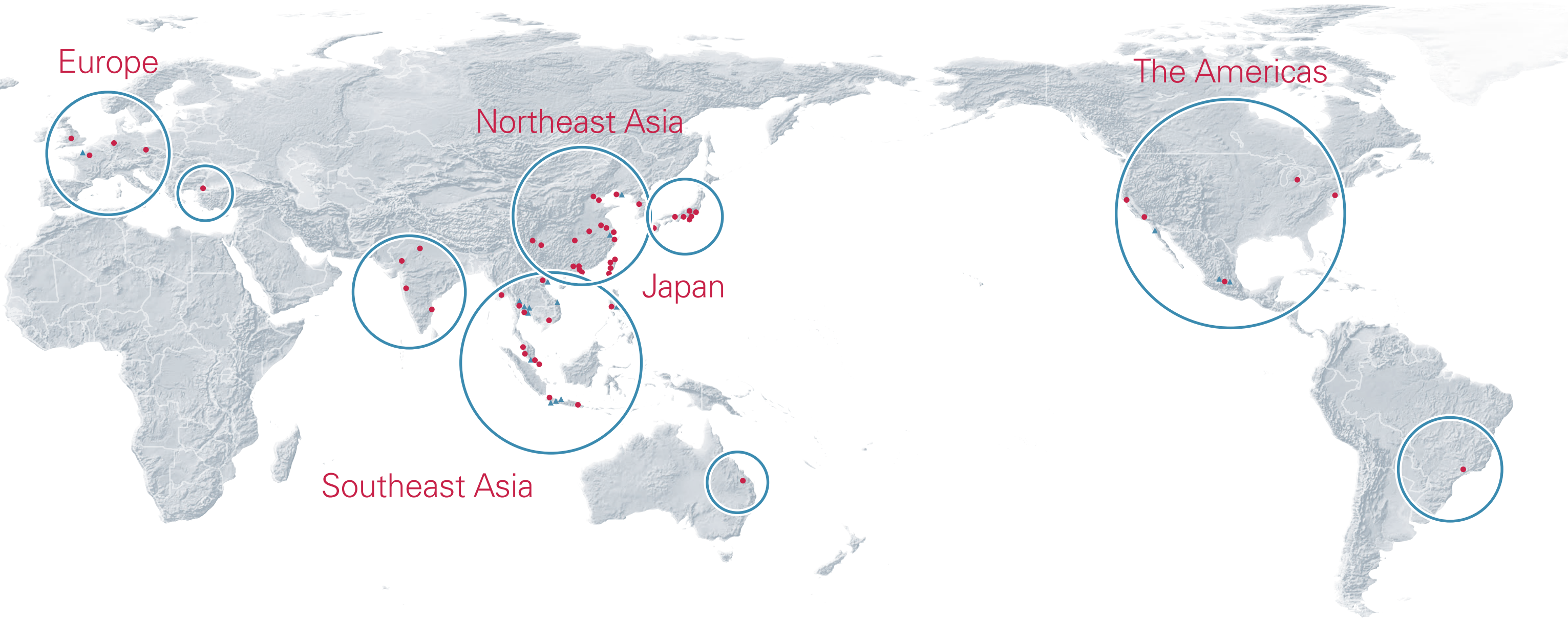


Inabata’s network extending across
approximately 60 bases in 19 countries worldwide

● Trading company ▲ Manufacturing & processing base



Europe	Southeast Asia / India / Australia		Northeast Asia	Japan	The Americas
Germany Dusseldorf	Singapore	Thailand Bangkok Samut Prakan (suburb of Bangkok), Ayutthaya, Sriracha (suburb of Laem Chabang), Chonburi	China Hong Kong, Shanghai, Wuxi, Ningbo, Chengdu, Nanjing, Hefei, Chongqing, Beijing, Dalian, Tianjin, Guangzhou, Dongguan, Wuhan, Shenzhen	Tokyo, Osaka, Nagoya, Shiojiri, Shizuoka, Hamamatsu, Kirishima	United States New York, Los Angeles, Detroit, Novato (California)
France Wissous (suburb of Paris), Normandy	Malaysia Kuala Lumpur, Penang, Johor				
United Kingdom ... Shrewsbury (suburb of Birmingham)	Indonesia Jakarta, Surabaya Bekasi (suburb of Jakarta)	Myanmar Yangon	Taiwan Hsinchu, Tainan, Taichung, Taipei		Mexico Queretaro, Tijuana, Silao
Turkey Istanbul	Philippines ... Binan (suburb of Manila)	India Gurugram (suburb of Delhi), Chennai, Pune, Ahmedabad	South Korea ... Seoul		Brazil Sao Paulo
Czech Republic ... Prague	Vietnam Hanoi, Ho Chi Minh City, Haiphong, Da Nang	Australia Brisbane			

(As of July 1, 2023)

Southeast Asia and India

Net sales 195.9 billion yen Operating profit 8.0 billion yen

Consolidated number of employees 2,492

We have 11 manufacturing and processing bases in the region and are focused on expanding business in each segment.



Koji Nakano
Managing Executive Officer
General Manager,
Southeast Asia

Southeast Asia is an important region where our processing bases for plastic compound, our key business, are concentrated. We produce plastic compound products, mainly for the three major fields of electric and electronic products, OA, and automobiles and motorcycles, at 30 bases across 9 countries. In the future, we seek to expand our business in the automotive field, which is rapidly growing in Southeast Asia, while also focusing on developing new products and materials for the fields of energy, agriculture, and food products. Within the energy field, we particularly wish to work on products that reduce environmental impact and generate solar power.

- Main Business**
- Plastics for automobiles, home appliances, OA equipment
 - Materials for printers
 - Rubber materials and additives for the automotive industry
 - Materials and products for packaging

Action

Initiatives for a decarbonized society

We began handling biomass materials to be used for power generation fuel for Japanese electric power companies as part of our “expansion of products that reduce environmental impact,” a key initiative in our medium-term business plan, NC2023. In addition, we linked the manufacturing and processing functions of Group companies in Japan and overseas, including those in Thailand, to develop garbage bags composed of biomass materials. As a *shosha*, or Japanese trading company, handles resin products, we will continue developing environmentally friendly commercial products, while also helping to bring about a sustainable society by launching sales activities in India in the solar power generation business.



Northeast Asia

Net sales 181.0 billion yen Operating profit 3.1 billion yen

Consolidated number of employees 470

We are expanding Inabata’s core businesses by harnessing our network spread over 20 cities in China, Taiwan, and South Korea.



Takaharu Ookura
Executive Officer
General Manager,
Northeast Asia

In this core region that accounts for 25% of our consolidated net sales, we offer businesses leveraging our network spread over 20 cities in China, Taiwan, and South Korea. Starting mainly with FPD components, we are focused on plastics for automotive, OA, and electric and electronic products. We expect further increase in profits in our China business, where we seek to proactively invest our management resources in growth sectors, such as semiconductors, energy, EV and mobility, medical products and medicine, agriculture and food products, high-tech materials, and environment-related products.

- Main Business**
- Plastics for the EV and mobility, OA, and electric and electronic segments
 - Components for FPDs
 - Functional chemicals compliant with environmental regulations

Action

Strengthening collaboration with business locations and divisions to expand sales

In the Northeast Asia region, which has undergone significant change in the business environment due to the COVID-19 pandemic, we will expand sales in the mobility and semiconductor sectors by strengthening collaboration among locations and divisions within the region and offering products with new functions that only we can provide. We will also increase exports of Chinese-made chemicals, plastics, and environmental products.



The Americas

Net sales 41.7 billion yen Operating profit 1.2 billion yen

Consolidated number of employees 285

In addition to developing our businesses in the United States and Mexico, we are working toward expansion in South America with a focus on Brazil.



Max Inoue
General Manager,
The Americas

We are involved in businesses in the automotive, environmental and energy, food products, and life science fields, which are our key areas. We mainly deal in electronics materials, functional chemicals, plastics, and digital printing materials. In addition, we are developing food-related businesses at a subsidiary, DNI Group LLC. Our theme is to expand the plastics business throughout the region of North America, as we have expanded into home appliance and aviation businesses, among others, in addition to selling plastics for the automotive industry in Mexico. In Brazil, we are focused on selling plastics for automobiles and motorcycles, and functional chemicals.

- Main Business**
- Electronics materials (including those related to semiconductors)
 - Digital printing material (inkjet, toner)
 - Functional chemicals
 - Plastics
 - Processed products in agriculture and marine industries
 - Components related to the environment and energy industry (including those for EV batteries and solar power)
 - Raw materials for pharmaceutical products

Action

Improving production facilities at our plastic compounding factory in Mexico

In Mexico, which is continuing to grow as a major production base for automotive parts in the Americas, we will move forward with investments to improve the production facilities at our Company’s plastic compounding factory (IK Plastic Compound Mexico, S.A. de C.V.), and aim to expand our sales base for plastics products by integrating manufacturing and sales.



Europe

Net sales 19.9 billion yen Operating profit 0.8 billion yen

Consolidated number of employees 73

We operate businesses centered on chemicals, energy, automobiles, life science and other fields, taking advantage of our unique mobility.



Kenichi Oba
President, Inabata
Europe GmbH

In Europe, we deal in a wide range of products in various segments, such as inkjet ingredients, energy-related products, automobile components, and functional chemicals. Our Group companies manufacture and sell medical products, materials for cosmetics, and other products in France. In the future, we will also seek to focus on businesses in the environmental sector, such as selling thermal interface materials for the EV battery field and developing plant-based materials for the cosmetics field.

- Main Business**
- Inkjet products and materials
 - Various materials for secondary cells
 - Medical products, materials for cosmetics
 - Functional chemicals

Action

Establishing logistics bases at each location to cover the entire region

In April 2023, we established a base in Prague, Czech Republic to which we dispatched employees, aiming to strengthen sales of plastics. We will also establish logistics bases in Poland, Hungary, Belgium, Italy, and Turkey to cover the entire region. This fiscal year we will expand into North Africa.



Sustainability Management

Basic concept

People come first, based on the spirit of “love (*ai*)” and “respect (*kei*),” and together we strive towards contributing to the development of society. This is the management philosophy we have adopted, and we have continued to manage our business with respect for people which is based on trust. We believe that our commitment to valuing people and society also contributes to the realization of a sustainable society, which is a goal of the international community.

We also recognize that while environmental issues such

as climate change, resource circulation, and natural capital, as well as societal issues such as human rights and labor conditions, present risks to us in terms of business continuity, they also present opportunities for business growth.

Accordingly, we are focusing on sustainability as a major issue for management. We will further strengthen sustainability initiatives, taking steady steps toward achieving our long-term goal of realizing a sustainable society and the sustainable growth of the Group.

Inabata Group Sustainability Basic Policy

The Inabata Group’s corporate mission 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. 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 (items only)

1. Respect for Human Rights
2. Healthy, Safe, and Secure Working Conditions
3. Fostering an Open Culture for Active Participation by Diverse Staff
4. Environmental Conservation
5. Crisis Management
6. Constructing a Sustainable Supply Chain
7. Compliance
8. Collaboration with External Stakeholders
9. Sustainability Information Disclosure

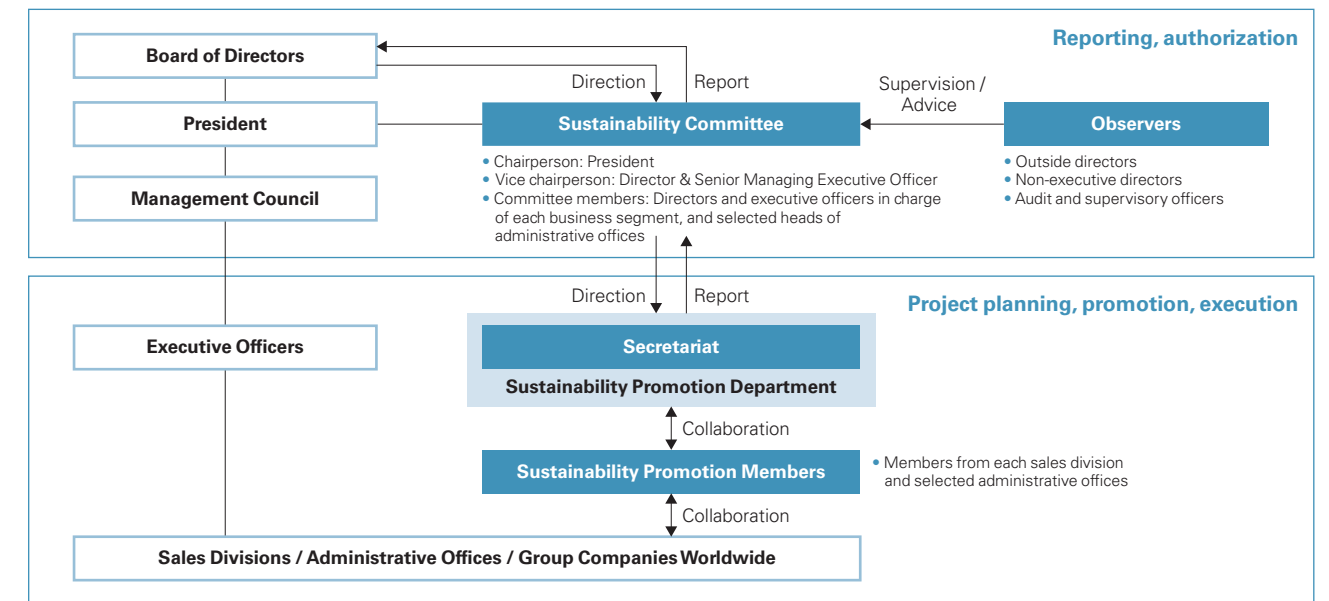
Sustainability Committee
Established in November 2021
Revised in June 2022

Management system

We have established a Sustainability Committee, which is chaired by the president. In principle, the committee meets at least once a year and holds extraordinary meetings as necessary. It formulates, authorizes, and monitors the Group’s sustainability policies and measures.

We have also stipulated in the Regulations of the Board of Directors that the director in charge of sustainability is to report on the status of sustainability initiatives to the Board of Directors. The details of deliberations and reviews conducted by the Sustainability Committee are also appropriately reported and escalated to the Board via this process.

Sustainability promotion system

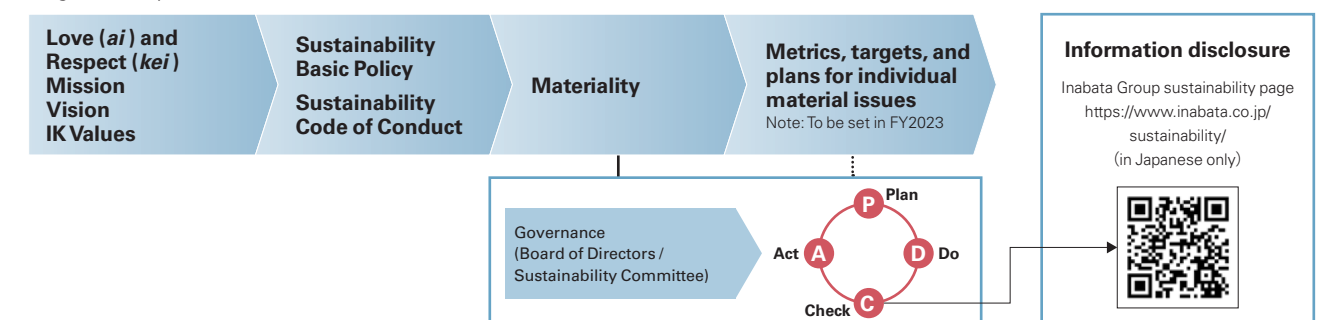


Main sustainability-related matters discussed by the Sustainability Committee and reported to the Board of Directors

FY2021	Establishment of the Sustainability Basic Policy, Sustainability Code of Conduct, and Human Rights Policy
FY2022	Participation in the United Nations Global Compact, Carbon Neutrality Declaration 2050, information disclosure in accordance with TCFD recommendations, status of external evaluations by FTSE Russell and MSCI, progress regarding calculation of GHG emissions (Scope 1, 2, and 3), TCFD-compliant scenario analysis, and human rights due diligence.

Sustainability promotion overview

The Group will operate a plan–do–check–act (PDCA) cycle with respect to its materiality and their related indicators, targets, and plans, with the aim of improving long-term corporate value and realizing a sustainable society. We intend to set metrics, targets, and plans in FY2023.



Identifying key issues to be addressed

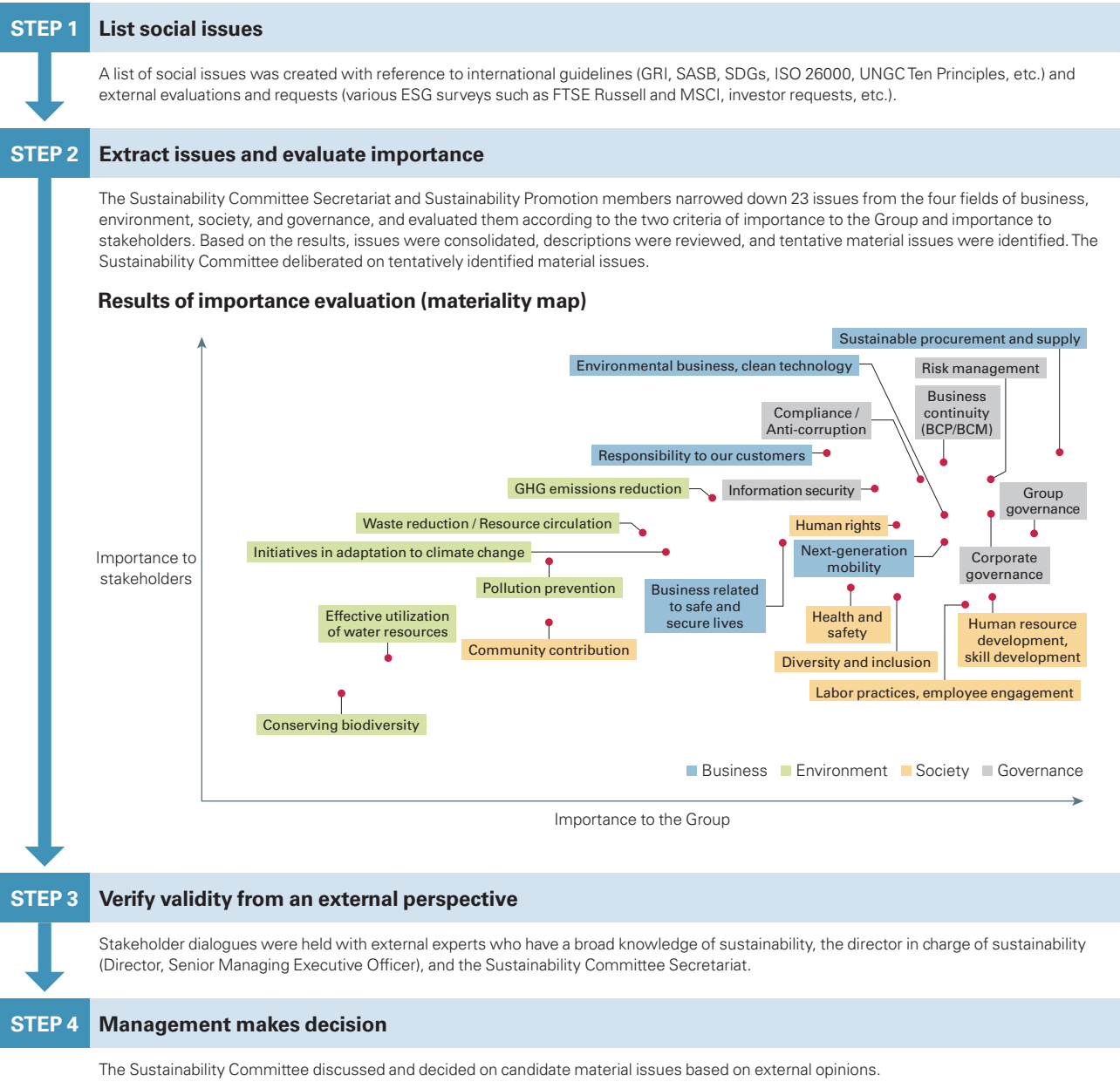
In June 2022, we identified six material issues (key issues to be addressed as a priority) linked to the resolution of various challenges related to the planet and society, as well as the sustainable improvement of the

Group’s corporate value.
We intend to set metrics, targets, and plans for individual material issues in FY2023.

Materiality identification process

To identify our materiality, we followed the process outlined below as it was crucial to consider multiple internal and external perspectives and narrow down issues of key importance to the Group’s growth from a broad and comprehensive range of areas.

Active discussions were held over two meetings of the Sustainability Committee, in which outside directors participated as observers. We also held stakeholder dialogues with external experts, which enabled us to obtain useful suggestions.



Basic concept

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 Group fully recognizes the effects of climate change and the need for countermeasures and has stated in its Sustainability Basic Policy and Sustainability Code of Conduct that it will use its business to conserve the earth’s environment. We also listed “contributing to a decarbonized and circular society” in our materiality, placing measures to address climate change and environmental issues as a management priority.

We consider climate change as presenting both risk and opportunity for the Group and, while taking steps to

reduce greenhouse gas (GHG) emissions, we will seek to provide products and solutions that contribute to creating a carbon-free society. In addition to endorsing the recommendations issued in June 2017 by the Task Force on Climate-related Financial Disclosures (TCFD)* of the Financial Stability Board (FSB), we are also working to accurately ascertain the impact of climate change on our business and disclose related information.



* The TCFD was established by the FSB in 2015 at the request of the G20. It encourages companies and other organizations to make disclosures on governance, strategy, risk management, and metrics and targets with respect to climate change-related risks and opportunities.

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

Core elements	Description	Inabata’s response
Governance	Disclose the organization's governance around climate-related risks and opportunities.	Sustainability issues, including climate change, are deliberated on and examined at the Sustainability Committee, which is chaired by the president. The Regulations of the Board of Directors require the director in charge of sustainability to report to the Board of Directors on the status of initiatives to address sustainability issues. The content of deliberations and examinations at the Sustainability Committee is also reported and escalated appropriately to the Board of Directors as part of the abovementioned process.
Strategy	Disclose the impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	<ul style="list-style-type: none">Regarding the 4°C scenario, whereas the Group’s bases in Japan and overseas are assumed to suffer damage due to intensifying extreme weather events, the risk is not estimated to be so great as to significantly impact business operations. In terms of opportunities, demand for products adapted to rising temperatures and changing weather patterns is expected to increase. Accordingly, it is concluded that the Group will be able to maintain its resilience.Regarding the 1.5°C scenario, we identify the increase in operating costs due to carbon pricing introduction and steep rises in the electricity price as a risk. However, the risk is projected to be more than offset by gaining revenue opportunities from future growth in technologies and products that contribute to a low-carbon economy and reduced environmental impact. We recognize once again the great relevance of expanding sales of products that reduce environmental impact—which is part of our multifaceted approach to markets with potential for future growth and steady monetization efforts, a key initiative under the NC2023 medium-term business plan—to our growth in the decarbonized society of the future.
Risk management	Disclose how the organization identifies, assesses, and manages climate-related risks.	At the Group, the Sustainability Committee manages climate-related risks. The committee deliberates risks identified and examined from both qualitative and quantitative perspectives based on scenario analysis, and reports to the Board of Directors as necessary. The Board of Directors oversees Group-wide risks of high importance in an integrated manner, taking into account reports from the Sustainability Committee as well as other risks reported by the Risk Management Office, the Financial Management Office, the Compliance Committee, and other units.
Metrics and targets	Disclose the metrics and targets used to assess manage relevant climate-related risks and opportunities.	To commit to achieving the global goal of limiting the increase in temperatures to 1.5°C as stated in the Paris Agreement, the Inabata Group has set the long-term goal of carbon neutrality by FY2050 (covering Scope 1 and 2 emissions of the consolidated Group). Since FY2021, we have calculated Scope 3 emissions in order to understand emissions for our entire supply chain. In the future, we will expand the scope of calculations and consider medium-term targets to achieve the long-term goal.

Strategy

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

In addition to 2030, which is the year for achieving our long-term vision IK Vision 2030, the scenario analysis below

assumes 2050, which is the year for achieving our carbon neutrality target. We consider both qualitative and quantitative aspects with reference to the 4°C scenario, which assumes no implementation of more ambitious climate change measures and intensifying extreme weather events, and the 1.5°C scenario (partly combined with the 2°C scenario), which assumes implementation of more ambitious climate change measures aimed at decarbonization.

Results of scenario analysis and key responses for each business segment (qualitative)

1.5°C scenario

	Information & Electronics	Chemicals	Life Industry	Plastics
Main risks	<ul style="list-style-type: none">Introduction of carbon pricingGradual reduction of existing products derived from fossil fuels resulting in less demand for related productsOperating costs up due to rising electricity prices			
Main opportunities	<ul style="list-style-type: none">Proliferation of xEVs leading to increased demand for related productsIncreased demand for products related to renewable energy and energy-saving technologies	<ul style="list-style-type: none">Proliferation of xEVs leading to increased demand for related productsIncreased demand for non-fossil and recycling technologies	<ul style="list-style-type: none">Poor growth and insufficient yields for agricultural and marine products causing procurement costs to riseHigher demand for domestically produced materials as need for local production for local consumption, and ethical consumption, grow	<ul style="list-style-type: none">Proliferation of xEVs leading to increased demand for related productsIncreased demand for biomass or recycled plastics, and biodegradable plastic materials
Responses	<ul style="list-style-type: none">Actively considering the purchasing of non-fossil certificatesElectrification and switch to more energy-efficient equipment at manufacturing basesPreemptive development of new and alternative low-carbon technologies, and formation of partnerships			
	<ul style="list-style-type: none">Construction and operation of biomass power plant in Sakaiminato City, Tottori Prefecture (planning to go into operations in May 2026)		<ul style="list-style-type: none">Formation of partnerships to develop domestically made products with the aim of reducing transport CO2 emission through local production for local consumption	<ul style="list-style-type: none">Planning to obtain biomass certification from the International Sustainability and Carbon Certification

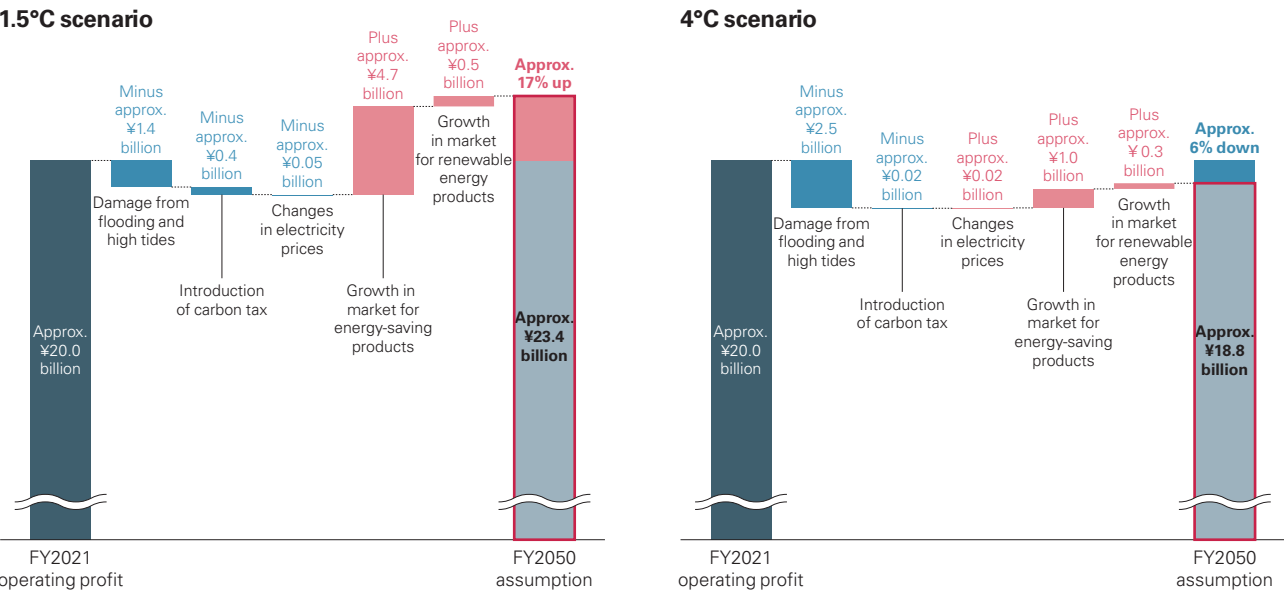
4°C scenario

	Information & Electronics	Chemicals	Life Industry	Plastics
Main risks	<ul style="list-style-type: none">The Group’s bases hit by intensifying extreme weather eventsDamage due to supply chain disruptionsLosses due to business shutdownTransport costs up due to sharp rise in fossil fuel pricesIntensifying competition over the sale and procurement of products adapted to climate change			
		<ul style="list-style-type: none">Higher prices and lower quality of active ingredients and materials due to poor tree growth	<ul style="list-style-type: none">Higher procurement costs caused by poor growth and insufficient yields of agricultural and marine productsDecline in the food service industry due to fewer opportunities for consumers to go out	
Main opportunities	<ul style="list-style-type: none">Increased demand for products adapted to climate change			
		<ul style="list-style-type: none">Increased demand for insulated glass and other products adapted to rising temperatures	<ul style="list-style-type: none">Higher demand for frozen foods, take-out meals, and other products adapted to the trend of consumers having fewer opportunities to go outIncreased demand for pharmaceuticals due to the spread of infectious diseases	<ul style="list-style-type: none">Increased demand for greenhouses and other products that help farms control the quality of agricultural productsIncrease in processing contracts at the resin compound manufacturing business bases due to advances in BCP measures by plastic manufacturers
Responses	<ul style="list-style-type: none">Development and expansion of products and services adapted to climate changeEnhancement of resilience to extreme weather events, such as by drawing up BCPs and diversifying suppliersReview of materials, and diversification of, and strengthening of relationships with, suppliersGreater localization, such as by outsourcing processing locallyFulfillment of orders with stock and management of multi-location inventory by leveraging financial resources			
			<ul style="list-style-type: none">Expansion to upstream businesses (cultivation and aquaculture) to stably secure agricultural an marine resources	

Note: Items in the red frame are common to all segments.

Financial impact estimates

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



Scenario analysis results

Regarding the 4°C scenario, whereas the Group’s bases in Japan and overseas are assumed to suffer damage due to intensifying extreme weather events, the risk is not estimated to be so great as to significantly impact business operations. In terms of opportunities, demand for products adapted to rising temperatures and changing weather patterns is expected to increase. This has made us recognize anew the potential to contribute to society by helping society as a whole adapt to global warming while maintaining the Group’s resilience. Regarding the 1.5°C scenario, we identify the increase in

operating costs due to carbon pricing introduction and steep rises in electricity prices as a risk. However, the risk is projected to be more than offset by gaining revenue opportunities from future growth in technologies and products that contribute to a low-carbon economy and reduced environmental impact. We recognize once again the great relevance of expanding sales of products that reduce environmental impact—which is part of our multifaceted approach to markets with potential for future growth and steady monetization efforts, a key initiative under the NC2023 medium-term business plan—to our growth in the decarbonized society of the future.

Risk management

At the Inabata Group, climate-related risks are managed by the Sustainability Committee as we believe that traditional risk management methods alone are insufficient to manage long-term impacts that include elements of uncertainty. The committee discusses risks identified and examined from both qualitative and quantitative aspects based on scenario

analysis, monitors the progress, and reports to the Board of Directors as necessary.

Please refer to page 86 onward for information on our company-wide risk management.

Metrics and targets

The Inabata Group set the long-term goal of carbon neutrality by 2050* in order to commit to achieving the global goal of limiting the increase in temperatures to 1.5°C as stated in the Paris Agreement. While we have already established an environmental management system compliant with ISO 14001 and have been implementing energy management and other initiatives, we will further strengthen decarbonization initiatives going forward to achieve carbon neutrality. We are also

focusing our business activities on providing various products and solutions that contribute to a decarbonized society. Since FY2021, we have calculated Scope 3 emissions in order to understand emissions for our entire supply chain. In the future, we will expand the scope of calculations and consider medium-term targets to achieve the long-term goal.

* Covers GHG emissions from the business activities of the consolidated Group (Scope 1 and 2).

Inabata supply chain emissions (FY2022)

Inabata supply chain emissions			FY2022		
			GHG emissions (t-CO2eq)	Ratio of total (%)	
Scope 1 *1			2,755	0.1	
Scope 2 *1			43,666	2.2	
Scope 3 *2			1,960,235	97.7	
Total for Scope 1, 2, and 3			2,006,656	100.00	
Scope 3 breakdown by category			GHG emissions (t-CO2eq)	Scope 3 ratio (%)	
Upstream	Category 1	Purchased goods and services	1,435,020	73.207	
	Category 2	Capital goods	2,984	0.152	
	Category 3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	71	0.004	
	Category 4	Upstream transportation and distribution	55,189	2.815	
	Category 5	Waste generated in operations	53	0.003	
	Category 6	Business travel	2,377	0.121	
	Category 7	Employee commuting	234	0.012	
	Category 8	Upstream leased assets	Not applicable since the category is included in Scope 1 and 2.		—
Downstream	Category 9	Downstream transportation and distribution	Excluded from calculations since it is difficult to ascertain actual conditions and make reasonable estimates for the wide variety of products sold and transportation destinations.		—
	Category 10	Processing of sold products	Excluded from calculations since it is difficult to ascertain actual conditions and make reasonable estimates for the wide variety of products sold and transportation destinations.		—
	Category 11	Use of sold products	Not applicable since there are no activities in this category.		—
	Category 12	End-of-life treatment of sold products	464,242	23.683	
	Category 13	Downstream leased assets	64	0.003	
	Category 14	Franchises	Not applicable since there are no activities in this category.		—
	Category 15	Investments	Not applicable since there are no activities in this category.		—

Scope of calculations
*1 Scope 1 and 2: Inabata & Co. and domestic and overseas consolidated subsidiaries
*2 Scope 3: Inabata & Co.

Please refer to our Corporate Governance Report and our website’s sustainability page for more information on disclosures based on the TCFD recommendations. Past performance data is also available on the sustainability page.

Basic concept

The Inabata Group believes that climate change and other global environmental issues pose both risks to business continuity and new opportunities for growth.

“Contributing to a decarbonized and circular society” and “sustainable use of natural capital” are two of our material issues, and we have declared to contribute to resolving environmental issues through our business. As stated in medium-term business plan NC2023, we are working to expand our lineup of products that reduce environmental impact in all segments.

Fields of products that reduce environmental impact and results

Since the FY2021 report, we have reviewed the fields of products that reduce environmental impact, reorganizing these products mainly in the clean-tech field. In FY2022, we have steadily grown our sales thanks to stronger efforts in the Energy & Power and Resources & Environment fields. Net sales have also grown significantly over the previous fiscal year in the Materials & Chemicals field.

In FY2023, we plan to establish metrics and targets and will continue to work to enhance our products that reduce environmental impact.

FY2022 net sales

Field	Percentage
Energy & Power	65%
Resources & Environment	28%
Materials & Chemicals	6%
Environmental certification	1%

Total: ¥26.9 billion

Fields and main items that reduce environmental impact

Fields	Main items
Energy & Power	Renewable energy, batteries, etc.
Resources & Environment	Sustainable materials, recycling, water, etc.
Materials & Chemicals	Low-carbon materials, environmental pollutant reduction, etc.
Agriculture & Food	Food waste reduction, soil improvement, etc.
Transportation & Logistics	EV charging, green logistics, etc.
Environmental certification	Forestry certifications (FSC*1 and PEFC*2), marine product certifications (MSC*3 and ASC*4), etc.

*1 Forest Stewardship Council *2 Programme for the Endorsement of Forest Certification *3 Marine Stewardship Council *4 Aquaculture Stewardship Council

Results (FY2021 and FY2022)

Fields	FY2021 results (millions of yen)	FY2022 results (millions of yen)	FY2022 vs. FY2021 difference	
			Amount (millions of yen)	%
Energy & Power	13,463	17,518	+4,055	130
Resources & Environment	4,201	7,585	+3,384	181
Materials & Chemicals	735	1,537	+802	209
Agriculture & Food	0	0	0	—
Transportation & Logistics	0	0	0	—
Environmental certification	328	317	(12)	96
Total	18,727	26,957	+8,230	144

Notes:
1. Coverage: Inabata Group (consolidated)
2. There are no results for Agriculture & Food or Transportation & Logistics in FY2021 or FY2022.
3. Totals are simple sums.
4. FY2021 net sales have been recalculated to match a 2023 review and partial reclassification of products within each field. Although there are variations in figures for each product and field reported in 2022, totals remain unchanged.

Example

Sludge Reduction Business

Resources & Environment

Waste management and reduction is an environmental issue of great importance worldwide, as evidenced by its inclusion in Goal 12, Responsible Consumption and Production, of the Sustainable Development Goals (SDGs) adopted by the United Nations. The Life Industry Division has launched a business to reduce the volume of sludge, which is one of the most discharged industrial waste in Japan.

State of industrial waste in Japan

Sludge is a muddy waste mainly generated in the process of treating wastewater produced by business activities. According to the State of the Discharge and Treatment of Industrial Waste, published by the Ministry of the Environment, sludge is the most discharged industrial waste in Japan. Sludge is divided into organic and inorganic sludge, the former containing organically contaminated wastewater discharged from food factories and other facilities, and the latter containing mainly sand and metal components discharged from civil engineering sites, metal factories, and other facilities.

Overview of sludge reduction business

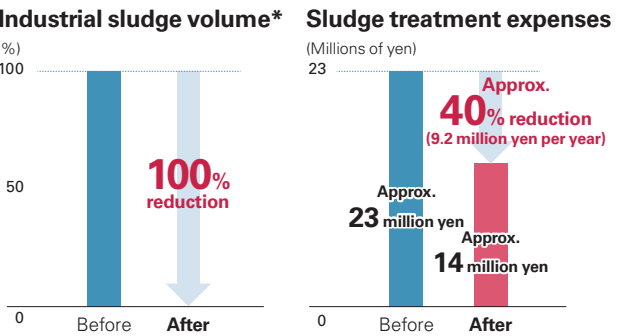
Wastewater (sewage) from homes and factories must be treated such that sludge falls below standard levels before discharge. Sewage treatment plants and other facilities therefore treat this wastewater. In the activated sludge process, a common purification method, oxygen is supplied to activated sludge (organic sludge), stimulating microorganisms in the sludge to feed on and decompose contaminants (organic matter), thereby cleaning the water. However, the microorganism husks (dead bacteria) remain as excess sludge, which becomes industrial waste.

The microorganism formulation we provide produces enzymes that break down the dead bacteria in excess sludge. These enzymes are capable of breaking down the cell walls of the dead bacteria, thus reducing the amount of sludge (industrial waste) discharged. Sludge reduction also has the side effect of contributing to the reduction of CO2 emissions.

Our business experience with food manufacturers helped us identify the potential to expand into wastewater treatment at food factories, which is where we began this business. Now, we provide our microorganism formulation to local governments as well. We intend to achieve growth for the Company and reduce waste within Japan through the expansion of this business.

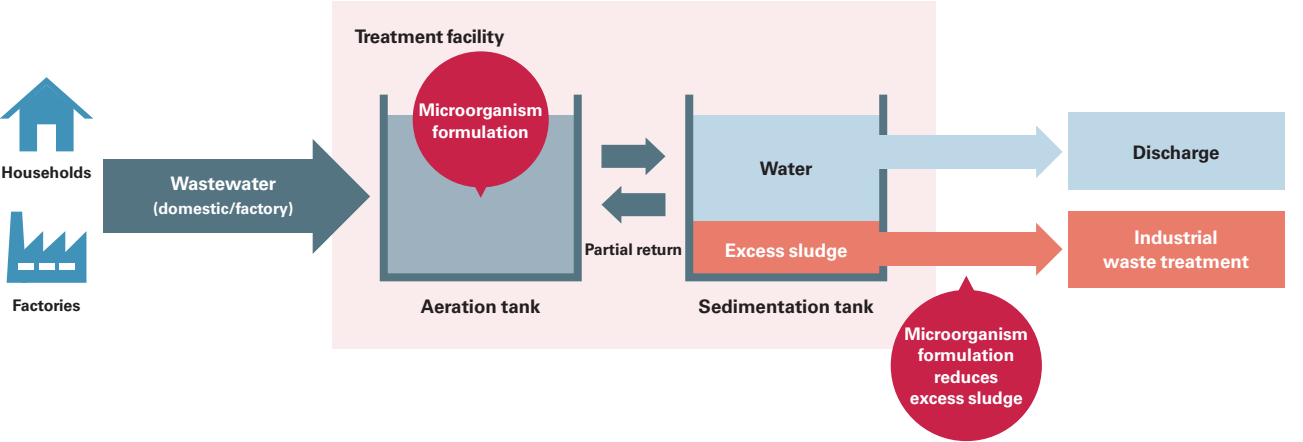
Case study Yahaba Town, Iwate Prefecture

In Yahaba Town, Iwate Prefecture, sludge treatment costs across three treatment plants were approximately 23 million yen during FY2021. We provided an original microorganism formulation blend tailored to the purpose and target materials, generating the following benefits.



* One of the three treatment plants has already achieved zero sludge withdrawal as of October 2022. The above results are a simulation assuming that the remaining two plants progress at the same rate. Introduction began at the second plant in April 2023, and as of June, no sludge has been discharged.

Basic flow of activated sludge process



Employee engagement

The source of value creation at the Inabata Group is our approximately 4,300 employees in Japan and overseas. We believe that the energetic and self-motivated participation of each and every employee in the organization, and their devotion to their work, will ultimately lead to the growth of the entire Group.

Employee engagement survey

In FY2021, we began annual employee engagement surveys to identify changes over time. The main purpose of the survey is to discern current issues and to revitalize the organization through the creation and improvement of systems and organizational development.

		2021	2022	2023
Number of employees surveyed (people)	Total	1,400	1,697	1,901
	Inabata & Co., Ltd.	587	606	652
	Main overseas trading offices	813	1,091	1,249
Response rate (%)		49	73	72
Main items* (%)	Engagement I am satisfied with the work I am doing at Inabata now.	70	73	76
	Relationship with superiors I have the necessary collaboration with my supervisor at work.	75	80	80
	Organizational culture When a problem occurs in the course of my duties, my supervisor and the people around me provide appropriate support.	83	85	83
	Corporate philosophy I can relate to Inabata's philosophy, vision, and management policies, and I want to participate in achieving them.	70	73	73
	Human resources system and benefits Inabata's salary standards are satisfactory, compared to other companies in the same industry.	59	55	57
	Human resources system and training Inabata supports employee training to improve their skills.	41	48	54
	Work-life balance Overtime is kept to a level that is acceptable for me.	64	69	75

* From among a five-point evaluation by employees (5. Strongly agree / 4. Agree / 3. Neither agree nor disagree / 2. Disagree / 1. Strongly disagree), the ratio of positive responses (5. and 4.)

Overview of 2023 survey results

The 2023 survey was able to capture more employee input than in previous surveys, as the number of respondents increased, and the response rate was essentially unchanged from the previous year. Positive responses to the main items also showed increases, which we believe shows that our various measures (career training, open recruitment system, job rotation, etc.) implemented based on past survey results are bearing fruit. On the other hand, scores declined from the previous year for some items, and we plan to analyze the trends and causes for each region and base, and work with each of our bases to make improvements.

Main items with improved scores

- I feel job satisfaction in my current work. (3.86 to 3.91)
- I am having sufficient discussions with my superior about matters like my career and job transfers. (3.38 to 3.50)
- I try not to overly burden others in terms of work hours or content. (3.46 to 3.62)

Main items with worsened scores

- I have good interpersonal relationships at my company. (4.17 to 3.97)
- There is a culture where I can have mutual discussions with peace of mind. (3.87 to 3.71)

Human resource development

People are the most important asset of the Inabata Group, and the development of human resources is one of our management issues. By providing diverse work experiences and growth opportunities, and conducting training according to role, we develop human resources who have expertise and can lead organizations and businesses in Japan and overseas.

New training system

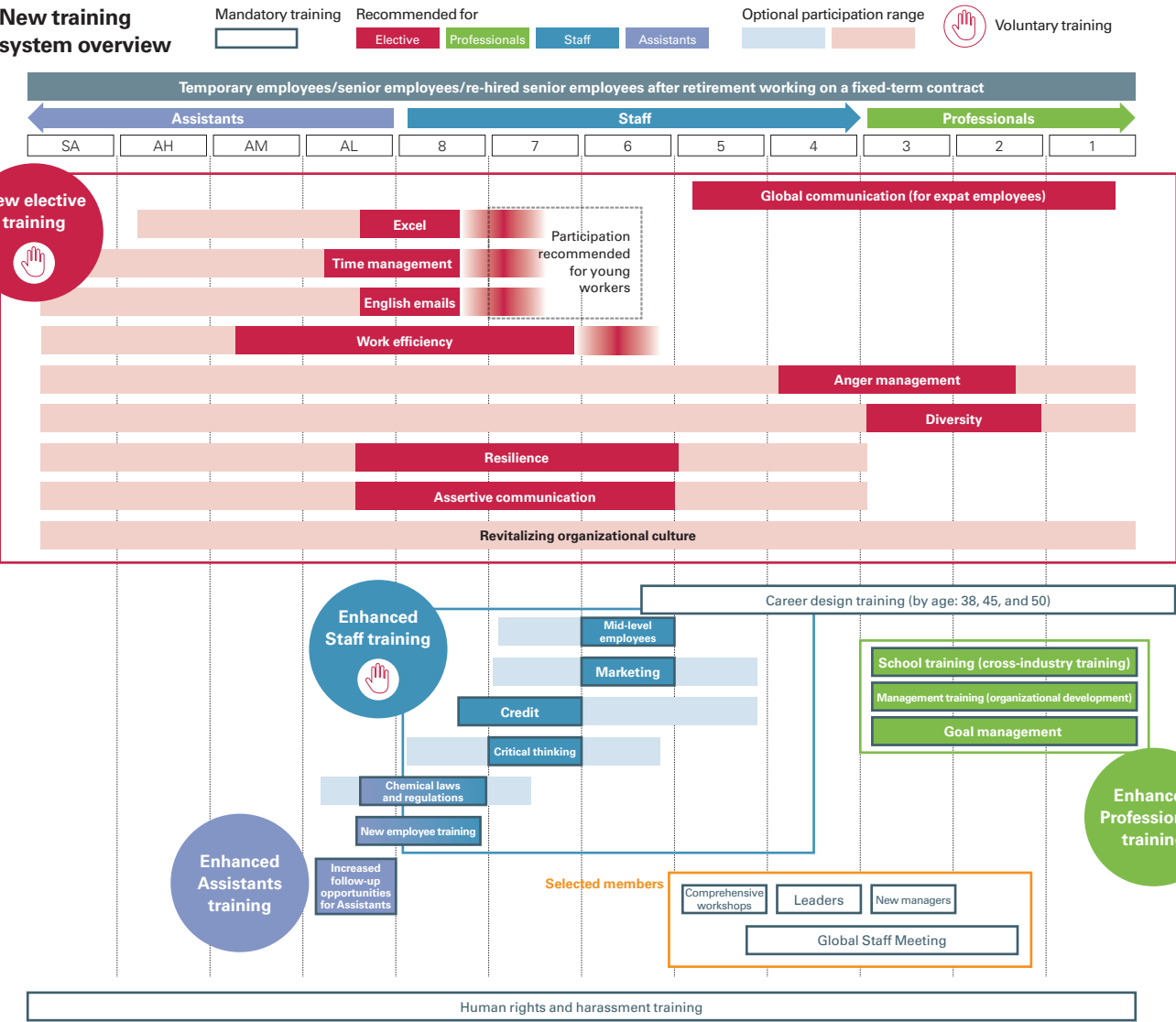
In the FY2021 employee engagement survey, we discovered that support for employee training to improve their skills was an issue. We therefore began stepping up investments in human resource development starting the following fiscal year, such as enhanced training for managers.

Recently, the working environment has undergone major changes, including the introduction of a new human resources system. Against this backdrop, in June 2023, we revamped our training system to support an environment in which each employee can think independently and proactively about their own career and actively learn and grow.

Key revamps

- Expanded level-based training for each band (qualification category) and changed to a voluntary training system
- Implemented elective training that can be attended by all personnel regardless of their position
- Implemented cross-industry training and group training on organizational development for professionals*
- Started a training application system via our human resources management system

* "Professionals" refers to those in management positions engaged in core duties, while "Staff" refers to those in non-management positions engaged in core duties, and "Assistants" refers to those engaged mainly in support duties.



Human rights and supply chain management

The Inabata Group strives to give due consideration to human rights in its business activities in accordance with the Inabata Group Human Rights Policy, which was established in March 2022 through a resolution of the Board of Directors. In addition to human rights, we also advance supply chain management that takes into consideration compliance, labor, and the environment.

Human rights due diligence

We practice human rights due diligence (DD) in accordance with the United Nations Guiding Principles on Business and Human Rights, divided into three categories: “DD for Inabata and Group companies,” “DD for the supply chain,” and “foundations for human rights DD.” First, we believe it is important to identify human rights risks both at Inabata and Group companies and work to foster a culture of respect for human rights. This is to protect the human rights of our employees, which are our greatest asset, and to ensure that our own awareness of human rights has a significant impact within the Group and in our supply chain.

To that end, we conducted a Human Rights DD Digital Survey for Company employees.

In addition, because the Inabata Group handles a wide range of products and solutions, its supply chain spreads across the entire world, including Japan, and involves a variety of stakeholders. For this reason, we are working on DD of supply chains in two ways: identification of risks in businesses, which covers as far as upstream

companies in the supply chain, and DD for business partners (new and existing), which covers direct business partners where we can more easily exert influence.

(1) Human Rights DD Digital Survey

In June 2023, we carried out the Human Rights DD Digital Survey with the assistance of external experts such as SDG Partners, Inc.

This survey measures the degree of human rights risk in a given company based on the 25 human rights risks (shown at the top of the page on the right) listed in the Ministry of Justice’s “Addressing Business and Human Rights Demanded of Companies Today,” and quantitatively measures the psychological safety and unconscious bias that can be factors behind these risks. This sampling survey was conducted for 166 Company employees.

We will use response data to analyze incident trends and backgrounds for various human rights risks from our unique perspective and consider the next measures to be taken. Analysis results are to be reported on our website’s sustainability website.

25 categories of human rights risks

- 1 Insufficient and unpaid wages, living wages

2 Excessive and unreasonable working hours

3 Occupational health and safety

4 Right to social security

5 Power harassment

6 Sexual harassment

7 Maternity harassment/paternity harassment

8 Care harassment

9 Forced labor

10 Freedom of residence relocation

11 Freedom of association

12 Rights of foreign workers

13 Child labor

14 Human rights issues related to technology and AI

15 Right to privacy

16 Consumer safety and the right to know

17 Discrimination

18 Human rights issues related to gender (including sexual minorities)

19 Freedom of expression

20 Indigenous and local people’s rights

21 Human rights issues related to the environment and climate change

22 Intellectual property rights

23 Bribery and corruption

24 Human rights issues in the supply chain

25 Right of access to relief

Source: “Addressing Business and Human Rights Demanded of Companies Today,” Ministry of Justice

(2) Identification of risks in businesses

We identify risks in businesses with the help of outside experts.

We collected data on products we handled and interviewed sales division employees to identify the state of the Group’s businesses. Using a dual axis of products and regions, we analyzed the potential human rights risks for each business with reference to international guidelines and indicators.

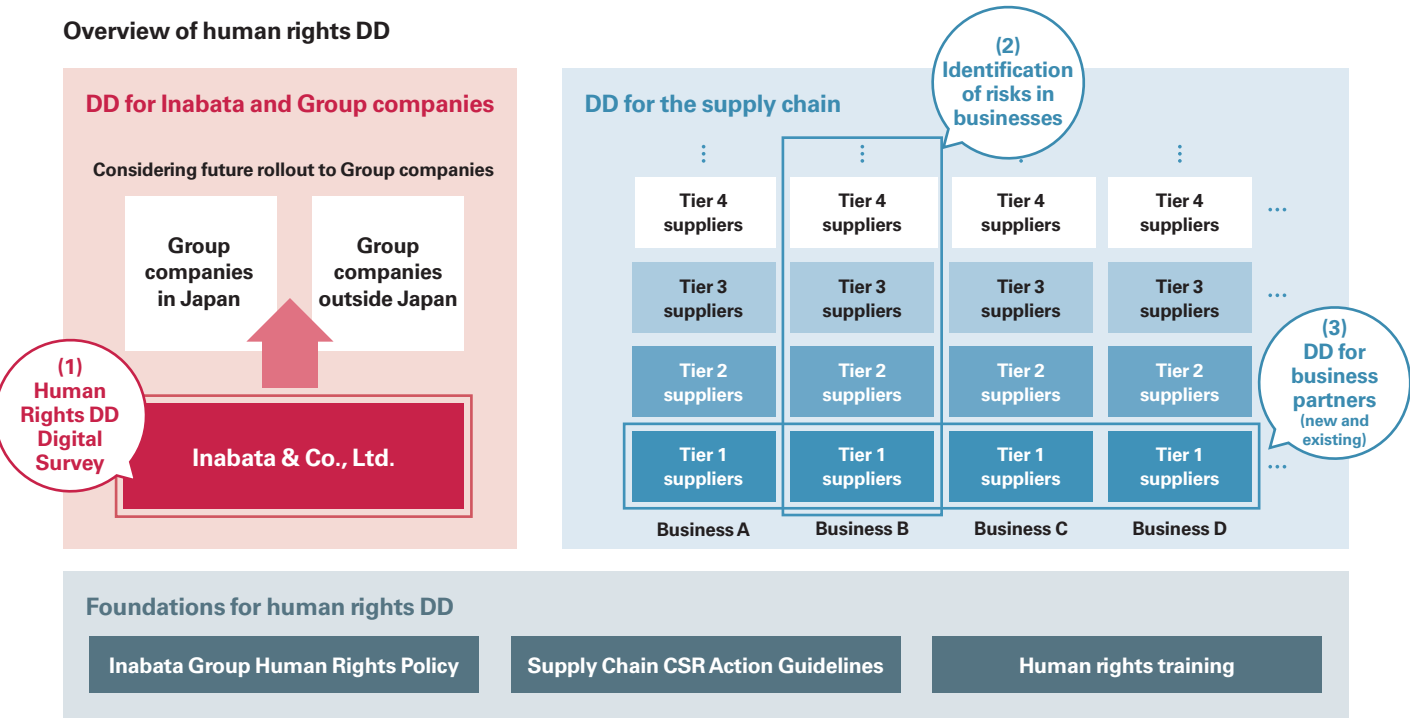
Then, human rights risks were evaluated from perspectives including severity and likelihood of occurrence. Going forward, we will implement human rights DD initiatives while incorporating field surveys as well.

Analysis results and other relevant information will be reported on our website’s sustainability page as necessary.

Flow: Identification of risks in businesses



Overview of human rights DD



(3) DD for business partners (new and existing): Introduction of screening system

A screening system was introduced in FY2023 as part of DD for business partners (new and existing) to address not only human rights risks but also compliance, environmental, and social risks.

By screening and monitoring new and existing business partners with this system, we plan to conduct

broad-based risk checks in the supply chain. We are also considering opening individual dialogues with problematic business partners.

Going forward, we will consider supplementing screening and monitoring via this system with direct questionnaire surveys with business partners.