to decrease, it is critical that we actively recruit women and establish an employment environment that enables them to play active roles. I feel that we must now examine the introduction of a new work system that gives equal opportunity regardless of gender and nationality and is not bound by conventions.

Main human resources measures implemented in FY2022

- Centralized management and development of global human resources
- Developed systems to improve diversity (empowering women and senior employees)
- Continued to conduct the employee engagement survey
- Certified as a 2023 Certified Health & Productivity Outstanding Organization
- Introduced a restricted stock incentive plan for the employee shareholding association

Pursuing a resource recycling business model while addressing environmental and social issues

In recent years, there has been growing social demand for companies to practice sustainable management. In the industrial world, there has been a notable increase in efforts aiming to reduce environmental impact

throughout the entire supply chain, and at our Company, customers are increasingly seeking assistance through our sales representatives. While the concept of sustainability is now directly linked with trading, we are aware that the Group could lose customers if we steer our business the wrong way. Our outside directors also have a strong interest in sustainability, and offer a wide range of recommendations and advice. The Sustainability Committee, which was established in 2021, promotes cross-divisional discussions on important themes, such as climate change. Through our business activities, we are also steadily expanding our range of products and solutions, including in the field of renewable energy, that contribute to decarbonization and waste reduction.

While climate change poses significant risks to trading companies, the opportunities it presents are expected to outweigh these significantly. For our Company, customers working to address decarbonization have consulted with us about material procurement methods, while we have been able to acquire information from suppliers about the latest technology. Currently, we are applying the insights we gain through these sorts of negotiations to identify potential markets, and are developing new business models for resource recycling by coordinating multiple business operators. Compared to manufacturers, trading companies require less funds for capital investment when starting a business. Accordingly, we understand that our business structure can respond to the changing times and new risks with more flexibility.

On the other hand, we must also pay attention to risks such as human rights issues, which can be hidden in the supply chain, the lifeline of a trading company. As a specific

example of our activities, we have begun to construct mechanisms for human rights due diligence based on the United Nations Guiding Principles on Business and Human Rights. As our mission as a company 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,” we acknowledge our accountability and responsibility to investigate human rights risks.

Accelerating decision-making and improving governance through transitioning to a company with an audit and supervisory committee

Over a year has now passed since June 2022, when we transitioned from a company with an audit & supervisory board to a company with an audit and supervisory committee. We have clearly shifted toward having the Board of Directors operate in a monitoring capacity as a supervisor of business execution while incorporating

diverse perspectives and external knowledge. Independent outside directors now comprise the majority of the Board’s members, and I feel the content of discussions has naturally turned toward business strategies and medium- to long-term issues. In addition, we have made it possible to delegate some decision-making for business execution to the executive side, thus allowing the Board of Directors to concentrate more on monitoring. As a result, decision-making has become considerably swifter than compared to when we were a company with an audit & supervisory board. As mentioned, the outside directors offer a wide range of ideas and perspectives, and this has also contributed to enhancing the effectiveness of the Board of Directors. In FY2023, we intend to arrange meetings where directors can gather on a separate day to the regular Board meetings to engage in more free discussion.

In 2023, we will begin to formulate our next medium-term business plan. Our outside directors have expressed that they would like to engage in discussions from a medium-to long-term perspective before the plan is formulated. In light of this, we intend to ensure enough time before the year’s end to conduct discussions that will facilitate more effective planning.

In terms of risk management, as work-from-home arrangements triggered by the COVID-19 pandemic continue to expand, companies are closely monitoring risks, such as ransomware and targeted attacks, which are rising ever year. As we have increased remote work at our Company, we are working to build a zero-trust network alongside our existing perimeter-based security model. Specifically, we are reviewing our authentication infrastructure (SAML* authentication) and access control,

while also bolstering endpoint security through means such as introducing endpoint detection and response (EDR), including at bases overseas, as our existing anti-virus software is no longer sufficient. In terms of our framework, we have established a security incident response team (IK-SIRT) within our Company and are strengthening information sharing both internally and externally, while an external security operations center (SOC) provides monitoring 24 hours a day, 7 days a week.

* Security assertion markup language

Reflecting the diverse opinions and suggestions of stakeholders in management

To improve our long-term corporate value, we place importance on engaging in dialogue with investors in both Japan and overseas. Nevertheless, given our aggregate market value, we often do not have the chance to enter the investment universe or reach the point of holding meetings with investors. Recently, however, our aggregate market value has begun to rise, and we are gradually receiving

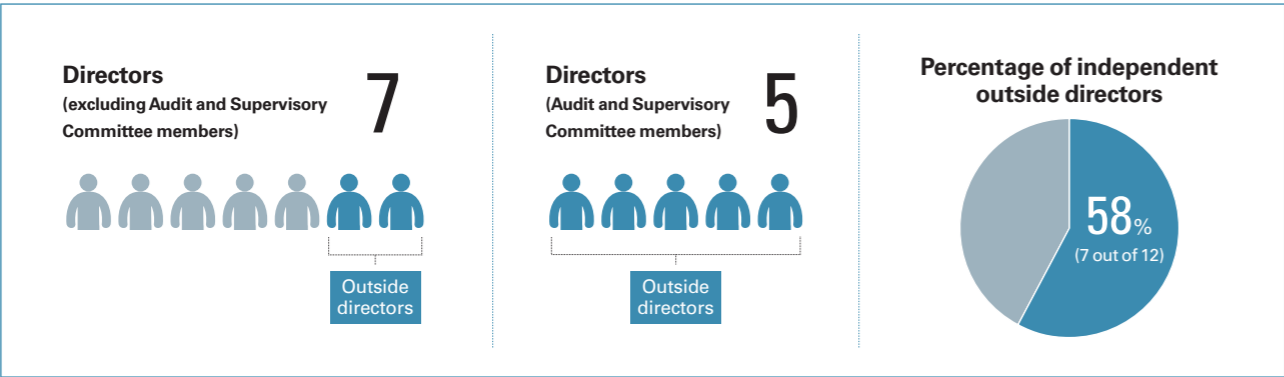
more opportunities for meetings.

For some time now, we have engaged in consistent IR activities, such as regularly providing a fact sheet to institutional investors. We will continue these efforts and actively listen to the diverse opinions and suggestions raised in meetings. One step we took in 2022 based on previous suggestions was to change the calculation method for director remuneration. While performance-linked remuneration has been linked only with net profit until now, we have added return on invested capital (ROIC) as a new indicator in consideration of capital efficiency and investment yield. Placing importance on addressing sustainability, we have also included environmental, social, and governance (ESG) scores provided by multiple external evaluation agencies as an indicator.

In order to be a trading company that is needed by society in a timeless way, we will directly address the challenges faced by the world and our clients, linking our efforts to the growth of the Group. I will also strive to communicate the themes and management issues that I have mentioned here to all stakeholders in an open and respectful manner.

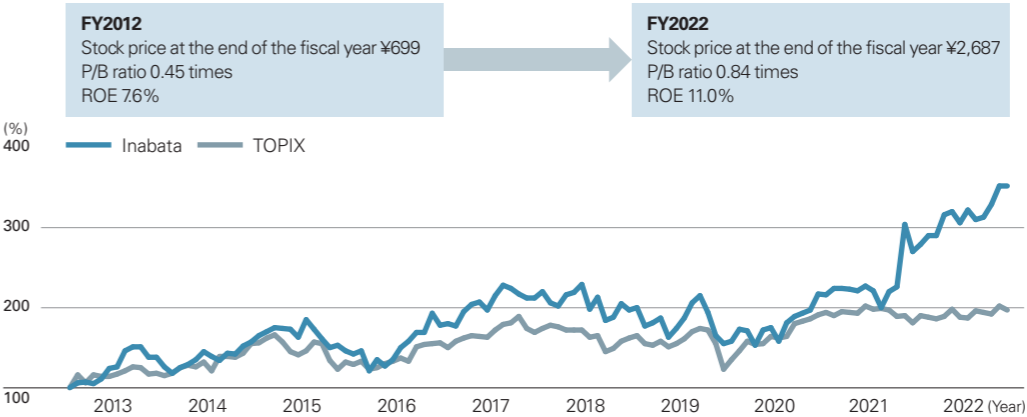


Composition of the Board of Directors



Indicators for performance-linked remuneration	Performance-linked remuneration is calculated by multiplying the fixed remuneration for each position by a coefficient for: <ul style="list-style-type: none">• Profit before income taxes and non-controlling interests (excluding gains on sales of certain strategically held shares)• Returns on capital (ROIC and ROE)• Stock price• Each level of ESG scores from multiple external evaluation organizations (FTSE Russell and MSCI)
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Relative comparison of Inabata’s stock price with TOPIX (FY2012–FY2022)



Notes: 1. Represents the relative stock price's initial value for the month, assuming 100 as the closing value on April 1, 2013.
2. P/B ratio is calculated by dividing the stock price at the end of the FY (TSE closing price) by net assets per share.

Feature
Toward the
Creation of
New Value

Feature
1 Increasing earnings
through **M&A** and strengthening
upstream to downstream
operations in the food business

**Acquisition of Daigo Tsusho, an e-commerce business operator
for processed eel products and carefully selected foods**

Inabata has acquired the shares of Daigo Tsusho Co., Ltd. (headquarters: Shizuoka), whose operations include e-commerce business for processed eel products and other foods, as well as the wholesale of packaging materials and machinery, and the manufacture and sale of dried vegetables. We have engaged in business operations together since Daigo Tsusho became part of our Group in June 2023.

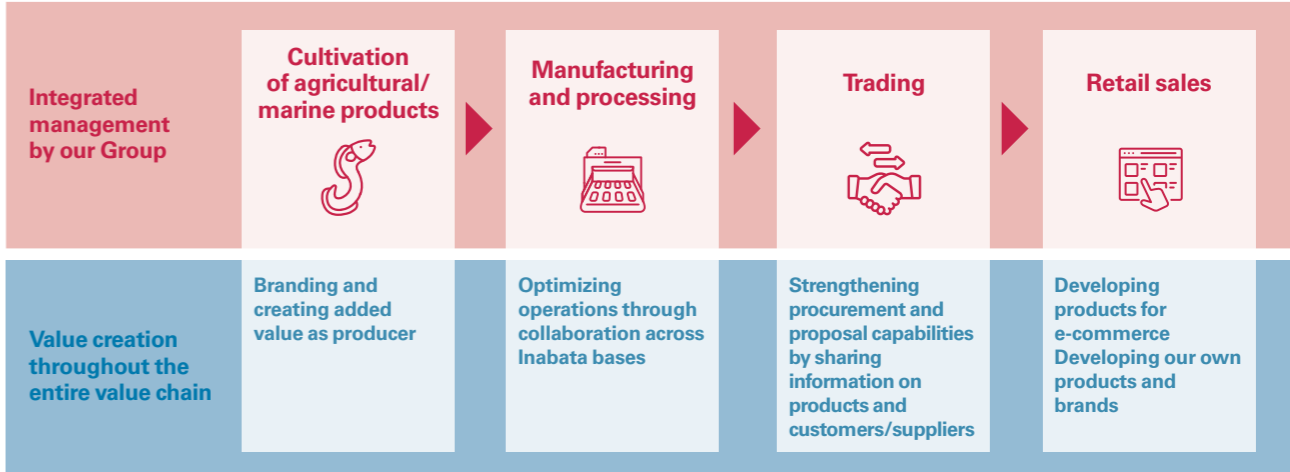
In our medium-term business plan NC2023, one of our priority initiatives is the intensification of investment targeting future growth, and we are investing in growth markets such as environment, energy, and food to secure medium-term earnings. In 2021, we established the Business Planning Office as the unit responsible for carrying

out the actual work of M&A. While coordinating with M&A brokerage firms, banks, and investment funds, it screens and reviews various investment projects, sharing information with each sales division. Among such projects, we explored the possibility of working with Daigo Tsusho.

Daigo Tsusho primarily operates businesses involving the planning and sale of food packaging materials and food machinery and equipment, and the manufacturing and sale of agricultural and marine products such as processed eel and dried vegetables. They sell processed eel and other products not only on their own e-commerce site but also through other e-commerce malls, and their products are highly regarded, frequently winning 1st place in their category in the malls.

Expanding earnings in the food business through synergies such as product and customer expansion

Vertically integrated business model



Our strategy for the food business is based on the establishment of a vertically integrated business model. This enables us to expand synergies and enhance our functions and added value through an integrated management approach covering cultivation of agricultural and marine products, as well as manufacturing, processing, trading, and retail sales. We have followed this strategy in making Daigo Tsusho our subsidiary, aiming to strengthen our functions in procurement, manufacturing/processing, and sales.

There is also considerable potential to engage in cross-selling to provide our respective products to customers in the downstream area of the value chain, so we will utilize Daigo Tsusho's e-commerce channels to tap into new sales avenues. The e-commerce market for



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

food products is growing every year. However, among sales to general consumers, where e-commerce accounts for over 8.7%, food only comprises around 3.8%. Considering this, there is still significant room for market expansion. By gaining e-commerce business experience and expertise in this field, along with new sales channels, we will be able to greatly enhance our retail sales functions and drive the future growth of our business. Furthermore, not only can we share Daigo Tsusho's factories in Japan and overseas as bases for processing, frozen/refrigerated storage, and distribution, but we also expect to create synergies in Daigo Tsusho's business fields of food packaging and machinery. We will continue to evolve our vertically integrated business in the food sector to diversify the proposals we offer to customers and further improve our profitability.

Eel products produced by Daigo Tsusho



Yuichirou Funayama
Senior Manager,
Affiliate Management Department
Life Industry Division

Daisuke Hatsuta
Senior Manager,
Food Department
Life Industry Division

Feature

Toward the
Creation of
New Value

Feature 2 Joint establishment of a
new U.S. company that
manufactures lithium-ion
battery-related materials for EVs

Expanding business for lithium-ion battery components
in the U.S. market through a partnership with the Toyo Ink Group

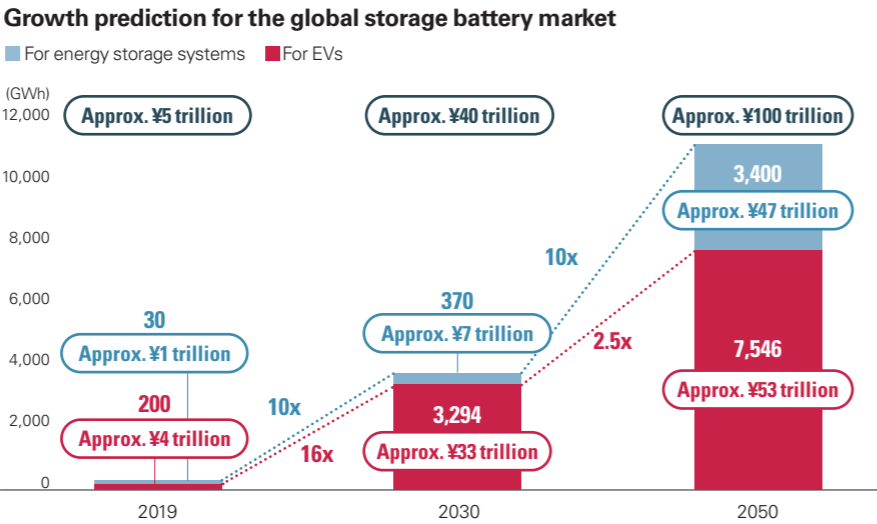
Inabata has partnered with Toyo Ink SC Holdings Co., Ltd. to jointly establish a new company named LioChem e-Materials LLC in the U.S. state of Kentucky for the production and sale of conductive carbon nanotube (CNT) dispersions for lithium-ion batteries. We are now accelerating efforts in preparation for the commencement of operations and mass production in 2025. In the United States, a presidential executive order was issued in August 2021, calling for at least 50% of all new passenger cars and light trucks sales to be comprised of zero-emission vehicles by 2030. As the shift to zero-emissions mobility accelerates, a series of large-scale investment plans for EV and automotive battery plants has been announced by major industry players, and due to these circumstances, the production capacity of automotive batteries in the United States, is forecasted to grow to more than eight times the 2022 level by 2030.

Prior to this, we began collaborating with the Toyo Ink Group to acquire new customers for lithium-ion battery-related materials in 2018. These efforts led a major overseas battery manufacturer to adopt the Toyo Ink Group's CNT dispersions in 2019. The manufacturer then developed a plan to establish a new plant in the United States, through a partnership with an automaker. As a new supply base was needed for this development, we resolved to establish a new company with the Toyo Ink Group that will produce and sell CNT dispersions exclusively to the battery manufacturer.

The investment in this company aligns with a key measure in the medium-term business plan NC2023, the "intensification of investment targeting future growth," which focuses in part on the environmental and energy field.



CNT Dispersions



New company: LioChem e-Materials LLC

Harnessing our competitive advantage in technology and a market tailwind
to strengthen our business models

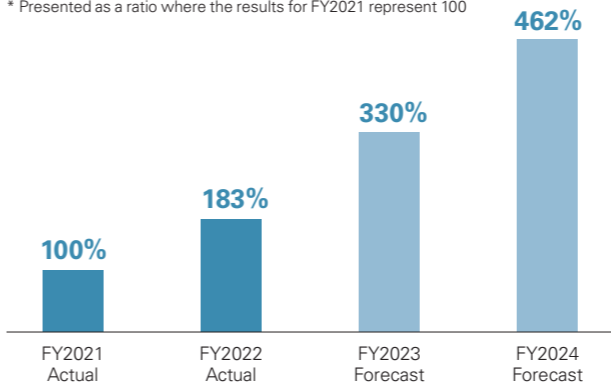
With the capacity of lithium-ion batteries continuing to increase, challenges are emerging in terms of maintaining and improving conductive performance. As CNT has high electrical conductivity, it is drawing attention as a material that can resolve these issues. However, because it is composed of intertwined long and thin fibers, if it is not processed, it cannot be mixed with the electrode material in a uniform concentration and cannot be used for coating. In response, the Toyo Ink Group has applied the knowledge it has cultivated over many years to successfully develop a technology that enables uniform CNT dispersions at a high concentration.

Previously, our lithium-ion battery-related material business had focused mainly on carbon black and binders. Going forward, as demand for battery materials is expected to grow significantly, especially in the automobile industry, we expect that our consolidated net sales in this business area will increase to several times the scale of FY2021 levels by FY2024.

With the establishment of the new company, we aim to firmly meet the needs of existing customers and also expand our business through sales activities that target new customers. As the automobile industry represents a once-in-a-century transformation due to electrification, our efforts over the following 10 years will be of paramount importance. We will continue to proactively participate in investment projects like this, seeking to strengthen our business models and organization.

Sales forecast for lithium-ion
battery-related business (consolidated basis)

* Presented as a ratio where the results for FY2021 represent 100



Kazunari Konno

Senior Manager
Information & Electronics Division III
Sales Department III



Feature

Toward the
Creation of
New Value

Feature 3 Aiming for sustainable improvement of corporate value through the enhancement of human capital

Developing a systematic human capital strategy based on our fundamental spirit of treating people with love and respect

People are the most important asset of the Inabata Group, and we believe that enabling employees with diverse backgrounds and strengths to fully demonstrate their abilities will increase the Group's competitiveness and lead to sustainable growth. We therefore consider the development of human resources and the creation of an environment that maximizes their potential as one of our most important management issues.

The foundation of the Group's human capital strategy is our spirit of "love (*ai*)" and "respect (*kei*). We are engaging in a variety of efforts that align with this fundamental spirit of treating people with love and respect, working to expand the human capital driving the value creation.

We plan to set indicators and targets based on our human capital strategy by the end of FY2023.



Main human resources initiatives

① Employee engagement survey

We conduct an employee engagement survey once a year to ascertain the state of our employees in terms of diversity and their values. Please refer to page 65 for more details.

② Restricted stock incentive plan for the employee shareholding association

Under this plan, each of our employees and temporary employees (excluding executive officers, employees seconded from other companies, and temporary staff) are granted 100 of our restricted common shares (acquisition through the employee shareholding association).

The plan aims to aid employees in accumulating assets and provide them with an incentive for seeking the sustainable enhancement of our corporate value. It also contributes to the further sharing of value between employees and shareholders.

Transfer restriction period
From July 31, 2023 to May 1, 2027

③ External training for managers

To foster business leaders who can drive the achievement of the Group's long-term vision and sustainable growth amid a radically changing environment, we dispatch members of management to participate in external training. Carried out over 12 sessions across three months, this training adopts a model where individuals from different companies gather, enabling them to build broad networks and develop their abilities while engaging in friendly rivalry.

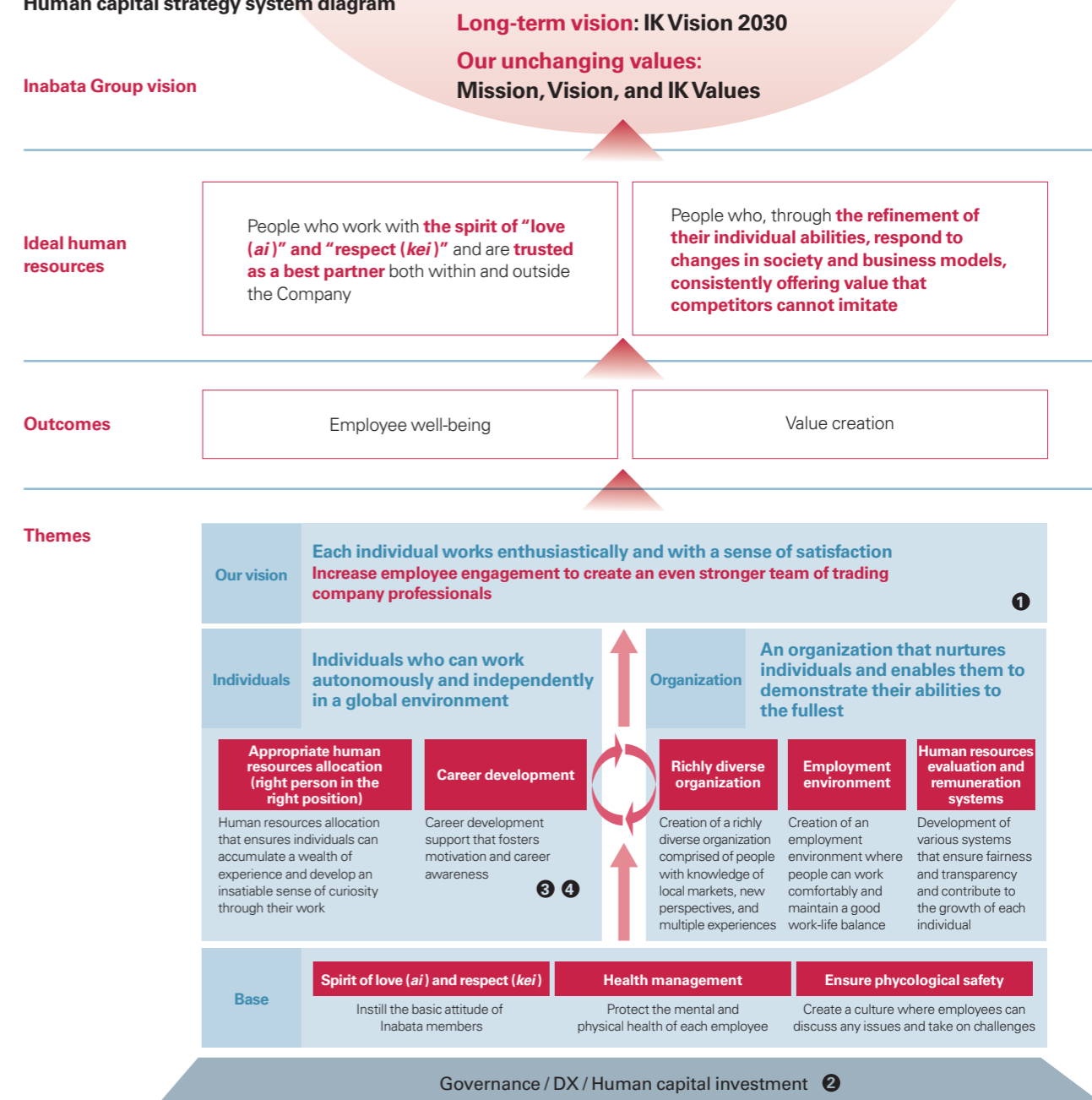
④ Overseas training system

In FY2023, we introduced a system for short-term overseas training. Focusing mainly on third-year new graduate employees in Staff positions, the system aims to support the career development of young employees and extensively develop human resources that can thrive globally. By dispatching employees to overseas Group companies for a period of three months so that they can experience business and life overseas, we seek to develop their abilities as global-minded people. Please refer to page 66 for more information on our training systems.



Level-based training (critical thinking)

Human capital strategy system diagram



Note: The numbers ① to ④ in the diagram correspond with the "main human resources initiatives" listed on page 35.

History of Our Business Portfolio

Since starting from importing dyes in 1890, we have expanded our business around chemicals that form the foundation of all kinds of industries, responding to the changing needs of our clients and society.

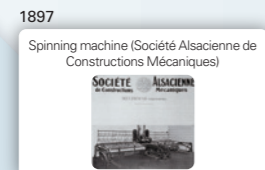
1890— Early period

The era of founding and growth

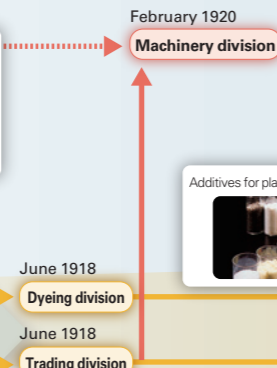
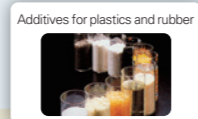
We started with the import and sales of dyes and dyeing & weaving machines and expanded our business around the chemicals field.

Founder and dyes

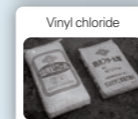
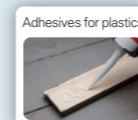
Our founder went to study in France on government sponsorship at the age of 15. There, he studied cutting-edge synthetic dyes and dyeing techniques of the time for eight years and brought back the knowledge to Japan.



Perfumes

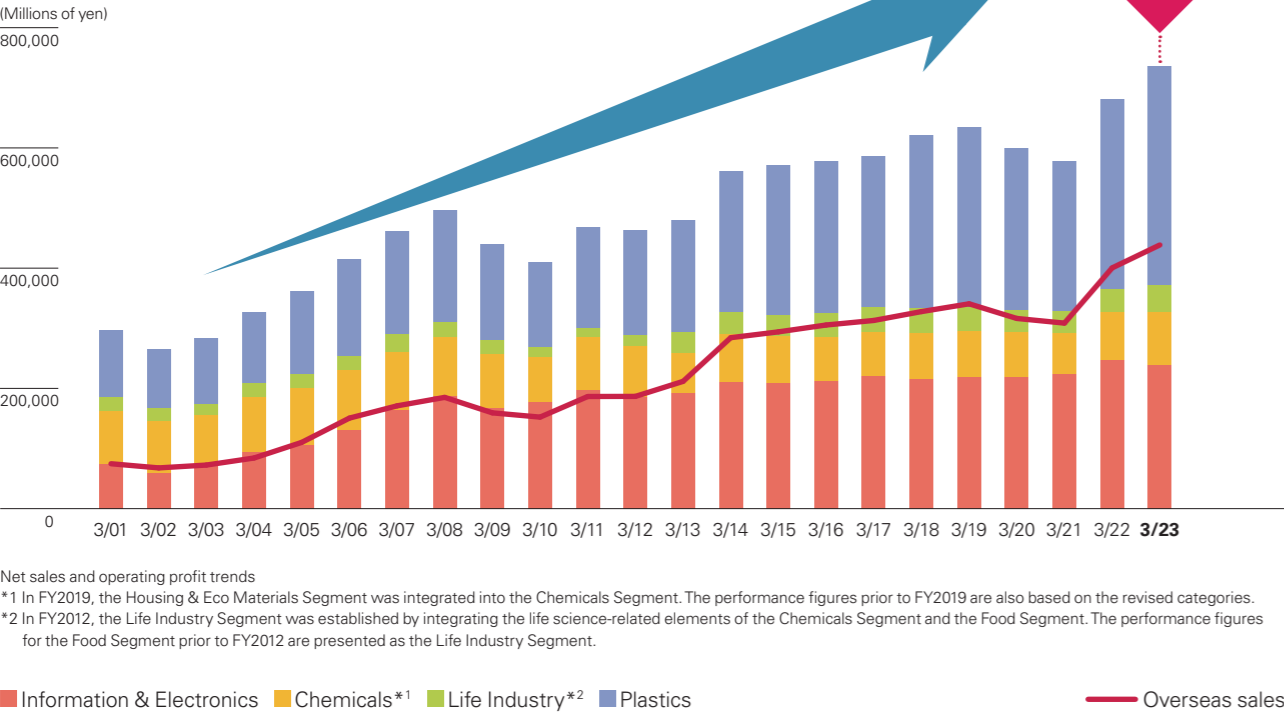
February 1920
Machinery division

Limited partnership company Inabata Koryo
The Perfume division separated in 1926 to become an independent entity and the limited partnership company Inabata Koryoten is established. The name was changed in 1966 to Inabata Koryo.
Note: There is no capital relationship with our Company now.

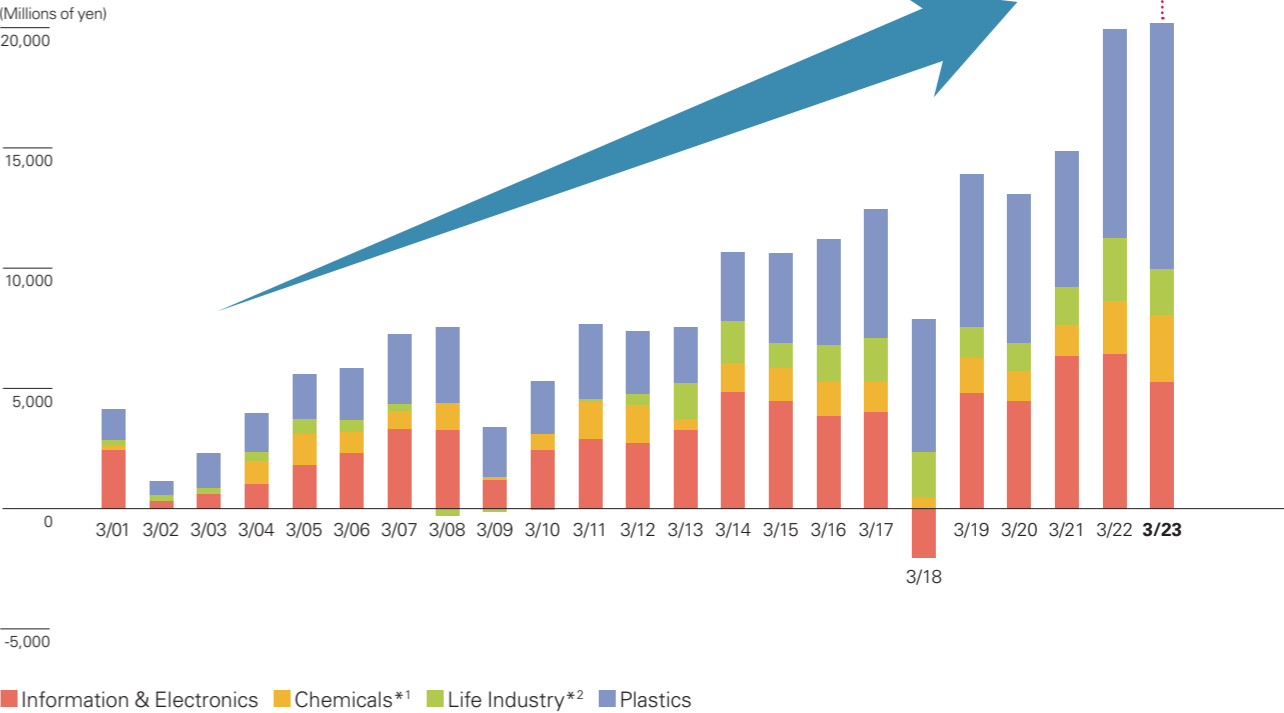
January to November 1933
Pharmaceuticals divisionOctober 1946
Pharmaceuticals division

Growing alongside clients and society while adapting to changes in more than 130 years of history

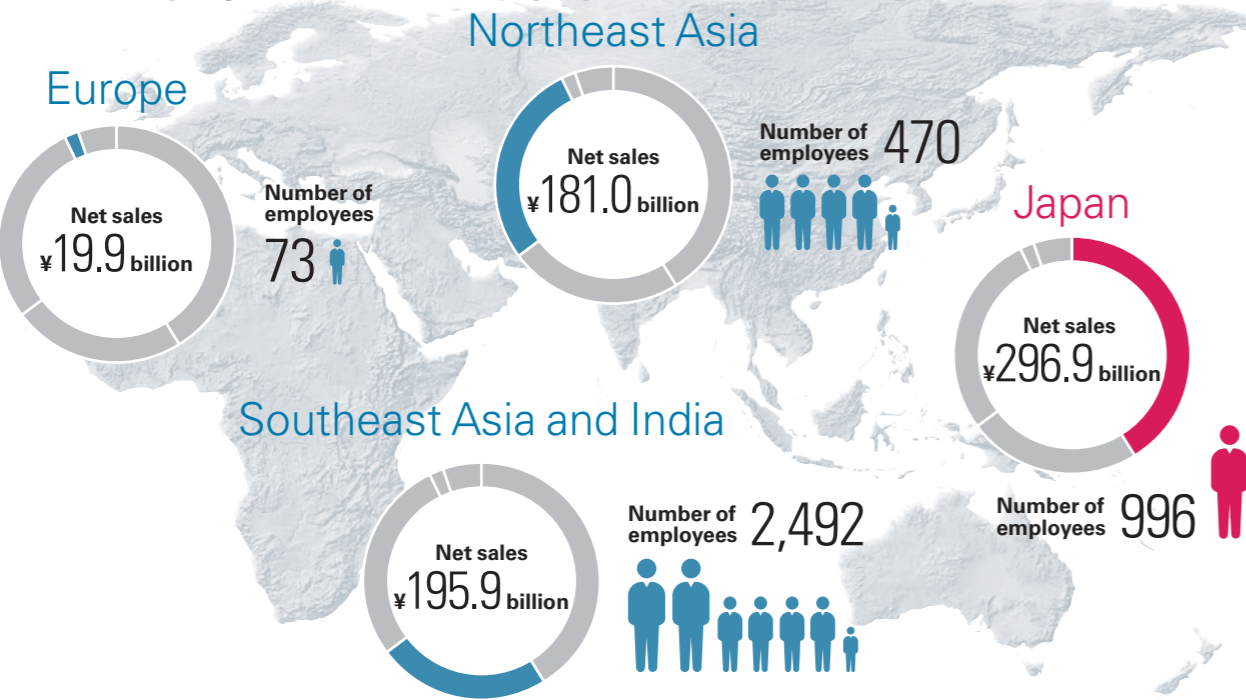
Net sales



Operating profit



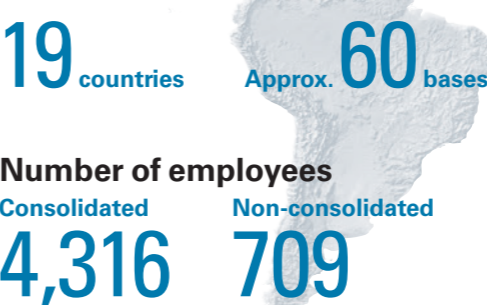
Net sales by region / Number of employees (FY2022 / As of March 31, 2023)



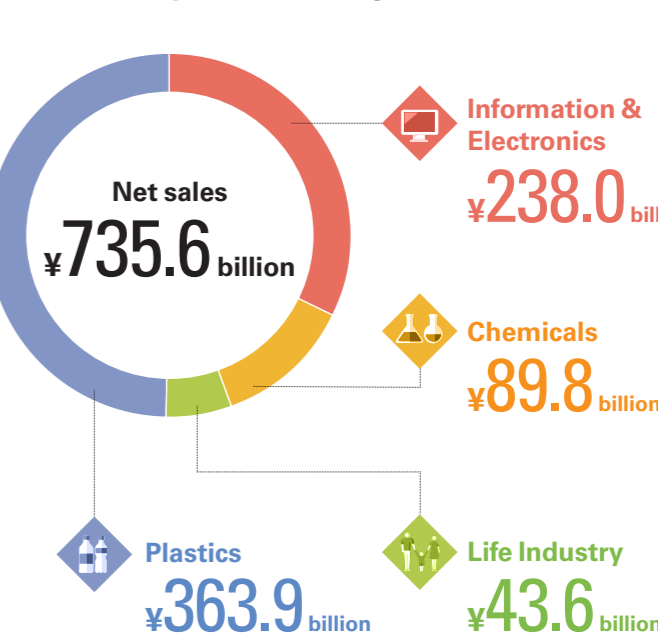
The Americas



Overseas network



Net sales by business segment (FY2022)



Establishing a unique presence in anticipated growth areas while nurturing the strengths of each business segment

Business segments

Composition of products and materials
(Based on the amount of net sales)

Net sales / Operating profit

Strengths



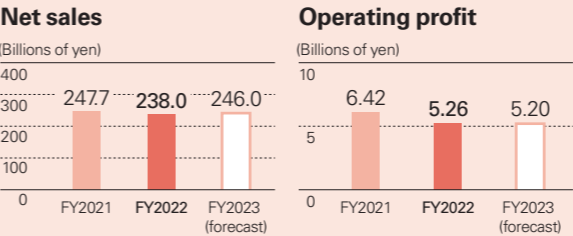
Note: As of March 31, 2023

Information & Electronics

With FPD components, materials for digital printing, materials for semiconductors, and other products as our income-generating pillars, we are also venturing into new fields such as automobiles and life science. In addition, we are focusing on IoT and renewable energy-related products, which have recently been expected to grow.



Segment performance overview



Note: FY2023 forecast is as of August 2023.

- Net sales and operating profit declined mainly due to weak sales for products related to FPDs.
- The FDP-related business saw a significant reduction in sales for related components, impacted by continued production adjustments due to excess inventories. Sales also declined in the organic LED-related business due to continued production adjustments.
- In the LED-related business, sales of components decreased due to a decline in demand.
- In the inkjet printer business, sales in the consumer field remained strong. The industrial field also recovered, leading to an increase in sales for related materials.
- In the photocopier-related business, sales of related materials increased.
- While sales for materials decreased in the solar cell-related business, sales for materials in the rechargeable battery-related business were strong.
- Photomask-related materials performed well.
- Sales declined in the semiconductor and electronic components business.

Strategies for the NC2023 medium-term business plan

Taking on the challenge of developing new products and markets while swiftly and flexibly responding to the changing times

Overview of FY2022

Digital printers, automotive rechargeable batteries, and LED-related component materials performed well. However, FPD-related component materials, which are a profit driver in this business, saw a significant decline in sales. This was attributable to continued production adjustments among manufacturers, mainly due to a drop in demand in China, where FPD production is centered, and increases in inventories of various components. Sales also declined for electronics-related products, making it a very challenging year on the whole.

Business environment awareness and opportunities/risks

In recent years, friction between the United States and China has had a significant economic impact. This has made it difficult to forecast demand in the information & electronics business, where the market centers on China. However, new business opportunities can be created by responding to this change. The Group plans to continue to develop promising markets such as those relating to display parts for automobiles and power semiconductors for power control, which are highly profitable, and the environment-related market.

Business strategy

For our key product of FPDs, given that we do not expect a recovery in demand and profitability to previous levels

based on current market conditions, we will aim for horizontal business expansion focused on new component materials, mainly component materials for automobiles and organic LEDs. In addition, in our EV-related business, where solid growth is anticipated, we will build our next pillar of earnings through focusing on such products as power semiconductors, which are seeing increasing demand, and industrial inkjet printers, for which the market is expanding. In the environmental field, we will continue to expand our existing renewable energy business while also taking on new challenges

such as proposing biomass power generation schemes based on local promotion for local consumption and regional collaboration.

Toward sustainable business growth

In the rapidly changing information and electronics market, we believe that the pursuit of new business opportunities is not only crucial but also intrinsic to our purpose. By continuing to pass on and foster this mindset, we will develop new work styles and strengthen our competitiveness.

Business environment and strategies

Displays	Digital printing	Semiconductors and 5G	Environment and energy
Business environment (■ Opportunities ◆ Risks)			
■◆Overconcentration in the Chinese market ■Expansion of display parts for automobiles ◆Addressing intensifying competition and changes in trends	■Expansion of the industrial inkjet market ◆Advancement of paperless environments	■Expansion of IoT- and Mobility as a Service (MaaS)-related markets ◆Intensifying global competition	■Increase in global interest in renewable energy ◆Addressing variations in related laws and regulations in different countries and regions
Strengths			
●Collaboration with major Japanese materials manufacturers	●Top-level information network in each industry as a trading company ●A global network to maintain closeness with customers and the capability of providing processing and distribution services	●Specialized skills in mask blanks, which is one of our key products	●A wide array of renewable energy materials
Activities and strategies			
●Expand business with a dual focus on China and Southeast Asia ●Expand product lineup centered on components related to displays	●Set up at the earliest possible opportunity a supply system for new materials with rising demand ●Start new transactions with material makers and expand product lineup	●Expand product lineup for automobiles and strengthen supply system ●Expand our handling of 5G-related materials	●Start multidimensional new businesses catering to different regions and needs ●Develop employees with specialized knowledge

Toyohiro Akao
Director, Senior Managing Executive Officer



Masahiro Sugiyama
Director, Managing Executive Officer

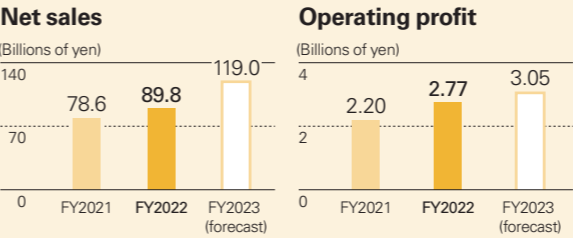


Chemicals

With firm roots in our founding business of dyes, we deal in chemicals that serve as a platform for all kinds of industries. We have a track record of separating businesses that show growth and pursuing new potential, and we are currently exploring new avenues for business overseas. In 2019, we integrated the Chemicals Division and the Housing & Eco Materials Division, which was dealing with materials that are close to final products, to provide optimum products and services to the entire value chain.



Segment performance overview



Note: FY2023 forecast is as of August 2023.

- Net sales and operating profit increased due to strong overall demand and rises in selling prices.
- In raw materials for resins and additives, sales for urethane raw materials were strong.
- In automobile component materials, sales for heat-dissipating materials for EVs were particularly strong.
- Sales were favorable in the paint, ink, and adhesive fields.
- In chemicals for paper manufacturing, sales were strong for raw materials for corrugated containerboard and sanitary paper.
- In housing materials, in addition to a recovery in demand as the lumber sticker shock eased, orders increased for new materials, and sales centered on house makers were strong.

Strategies for the NC2023 medium-term business plan

Making proposals that leverage our global procurement capabilities and network of bases, and promoting sales expansions for eco-friendly products

Overview of FY2022

In FY2022, sales reached a record high as business performed well in the second year of the medium-term business plan. This was attributable to increased sales of materials for EVs in the automobile field and materials in the functional chemicals field, strong performance by coating materials, increased orders for new materials in the housing field, and strong overall performance across other fields.

Business environment awareness and opportunities/risks

As this segment encompasses a wide range of businesses that deal in many different products, it is unlikely that a single factor could cause the business environment to change dramatically. Nevertheless, domestic demand is shrinking amid a long-term and global trend in which chemical manufacturers are restructuring and increasing business scales. These circumstances, however, represent an opportunity for us as a company that excels in overseas business.

Business strategy

With regulations in the chemical industry tightening throughout the world, it is becoming more necessary to find new suppliers for materials to strengthen business continuity planning (BCP). We will work to meet such needs by harnessing our global connections and procurement and supply networks that we have developed over many years. The overseas market is growing rapidly for EV-related products, while business opportunities are also emerging in new fields such as display materials for automobiles. We will promote new imports and exports of various materials and accelerate the globalization of our business from the standpoint of product procurement and supply.

Toward sustainable business growth

To respond to the swiftly expanding EV market, in the Chemicals Division, we have established a department specializing in the mobility field to examine trends in necessary materials and technology. In addition, as it has become increasingly essential to have specialists with expert knowledge, we established the Marketing & Development Section in 2022. This department engages in dialogue on cutting-edge technologies with

manufacturers and customers, and it is also working to enhance the training of expat employees from Japan and local employees at overseas bases to develop them into specialists. In March 2023, we acquired Maruishi Chemical Trading Co., Ltd., making it a subsidiary. As new opportunities and risks continue to emerge, we will strive to build a management structure and foster human resources that will enable us to stay a step ahead of change.

Business environment and strategies

Functional chemicals	Coating materials	Automobile component materials	Housing materials
Business environment (■ Opportunities ♦ Risks)			
<ul style="list-style-type: none">■ Increase in need for materials and new formulations in light of environmental regulations♦ Unstable supply of materials and price fluctuations	<ul style="list-style-type: none">■ Increase in demand centered on developing countries♦ Response to global industrial restructuring	<ul style="list-style-type: none">■ Expansion in demand for new materials along with the structural revolution of automobiles♦ Supply instability and price hikes due to logistical dysfunction♦ Industry-specific quality control standards and responsibility of supply	<ul style="list-style-type: none">■ Need for construction and distribution innovations in light of labor shortage♦ Sluggishness of the domestic market
<ul style="list-style-type: none">■ Sales demand from foreign makers■ Enhancing awareness of the circular economy		<ul style="list-style-type: none">■ ♦ Shift from domestic markets to overseas markets	
Strengths			
<ul style="list-style-type: none">● Knowledge of chemicals and a customer base nurtured over 130 years● Competence in organizing a global supply chain suitable for our customers		<ul style="list-style-type: none">● A wide range of products and materials spreading from upstream to downstream● Local handling through overseas manufacturing and processing bases of the Group	
Activities and strategies			
<ul style="list-style-type: none">● Develop and offer new materials and new formulation solutions● Accelerate overseas expansion using the Group's strengths● Respond to needs for the strengthening of BCP	<ul style="list-style-type: none">● Collaborate with Japanese companies expanding overseas● Expand business by leveraging consigned production and processing companies● Propose a supply chain leveraging our strengths	<ul style="list-style-type: none">● Expand EV-related products and multi-display-related products and materials● Build a circular business model● Strengthen the business foundation through means such as M&A	<ul style="list-style-type: none">● Collaborate with major house makers and housing materials manufacturers for domestic and international expansion

Masahiro Sugiyama
Director, Managing
Executive Officer

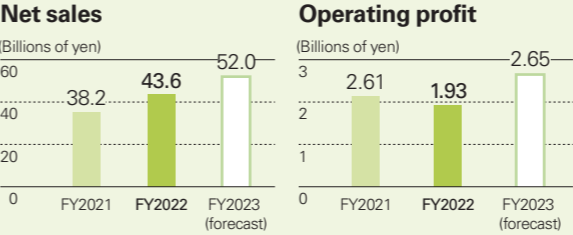


Life Industry

We contribute to creating healthy and comfortable lives for consumers as a provider of pharmaceuticals, consumer goods, and food products. In our food business, we are expanding our vertically integrated model that covers from upstream to downstream, while in our pharmaceutical business, we are focusing on the field of regenerative medicine with an eye to the future.



Segment performance overview



Note: FY2023 forecast is as of August 2023.

- The life science-related business and food (agricultural products) performed well and sales increased.
- In the life science-related business, sales were strong for raw materials for pharmaceuticals, cosmetics, and consumer goods.
- In the food-related business, agricultural products saw strong sales for frozen vegetables and fruits for volume retailers, however, sales of processed marine products for conveyor-belt sushi stores and volume retailers declined. Sales for processed marine products and Japanese food products on the U.S. market declined, impacted by slow demand for eating out due to inflation.

Strategies for the NC2023 medium-term business plan

Pursuing a wide range of profit-making possibilities, with food products and advanced medicine as growth drivers

Overview of FY2022

For FY2022, we set business targets that reflected a backlash from strong performance in FY2021 and intensified competition associated with the normalization of logistics. However, sales for marine products were significantly affected by unforeseen factors, such as slow demand for eating out in the United States due to inflation and a slump for restaurant chains in Japan. Although sales were strong for raw materials for pharmaceuticals and household goods, as well as frozen vegetables and fruits for volume retailers, it was not enough to compensate for the decline in marine product earnings, leading to a decrease in sales overall.

Business environment awareness and opportunities/risks

While supply instability for raw materials for pharmaceuticals and household goods as well as increasing prices are risk factors for the industry as a whole, global manufacturers are diversifying procurement routes from the perspective of BCP. Recognizing this demand as an opportunity, we plan to accumulate profit in the short term by securing a position as a global supplier. In addition, as a long-term opportunity, we are focusing on the advanced medicine and regenerative medicine fields, where Japan has taken the initiative. While leveraging our knowledge, experience, and expertise in the pharmaceutical industry, we are expanding efforts with leading companies in the regenerative medicine field.

Business strategy

In our food business, which handles agricultural and marine products and is currently a key profit driver, we will accelerate investment and new initiatives to achieve further profit growth. We aim to have this business hold a unique position within our company, adopting a vertically integrated model that enables us to add depth to our profits by being widely involved in sales channels from upstream to downstream. In the upstream area, in addition to strengthening our production functions such as our blueberry farm in Hokkaido, we will enhance our production and processing functions through investment. In the downstream area, we will aim to make our business more profitable by utilizing our diverse sales channels for corporate customers while also owning e-commerce channels for consumers. To build a stronger profit base for the future, one area we are making a range of efforts in is the field of regenerative medicine. We have invested in a startup that handles media for cell culture, and we are also providing other

peripheral materials. In addition, we have commenced efforts such as participating in a project for the express transport of domestically produced induced pluripotent stem (iPS) cell-derived products to overseas. We will continue to engage in initiatives with an eye to the next five or 10 years.

Toward sustainable business growth

Human resources, which are key to our non-financial capital as a *shosha*, or Japanese trading company, are vital for the achievement of medium- to long-term

growth. In particular, it is critical that we secure and foster human resources with specialized knowledge in fields such as advanced and regenerative medicine. On the other hand, from a management perspective, it is also necessary to develop human resources with knowledge across segments. To this end, we are working to secure and appropriately position specialists, including through external recruitment, and are developing their future career paths. Through such efforts, we aim to steadily build our next pillar of business.

Business environment and strategies

Pharmaceuticals	Consumer goods	Food products
Business environment (■ Opportunities ◆ Risks)		
■ Expansion of advanced medicine and regenerative medicine markets ◆ Unstable supply of materials and soaring prices ■ Diversification of suppliers for raw materials for pharmaceutical products	■ Expansion in demand for Japanese products in drugstores in the Asia region ◆ Speed of change in market trends	■ Increase in interest in safety of food products ■ Boom of Japanese food overseas ■ Easing of agriculture and fishery regulations in Japan ◆ Sluggish domestic demand ◆ Quality risks specific to food products
Strengths		
● Collaboration with superior suppliers and information network on latest research and development ● Processing and distribution services using Group bases in each field		● Years of know-how on a broad business range from production to distribution
● Teams and individuals with expertise		
Activities and strategies		
● Expand peripheral solutions in advanced and regenerative medicine ● Catch up with and provide information on PMD Act and cellular medicine ● Propose alternative sources and introduce multiple suppliers	● Support expansion and development of Japanese products for Asian markets ● Maintain hygiene management-related products business, which is a stable profit base ● Respond to new customers' needs for the strengthening of BCP	● Accelerate expansion to overseas markets ● Strengthen upstream businesses such as blueberry production ● Develop products in conjunction with upstream businesses and expand collaboration with processing manufacturers ● Strengthen downstream business through e-commerce

Toyohiro Akao
Director, Senior Managing
Executive Officer

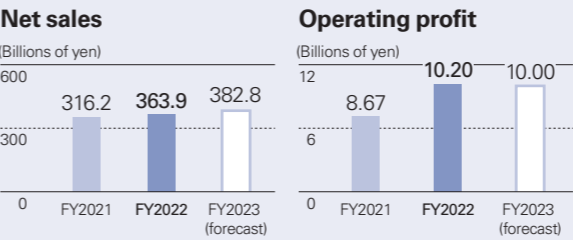


Plastics

We deal in a wide range of products from commodity resins to high-performance resins, operating seven plastic compounding factories overseas and five film manufacturing factories in Japan and abroad. We also strive to develop environmentally friendly products such as biomass, recycled, and biodegradable plastics.



Segment performance overview



Note: FY2023 forecast is as of August 2023.

- Sales increased due to a recovery in demand, a weak yen, and rises in resin prices.
- Food packaging sales were strong in the commodity resin business.
- Performance was weak in the compounding business, partly due to a reduction in automobile manufacturing and increases in transport and utility costs.
- Sales of polyolefin resins increased, primarily due to price rises.
- In the plastic films business, sales increased for flexible packaging, mainly due to price rises.
- Sales for plastic sheet products were strong as products for convenience stores recovered.
- In sporting goods, grip tape sales were strong.
- The recycled material business grew steadily.

Strategies for the NC2023 medium-term business plan

Enhancing human resources development and manufacturing and processing functions with the aim of becoming a truly unique *shosha*, or Japanese trading company

Overview of FY2022

In FY2022, despite various changes in the external environment, such as material shortages and other issues, we persistently expanded our business, achieving growth in both sales and profit. Sales for plastic film products and grip tape were particularly strong. On the other hand, while plastic compounds saw an increase in sales, profit declined partly due to sharp rises in naphtha and energy prices. The weakening yen had a positive effect on sales and profit in this segment, where the proportion of overseas sales is high.

Business environment awareness and opportunities/risks

Factors such as the growing awareness of the issue of plastic waste, along with changing laws and regulations, present both risks and opportunities for this business. In the last few years, demand for recycled materials in fields such as OA-related products has increased dramatically. While growth in the sales of recycled materials is linked to a reduction in sales for virgin materials, the emergence of a market environment where proposals based on recycling needs are easily accepted presents an opportunity for developing new business. In terms of medium- to long-term risks, there is a lack of certainty in the business environment due to the restructuring of the global resin industry. Traditional transaction prices and business practices may be eroded by changes in the positions of Japanese manufacturers, which are our main business partners, and the increasing expansion of large global corporations due to industry restructuring.

Business strategy

In our core plastic compound business, our materials and products for automobiles have not been significantly affected by the shift toward EVs, and we will continue to aim to expand our market share. For recycled plastics, which are seeing increased demand, there are issues in terms of used plastic collection and supply stability for recycled resin materials. However, we will aim to resolve these issues through adopting a customer-centered method of collection involving coordination with customers. In 2022, we began an initiative in Thailand in which used plastic collected by customers is recycled, commercialized, and sold back to them. We intend to expand this initiative to other bases in the future. We have also implemented similar initiatives in other product fields, and our domestic recycling business for film

products is now on a growth trajectory. We will continue to expand our material recycling business, leveraging our advantage in providing total solutions that cover a full range of processes.

Toward sustainable business growth

While compounding companies in Japan, including ourselves, compound plastics according to the instructions of material manufacturers, large U.S. and European companies, called compounders, adopt a

business model in which they manufacture and propose their own grades (product varieties). To continue to grow amid a globally competitive environment, we believe it is necessary to switch to a similar approach. To achieve this, it is essential that we increase our technical talent and our technology development bases. While working to acquire and foster people, technology, and expertise from a medium-term perspective, we will offer tailor-made solutions and meticulous service, aiming to establish a manufacturing position unique to Inabata.

Business environment and strategies

Materials for automobiles	Molding materials	OA, electrical and electronic products	Films and sheets	Sporting goods
Business environment (■ Opportunities ◆ Risks)				
<ul style="list-style-type: none">■ Need for environmental considerations with weight reduction and the shift to EVs■ Expansion in demand for materials due to compositional changes in automobile industry◆ Industry-specific quality standards and supplier responsibility	<ul style="list-style-type: none">■ Potential for expansion of overseas business■ Withdrawal of a major general trading company that was a rival◆ Fluctuations in domestic demand	<ul style="list-style-type: none">■ Stable demand among Japanese OA device manufacturers◆ Reduction in supply volume due to reduction in component size	<ul style="list-style-type: none">■ Potential for developing new markets for sheet products◆ Intensifying competition for film products in domestic market	<ul style="list-style-type: none">■ Expansion of global market◆ Shrinking domestic market due to diminishing population
◆ Restructuring among resin material manufacturers on a global level ■ Growing needs for recycled plastics				
Strengths				
<ul style="list-style-type: none">● Detailed local response capability using network of bases around the world● Ability to provide added value including plastic compounding in own factories and vendor management inventories (VMIs)		<ul style="list-style-type: none">● A client base built over the company's long history● Ability to propose mono materials and eco materials from outside of Japan● Ability to develop and propose new products using own manufacturing bases in Japan and abroad● High share in niche markets		
Activities and strategies				
<ul style="list-style-type: none">● Strengthen and expand overseas business structure● Strengthen and expand plastic compounding and logistics function● Strengthen customer proposal ability		<ul style="list-style-type: none">● Expand biodegradable biomass plastic business● Demonstrate leadership with the aim of restructuring the industry● Offer products for overseas markets as well as other sporting fields		
<ul style="list-style-type: none">● Respond to a circular society● Expand recycled material business				

Koji Nakano
Managing Executive Officer

