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CORPORATE GOVERNANCE

Last Updated: December 24, 2021
Inabata & Co., Ltd.

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The corporate governance of Inabata & Co., Ltd. (the “Company”) is described below.

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

1. Basic views

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

[Updated] Reasons for non-compliance with the principles of the corporate governance code]

This report is provided in accordance with the code after the June 2021 revision.
The Company complies with all the principles of the corporate governance code.

Supplementary Principle 3-1-2 and Supplementary Principle 4-10-1 are provided in accordance with the code for the Prime Market to be applied from April 4, 2022.

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

[Principle 1-4. Strategically held shares]

1. Policy on strategic holding of listed shares

(1) Basic views

Close business and cooperative relations with various companies are valuable assets to the Company, and the Company believes the establishment, maintenance and development of these relations improve the Company's corporate value in the medium and long term and lead to the benefit of shareholders and investors.

Also, as the Company believes the strategic holding of shares of such companies continues to be an effective way to establish, maintain and develop good cooperative relations, the Company owns strategically held shares.

(2) Policy related to holding and reducing strategically held shares

The Company forms a judgment concerning the pros and cons of strategically held shares based on whether holding them contributes to the establishment of cooperative relations, enhances the Company's corporate value in the medium and long term and leads to the benefit of shareholders and investors.

Specifically, at the meetings of the board of directors, the Company annually conducts a comprehensive review of the reasons backing the suitability of holding each stock, considering the financial status, liquidity of shares of investees, changes in trading volume and income from business with such investees or investee groups, as well as outlook thereof in the medium and long term, and economic rationality such as whether risk and return is proportionate to the capital cost and other qualitative information.

The Company follows a policy of reducing the shares that the holding of which is not considered significant, while considering timing and the effect on the market and the business.

In April 2021, the Company launched its three-year mid-term business plan “New Challenge 2023” (“NC2023”), which will end in the fiscal year ending March 31, 2024. As part of the “Continuous review of asset holdings and further improvement of fund and asset efficiency,” which is one of its major priority measures, the Company has decided to reduce its cross-shareholdings by 50% in three years during the implementation of “NC2023.” Based on this policy, we will more strictly examine the significance of our holdings and promote further reduction.

2. Criteria for exercise of voting rights for strategically held shares

In principle, the Company exercises voting rights for all agendas in order to exercise its rights as a shareholder.

The Company reviews the merits and demerits of each agenda and exercises voting rights based on the judgment criteria of whether sustainable growth of the held company and improvement of its corporate value in the medium and long term can be expected.

[Principle 1-7. Related party transactions]

The Company shall obtain approval of the board of directors in accordance with the regulations for the board of directors when a conflict-of-interest transaction or a competitive transaction of directors, or a transaction between the Company and directors is conducted. In addition, the Company annually reviews whether there is any related party transaction which involves directors or audit & supervisory board members.

Regarding any transaction with major shareholders, the Company determines a price and other terms and conditions in consideration of general transactions after individual negotiation and discloses details of such transactions in securities reports, etc.

[Principle 2-4. Ensuring diversity in companies, including active participation of women]

Supplementary Principle 2-4-1

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

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

In the mid-term business plan “NC2023,” based on recognition that human assets are the most important asset for the Group with

the trading business serving as a core business, we will further strengthen active use of human capital under the name of “enhancement of human capital utilization efforts” as one of our key initiatives.

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

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

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

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

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

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

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

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

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

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

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

[Principle 3-1. Enhancement of information disclosure]

- (i) With the Mission of contributing to the development of society based on the humanitarian spirit of “ai” (love) and “kei” (respect), which has been the Corporate Principle since its inception, as the basis of corporate management, the Company operates its businesses with its Vision of continually evolving, serving clients and society through global operations, and meeting their changing needs. The Company discloses its Mission, management strategy and plan on the website and in securities report, etc.
- (ii) Based on the Mission, the Company establishes continuous improvement of corporate governance as its basic policy from the perspective of maintaining healthy corporate management and improving transparency as well as efficiency of operations, supported by the view that sustainable improvement of corporate value is important to all stakeholders.
- (iii) The board of directors determines remuneration of directors within the total remuneration approved at a general meeting of shareholders. The Nominating and Remuneration Committee first reviews the details before the board of directors makes the decision. The board of directors works to ensure objectiveness, fairness and transparency by giving sufficient respect to its opinions. In addition, the Nominating and Remuneration Committee is chaired by the head independent outside director, and the majority of the members of the committee are independent outside directors. Remuneration for directors is disclosed in [Incentives] and [Director remuneration] in this corporate governance report and in securities reports.
- (iv) When the board of directors elects executives and appoints candidates for directors, audit & supervisory board members and executive officers, the Nominating and Remuneration Committee takes measures, for instance, such as interviewing candidates, to examine credentials and aptitude which would contribute to the improvement of corporate value in the medium and long term and to ensure the objectivity, fairness and transparency of any decision the board of directors makes. The Company has the “criteria for independence of outside officers” independently in place for the election of independent outside directors and independent outside audit & supervisory board members and elects them in accordance with the criteria. When the board of directors dismisses executives, the matter is first deliberated by the Nominating and Remunerating Committee. Then, while giving adequate consideration to the results of the deliberations by the Nominating and Remunerating Committee, the board of directors will decide on the dismissal of the executives by resolution, working to ensure that objectiveness, fairness and transparency is reflected this resolution.
- (v) With respect to each of the reasons for the election or dismissal or nomination when carrying out election or dismissal of executives or nomination of candidates for directors and audit & supervisory board members, the reasons for the election or dismissal the board of directors makes in accordance with the principle mentioned in (iv) above are included in notices of convocation of general meeting of shareholders.

Supplementary Principle 3-1-2

The Company publishes English versions of “Mission,” “Vision,” and a summary of the mid-term business plan “NC2023”, currently underway, on the Company’s website. The Integrated Report, which began publication in 2020, has also been produced in English and posted on our website.

In addition, we disclose corporate governance reports, convocation notices (summary of convocation notices) and reference documents in English. All other timely disclosure documents are disclosed in English translated versions in principle, and we strive to disclose them simultaneously with Japanese original versions.

Supplementary Principle 3-1-3

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

In November 2021, the Sustainability Committee formulated and published the Inabata Group Sustainability Basic Policy and the Inabata Group Sustainability Code of Conduct. In the Action Guidelines, nine items such as “respect for human rights” and “environmental conservation” are considered important issues in sustainability management, and individual guidelines are published for each respectively. The Group’s systems, policies, guidelines, etc. promoting sustainability are described in the latter part of this report and on the Company’s website. (<https://www.inabata.co.jp/english/csr/>)

In addition, in the three-year mid-term business plan “NC2023” which started in April 2021, the Group has set “strengthening of efforts to utilize human capital” as one of our major priority measures and is working on it as an important management issue. Based on recognition that human assets are the most important asset for the Group with the trading business serving as a core business, we

will further strengthen active use of human capital. Our initiatives, such as investment in human capital and intellectual property are described in the latter part of this report.

Going forward, we will disclose information in line with TCFD recommendations regarding the impact of climate change risks and profit opportunities on our business activities and earnings.

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

Supplementary Principle 4-1-1

The board of directors makes decisions about important matters stipulated by laws and regulations, the articles of incorporation and the regulations for the board of directors such as basic management policies including formulation of a management plan, preparation of an annual budget, and election of executive officers. Matters for resolution and matters to be reported at the meetings of the board of directors are specifically stipulated in the regulations for the board of directors.

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

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

[Principle 4-10. Use of optional approach]

Supplementary Principle 4-10-1

The Company has established the Nominating and Remuneration Committee as a voluntary organ which is chaired by the head independent outside director, and the majority of the members of the committee are independent outside directors. In appointing executives and determining remuneration for directors, the Nominating and Remuneration Committee deliberates prior to the decision of the board of directors. The board of directors works to grant objectiveness, fairness and transparency by giving sufficient respect to the opinions (including succession plans and the perspective of diversity and skills) of the Nominating and Remuneration Committee.

[Principle 4-11. Prerequisite for securing viability of the board of directors and the audit & supervisory board]

Supplementary Principle 4-11-1

There are nine incumbent directors (six internal directors and three outside directors), of whom three are independent outside directors. Three independent outside directors have management experience at other companies.

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

In terms of knowledge, experience, and ability of directors, the skill matrix is presented on page 60 of Integrated Report 2021.

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

Supplementary Principle 4-11-2

The Company shall obtain the approval of the board of directors in accordance with the regulations for the board of directors when an internal director of the Company serves concurrently as a director or an audit & supervisory board member of another company. The Company shall obtain the approval of the audit & supervisory board when an internal audit & supervisory board member of the Company serves concurrently as a director or an audit & supervisory board member of another company.

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

The Company discloses the status of significant concurrent positions directors and audit & supervisory board members hold in securities reports, etc.

Supplementary Principle 4-11-3

Based on the idea that enhancement of effectiveness of the board of directors is important, the Company annually conducts board of directors evaluation utilizing an outside consultant. A third-party evaluation, which is implemented every three years, was carried out by a third-party organization in the fiscal year ended March 2021. An outline of the board of directors evaluation is posted on the Company's website (https://www.inabata.co.jp/themes/english@inabata/investor/library/governance/file/evaluation202104_en.pdf). Going forward, the Company's policy will be to take appropriate response based on the self-evaluation results and to continuously implement such evaluation of the board of directors.

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

Supplementary Principle 4-14-2

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

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

An online inspection of the compound manufacturing site in Vietnam was conducted in April 2021, with the participation of three outside directors and three outside audit & supervisory board members.

The implementation status of training of directors and audit & supervisory board members is reported once a year to the board of directors.

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

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

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

(1) IR system

- Under the IR system of the Company, the president serves as the responsible person, and the director in charge of IR has also been appointed. In principle, the president and the director in charge of IR lead a dialog with shareholders and investors.
- There is a section dedicated to IR (IR Department) within Financial Management Office which serves as a contact point for shareholders and investors.
- IR Department has a system in place for the collection/analysis of various management information and timely and adequate information provision by collaborating with relevant divisions such as Financial Management Office, General Affairs Office and sales divisions.

- (2) IR activities
- The Company handles requests for individual meetings in a positive manner to a reasonable extent.
 - The Company handles requests for individual meetings for outside directors or audit & supervisory board members to a reasonable extent.
 - The Company holds a briefing on financial results twice a year to explain the progress of the mid-term business plan and overview of financial results.
 - The Company creates an occasion for a dialog with individual shareholders and investors through participation in IR events, etc.
 - The Company actively works to provide information through its website, company brochure, shareholder news and notices of general meeting of shareholders and so forth.
 - The Company creates opportunities for dialog with shareholders and investors abroad by holding IR events overseas.
- (3) Compliance with Fair Disclosure Rules
- The Company discloses information in a timely and fair manner, and complies with fair disclosure rules.
- (4) Feedback
- The Company stipulated in its regulations for the board of directors that a report regarding shareholder opinions and concerns ascertained through dialog with shareholders should be included in the business execution report of the director in charge of IR at least once a year. In the fiscal year ended March 31, 2021, IR-related matters were reported at the meetings of the board of directors held in July and December 2020 and January 2021.
- (5) Management of insider information
- The Company carries out thorough control of insider information in accordance with the “rules for information disclosure,” one of the internal rules. In addition, the Company establishes a period between the day after each quarterly closing date and the announcement date as a silent period.
- (6) Understanding of shareholder structure
- The Company conducts shareholder identification twice a year in principle to understand the holding of the Company’s shares by substantial shareholders.

2. Capital structure

Foreign shareholding ratio From 20% to less than 30%

[Updated] Status of major shareholders

Name / Company name	Number of shares owned	Percentage (%)
Sumitomo Chemical Co., Ltd.	13,836,000	22.87
The Master Trust Bank of Japan, Ltd. (Trust account)	6,077,400	10.05
Custody Bank of Japan, Ltd. (Trust account)	2,659,700	4.40
Custody Bank of Japan, Ltd. (Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	1,736,000	2.87
SSBTC Client Omnibus Account	1,474,833	2.44
Katsuo Inabata	1,161,400	1.92
DFA Intl Small Cap Value Portfolio	1,088,600	1.80
Maruishi Chemical Trading Co., Ltd.	961,600	1.59
ASKA Pharmaceutical Co., Ltd.	785,300	1.30
Mizuho Bank, Ltd.	744,900	1.23

Controlling shareholder (except for parent company) ———

Parent company N/A

1. Treasury shares held by the Company (3,010,364 shares) are omitted from the above table and calculations of percentages (excluding the 94,300 shares of the Company's shares held by Custody Bank of Japan, Ltd. (trust E account) as trust assets in the Board Benefit Trust (BBT) system).
2. "Custody Bank of Japan, Ltd. (Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)" is a trust asset entrusted with the Company's shares previously held by Mizuho Bank, Ltd. as a retirement benefit trust, and voting rights are to be exercised at the direction of Mizuho Bank, Ltd.
3. The English names of the above shareholders are based on the "Notice to all shareholders" notified by Japan Securities Depository Center, Inc.

3. Corporate attributes

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

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

5. Other special circumstances which may have material impact on corporate governance

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

1. Organizational composition and operation

Organization form Company with audit & supervisory board

[Directors]

Maximum number of directors stipulated in articles of incorporation	14 directors
Term of office stipulated in articles of incorporation	1 year
Chairperson of the board	President
Number of directors	9 directors
Appointment of outside directors	Appointed
Number of outside directors	3 directors
Number of independent officers designated from among outside directors	3 directors

Outside directors' relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Kiyoshi Sato	From another company											
Kenji Hamashima	From another company											
Takako Hagiwara	From another company											

* Categories for relationship with the Company

* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a Executive (meaning a person who executes business; hereinafter, the same) of the Company or its subsidiaries

b Executive or non-executive director of a parent company of the Company

c Executive of a fellow subsidiary company of the Company

d A party whose major client or supplier is the Company or an executive thereof

e Major client or supplier of the Company or an executive thereof

f Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to remuneration as a director/audit & supervisory board member

g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the outside director himself/herself only)

i Executive of a company, with which outside directors/audit & supervisory board members are mutually appointed (the outside director himself/herself only)

j Executive of a company or organization that receives a donation from the Company (the outside director himself/herself only)

k Others

Updated Outside directors' relationship with the Company (2)

Name	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
Kiyoshi Sato	○	—	<p>Kiyoshi Sato has served as president and CEO, and vice chairman of the board of Tokyo Electron Ltd. He currently serves as an outside director of Shibaura Machine Co., Ltd. and Mazda Motor Corp.</p> <p>He has global and abundant experience and extensive knowledge as a member of the management of Japan's leading company of manufacturing equipment for semiconductors and flat panel displays. The Company expects that he will use his abundant experience and extensive knowledge as a manager to provide oversight and advice in relation to the Company's execution of duties from an objective perspective.</p> <p>As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside officers" separately established by the Company, the Company appoints him as independent officer.</p>
Kenji Hamashima	○	—	<p>Kenji Hamashima has served as representative director and senior executive vice president and president and chief executive officer of USHIO INC. He currently serves as special adviser of the same company.</p> <p>He has global and abundant experience and extensive knowledge as a member of the management of a manufacturer which produced applied optics products such as industrial light sources, and industrial machinery. The Company expects that he will use his abundant experience and extensive knowledge as a manager to provide oversight and advice in relation to the Company's execution of duties from an objective perspective.</p> <p>As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside officers" separately established by the Company, the Company appoints him as independent officer.</p>
Takako Hagiwara	○	—	<p>Takako Hagiwara has served as representative director of Sony Hikari Corp. and Sony Kibou Corp. (now Sony Kibou/Hikari Corp.) and director of Green House Co., Ltd. She currently serves as representative director of DDD Corp. and outside director of Twinbird Corp. and NEC Capital Solutions Limited.</p> <p>She held positions of responsibility for many years in the human resources division of a major electronics manufacturer with a global presence in multiple businesses, such as audiovisual equipment, games, movies, and music, in addition to which she has also served in management, and accordingly has extensive knowledge and experience. The Company expects that she will provide advice in such areas as the Company's human resources strategy, and on the promotion of diversity.</p> <p>As she satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside officers" separately established by the Company, the Company appoints her as independent officer.</p>

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

Committees voluntarily established, composition, and chairperson's attributes

	Committee's name	All committee members	Full-time members	Internal directors	Outside directors	Outside experts	Other	Chairperson
Committee corresponding to nominating committee	Nominating and Remuneration Committee	4	0	1	3	0	0	Outside director
Committee corresponding to remuneration committee	Nominating and Remuneration Committee	4	0	1	3	0	0	Outside director

Updated Supplementary explanation

When the board of directors elects or dismisses executives, appoints candidates for directors, audit & supervisory board members

and executive officers, or resolves remuneration of directors, the Nominating and Remuneration Committee, which is chaired by the head independent outside director, and the majority of the members of the committee are independent outside directors, deliberates on this matter prior to the resolutions.

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

[Audit & supervisory board members]

Establishment of audit & supervisory board	Established
Maximum number of audit & supervisory board members stipulated in articles of incorporation	No limit on the number of audit & supervisory board members
Number of audit & supervisory board members	5 audit & supervisory board members

Cooperation among audit & supervisory board members, accounting auditor and the internal audit

Audit & supervisory board members, the accounting auditor and the Internal Audit Office collaborate with one another on a regular basis through reporting of audit results and consultation.

Appointment of outside audit & supervisory board members	Appointed
Number of outside audit & supervisory board members	3 audit & supervisory board members
Number of independent officers designated from among outside audit & supervisory board members	3 officers

Outside audit & supervisory board members' relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yoshitaka Takahashi	From another company													
Katsuya Yanagihara	Attorney													
Satoshi Tamai	Certified public accountant													

* Categories for relationship with the Company

* "○" when the audit & supervisory board member presently falls or has recently fallen under the category; "△" when the audit & supervisory board member fell under the category in the past

* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category; "▲" when a close relative of the audit & supervisory board member fell under the category in the past

a Executive (meaning a person who executes business; hereinafter, the same) of the Company or its subsidiaries

b Non-executive director or accounting advisor of the Company or its subsidiaries

c Executive or non-executive director of a parent company of the Company

d Audit & supervisory board member of a parent company of the Company

e Executive of a fellow subsidiary company of the Company

f A party whose major client or supplier is the Company or an executive thereof

g Major client or supplier of the Company or an executive thereof

h Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to remuneration as a director/company auditor

i Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

j Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the outside audit & supervisory board member himself/herself only)

k Executive of a company, with which outside directors/audit & supervisory board members are mutually appointed (the outside audit & supervisory board member himself/herself only)

l Executive of a company or organization that receives a donation from the Company (the outside audit & supervisory board member himself/herself only)

m Others

Outside audit & supervisory board members' relationship with the Company (2)

Name	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
Yoshitaka Takahashi	○	—	Yoshitaka Takahashi has served as an audit & supervisory board member of a listed company, and the Company appoints him as outside audit & supervisory board member for the purpose of conducting an objective, proactive and fair audit by utilizing his abundant experience and broad views. As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside officers" separately established by the Company, the Company appoints him as independent officer.
Katsuya Yanagihara	○	—	Katsuya Yanagihara is an attorney, and the Company appoints him as outside audit & supervisory board member for the purpose of conducting an objective, proactive and fair audit from the perspective of a professional. As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside officers" separately established by the Company, the Company appoints him as independent officer.
Satoshi Tamai	○	—	Satoshi Tamai is a certified public accountant, and the Company appoints him as outside audit & supervisory board member for the purpose of conducting an objective, proactive and fair audit from the perspective of a professional. As he satisfies the requirements of the independence standards stipulated by the Tokyo Stock Exchange as well as the "criteria for independence of outside officers" separately established by the Company, the Company appoints him as independent officer.

[Independent officers]

Number of independent officers 6 officers

Other matters related to independent officers

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

[Incentives]

Incentive policies for directors Performance-linked remuneration system

Supplementary explanation

The Company has established a minimum guaranteed amount (fixed remuneration) as remuneration for each position held by directors (excluding directors who are not executive directors, etc.) as well as a performance-linked remuneration system based on this.

Directors are responsible for all business activities, such as sales and financial activities of the entire Group, including group companies. The Company expects all business activities to be shown quantitatively on consolidated statement of income as profit before income taxes. As such, the Company designates profit before income taxes as an indicator (excluding gains on some strategically held shares). However, gains on sale of some listed shares held for a long-term from before the Group is listed is excluded because this profit cannot be said to have been gained from the Group business activities.

Furthermore, the Company has introduced a Board Benefit Trust (BBT) as a performance-linked share-based remuneration system in order to further clarify the linkage of the remuneration for directors (excluding directors who are not executive directors, etc.), the Company's business performance, and the stock value, and enhance their motivation to contribute to the improvement of the Company's business performance in the medium and long term and to boost corporate value by sharing not only the benefit of the rise in stock prices but also the risks of a decline in stock prices with the Company's shareholders. Board Benefit Trust (BBT) is a system in which directors earn points during their term which are exchanged for shares and cash upon resignation. The calculation method for points granted to directors is as follows:

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

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

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

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

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

the Nominating and Remuneration Committee. Through these procedures, the Company is working to ensure that objectiveness, fairness and transparency are reflected in remuneration for directors, and the decisions regarding individual remuneration, etc. are not delegated to specific directors, etc.

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

Recipients of stock options

Supplementary explanation

[Director remuneration]

Disclosure of individual directors' remuneration

No disclosure of individual remuneration

Supplementary explanation

Total remuneration paid to directors during the fiscal year ended March 2021 of the Company is 344 million yen. Remuneration breaks down into 206 million yen in fixed remuneration, 91 million yen in performance-linked remuneration, and 45 million yen in Board Benefit Trust (BBT). However, Board Benefit Trust (BBT) is the carryover amount of the board benefit provision booked in the fiscal year ended March 2021.

Policy on determining remuneration amounts and calculation methods

Established

Disclosure of policy on determining remuneration amounts and calculation methods

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

[Updated Supporting system for outside directors (outside audit & supervisory board members)]

Outside directors and outside audit & supervisory board members work to collect appropriate information by attending important meetings, exchanging opinions between directors and audit & supervisory board members, reading important documents, etc. Outside directors and outside audit & supervisory board members obtain additional information directly or via the Secretarial Department from relevant departments and directors in charge as necessary. The Secretarial Department provides various support to outside directors and outside audit & supervisory board members, including information gathering by outside directors and outside audit & supervisory board members. The audit & supervisory board does not currently have any assistants. However, it has a system whereby personnel from various departments provide support as necessary for the duties of the audit & supervisory board, and the details of interviews conducted by the audit & supervisory board with the directors, executive officers, the Internal Audit Office and other employees of the Company and its subsidiaries, as well as the accounting auditor, are recorded and stored.

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

[Board of directors]

The board of directors, as the decision-making body of management policies and strategies of the Company, currently consists of 9 directors and performs its decision-making function for corporate management by holding a regular monthly meeting and ad hoc meetings.

The Company adopts an executive officer system. This is to improve the efficiency of corporate management and the speed of decision-making by clearly separating directors as members of the board of directors performing the decision-making function for corporate management from executive officers performing the business execution function and enhancing/activating each function, in order to swiftly and appropriately respond to changes in the management environment. Currently, there are 11 executive officers of whom five serve concurrently as directors.

Of the directors, three are outside directors. Outside directors, with their abundant experience and broad views as top executives, oversee the decision-making of the board of directors and business execution by executive officers and provide expert opinions from an objective standpoint.

[Nominating and Remuneration Committee]

The Nominating and Remuneration Committee is described in a section titled "Voluntary establishment of committee(s) corresponding to nominating committee or remuneration committee" column.

[Audit & supervisory board members]

The Company adopts an audit & supervisory board member system. The audit & supervisory board consists of five audit & supervisory board members and conducts an audit of the decision-making of the board of directors and directors' execution of duties.

Of the audit & supervisory board members, three are outside audit & supervisory board members. Outside audit & supervisory board members, with their expertise in finance, accounting and law, etc. and possessing a high degree of independence, oversee decision-making of the board of directors and directors' execution of duties.

Specific efforts for enhancement of the functions of audit & supervisory board members are described in sections titled “Cooperation among audit & supervisory board members, accounting auditor and the internal audit,” “Appointment of outside audit & supervisory board members,” and “Supporting system for outside directors (outside audit & supervisory board members)” within this report.

[Internal audits]

The Company has established an Internal Audit Office and is aiming to strengthen the human resources of the Internal Audit Office in order to enhance internal audits. The Internal Audit Office handles the internal controls reporting system related to financial reporting based on the Financial Instruments and Exchange Act and conducts internal audits as needed.

[Accounting auditor]

The accounting auditor of the Company is KPMG Azsa LLC. Certified public accountants who performed account closing operations for the fiscal year ended March 2021 are Koji Yasui (designated limited partner) and Kazushi Chiba (designated limited partner). There are 12 certified public accountants, seven people who have passed the certified public accountants examination, etc. and three staff members serving as assistants for audit work. Fees (less consumption tax) for the work stipulated by Article 2, Paragraph 1 of the Certified Public Accountants Act (Act No. 103 of 1948) paid to KPMG Azsa LLC total 78 million yen and all other fees (less consumption tax) total 0 million yen.

3. Reasons for adoption of current corporate governance system

The Company believes that the most suitable corporate governance system has been established by adopting a system of audit by audit & supervisory board members including multiple outside audit & supervisory board members possessing a high degree of expertise and independence on decision making from the meetings of the board of directors attended by several outside directors, who have broad views and expertise, as well as business execution of executive officers.

III. Implementation of measures for shareholders and other stakeholders

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

	Supplementary explanation
Early notification of general meeting of shareholders	The Company annually sends a notice of convocation approximately three weeks prior to the date of a general meeting of shareholders. For the 160th Ordinary General Meeting of Shareholders held on June 23, 2021, the Company sent the notice of convocation on June 1, 2021.
Scheduling general meeting of shareholders avoiding the peak day	The Company avoids the peak day when setting a date for its general meeting of shareholders to allow constructive dialog with shareholders by enabling a greater number to attend the meeting.
Allowing electronic exercise of voting rights	Voting rights of the Company may be exercised via the internet through a computer, smartphone, tablet or mobile phone.
Efforts for improvement of environment for exercise of voting rights by institutional investors such as participation in the platform for electronic exercise of voting rights	The platform for electronic exercise of voting rights for institutional investors managed by Investors Communications Japan, Inc. is available.
Providing notice of convocation (summary) in English	The Company prepared an English translation of the summary of the Notice of Convocation of the 160th Ordinary General Meeting of Shareholders and posted on its English website (https://www.inabata.co.jp/themes/english@inabata/investor/event/shareholder_meeting/file/notification_en_210525.pdf), as well as on the websites of Japan Exchange Group, Inc. and the platform for electronic voting, on May 25, 2021.
Others	Prior to the sending of the Notice of Convocation of the 160th Ordinary General Meeting of Shareholders on June 1, 2021, the Company posted it on its Japanese website (https://www.inabata.co.jp/themes/inabata/investor/event/file/notification_210525.pdf), as well as on the websites of Japan Exchange Group, Inc. and the platform for electronic voting, on May 25, 2021.

2. IR activities

	Supplementary explanation	Explanation by representative
Preparation and announcement of disclosure policy	The Company has a policy on information disclosure in place and has posted it on its website (https://www.inabata.co.jp/english/csr/governance/).	
Regular investor briefings for individual investors	The Company provided one briefing on company information for the fiscal year ended March 2021.	Established
Regular investor briefings for analysts and institutional investors	The Company provides financial results meetings for analysts and institutional investors twice a year in the second quarter and at fiscal year end.	Established
Regular investor briefings for overseas investors	The Company holds individual meetings on site or online for overseas investors in Europe, the United States, and Asia.	Established
Posting of IR materials on website	The Company posts IR materials on its website (https://www.inabata.co.jp/english/investor/) such as financial results, information subject to timely disclosure other than financial results, operation overview/shareholder news, securities reports, semiannual reports, quarterly reports, integrated report and company brochure.	
Establishment of department and/or person in charge of IR	IR Department of Financial Management Office is in charge of IR at the Company.	

3. Measures to ensure due respect for stakeholders

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

IV. Matters related to internal control system

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

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

The Company sets forth the following basic policy on development and improvement of the internal control system based on the Companies Act and the Ordinance for Enforcement of the Companies Act.

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

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

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

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

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

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

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

- (1) The meetings of the board of directors will be held regularly, in principle once a month and ad hoc meetings shall be held as necessary.
- (2) The Management Council and the *shinsa kaigi* (organization which reviews credit and individual important cases) consisting of directors and audit & supervisory board members discuss important matters for the Company's management policies and strategies prior to submitting such matters to the board of directors.
- (3) The omission of resolutions at the meetings of the board of directors (approval by documents) is provided for in the articles of incorporation to promote efficiency.
- (4) Decision criteria are established to promote efficiency of performance of duties by directors by delegating authority.

5. System to ensure appropriateness of operations of Inabata Group (the Group)

- (1) Efforts shall be taken for all officers and employees of the Group to familiarize themselves with Corporate Principle, Management Philosophy/Mission, Vision, and IK Values of the Company.
- (2) Directors and employees of the Company shall be dispatched to subsidiaries as necessary as officers.
- (3) Subsidiaries shall be under obligation to report sales results, financial position and other important information to the Company on a regular basis in accordance with the rules for group company management. Moreover, concerning important matters arising at subsidiaries, subsidiaries shall be under obligation to seek permission from the Company beforehand and receive approval for the matter.
- (4) An organization to oversee subsidiaries shall be established, and such organization shall have a system established to supervise and guide the subsidiaries' management.
- (5) Internal audits of the subsidiaries shall be conducted in accordance with the rules for internal audits.
- (6) The internal whistleblowing system of the Company shall have a system established to enable whistleblowing by officers or employees of subsidiaries.

6. System relating to employees assisting audit & supervisory board members' duties

Upon a request from an audit & supervisory board member for the Company to place an employee to assist with his/her duties, internal rules containing the following content shall be established and an appropriate appointee who is independent from directors shall be appointed.

- (1) An employee assisting an audit & supervisory board member shall perform his/her duties under the direction of the audit & supervisory board member.
- (2) Appointment, transfer, personnel evaluation, wages, disciplinary action of the employee assisting an audit & supervisory board member shall be determined after obtaining the approval of the audit & supervisory board (or if the audit & supervisory board has nominated a specified audit & supervisory board member, the said audit & supervisory board member).
- (3) When selecting the employee assisting an audit & supervisory board member, ample consideration shall be given to that employee's experience, knowledge and leverage, taking into account the important role that constitutes one part of the audit function.
- (4) The directors and employees shall not unreasonably restrict the execution of duties of the employee assisting an audit & supervisory board member.

7. System for report to audit & supervisory board members

To provide a system for reporting to audit & supervisory board members, internal company rules providing for the following content will be established and appropriately put into operation.

- (1) Officers and employees of the Group shall make prompt and appropriate reports when the Company's audit & supervisory board members have requested a report on matters relating to the execution of business.
- (2) Officers and employees of the Group shall provide reports to the Company's audit & supervisory board members or audit &

supervisory board whenever deemed appropriate when the Group has incurred significant loss or is at risk thereof.

- (3) Departments inside the Group that have the management responsibility for internal audits, compliance, risk management, subsidiary management, and so forth shall conduct report meetings at the audit & supervisory board on a regular basis or as deemed necessary.
 - (4) The department in charge of the internal whistleblowing system of the Company shall report to the Company's audit & supervisory board members on a regular basis on the status of whistleblowing incidents from officers or employees of the Group.
 - (5) Officers and employees of the Group shall be forbidden from treating a person who reported information to an audit & supervisory board member disadvantageously because of such action.
8. Other systems to ensure that audits by audit & supervisory board members are conducted effectively
- (1) The representative director shall hold meetings with audit & supervisory board members on a regular basis, and at such meetings, opinions shall be exchanged on management policies, issues that require the Company's action, major risks surrounding the Company, the status of establishment and operation of internal controls in the Group, the provision of environments for audits by the audit & supervisory board member and important issues concerning audits.
 - (2) When an audit & supervisory board member requests the assistance of a lawyer, certified accountant or other outside professional to assist in the execution of his/her duties, or claims for the cost required to commission investigations, appraisals, or other professional services, the Company shall not be in a position to refuse these requests except in cases when the costs related to the aforesaid claims are deemed not to be necessary for the audit & supervisory board member's execution of duties.

(Outline of operational status of internal control system)

The Company operates its internal control system as detailed below in accordance with its basic policy on development and improvement of the internal control system.

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

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

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

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

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

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

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

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

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

The board of directors comprises nine directors, including three outside directors, and it met 18 times during the fiscal year ended March 31, 2021. The Management Council and the *shinsa kaigi* (organization which reviews credit and individual important cases), consisting of full-time directors and audit & supervisory board members, discuss important matters relating to the Company's management policies and strategies first, and following their deliberations, the board of directors makes decisions on the performance of duties.

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

5. System to ensure appropriateness of operations of the Group

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

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

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

6. System relating to employees assisting audit & supervisory board members' duties

The audit & supervisory board does not currently have any employees directly assisting audit & supervisory board members. However, it has a system whereby personnel from various departments provide support as necessary for the duties of the audit & supervisory board, and the details of interviews conducted by the audit & supervisory board with the directors, executive officers, the Internal Audit Office and other employees of the Company and its subsidiaries, as well as the accounting auditor, are recorded and stored.

7. System for report to audit & supervisory board members

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

Audit & supervisory board members work to gather information, communicating with directors, executive officers, Internal Audit Office, and other employees. They attend important meetings, including meetings of the board of directors, the Management Council, and the *shinsa kaigi* (organization which reviews credit and individual important cases), and receive reports from directors, executive officers, employees, and others regarding the performance of their duties, requesting explanations as necessary. With regard to

subsidiaries, the Company's audit & supervisory board members also communicate and exchange information with their directors, audit & supervisory board members, and others, receiving business reports from subsidiaries as necessary.

The department in charge of the Company's internal whistleblowing system reports to the audit & supervisory board members regarding contact or requests for advice received via the internal whistleblowing system.

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

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

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

(Status of development and improvement of risk management system)

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

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

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

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

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures -

Supplementary Explanation

2. Other matters related to corporate governance system

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

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

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

(Overview of timely disclosure system)

1. Internal system for timely disclosure of Company information

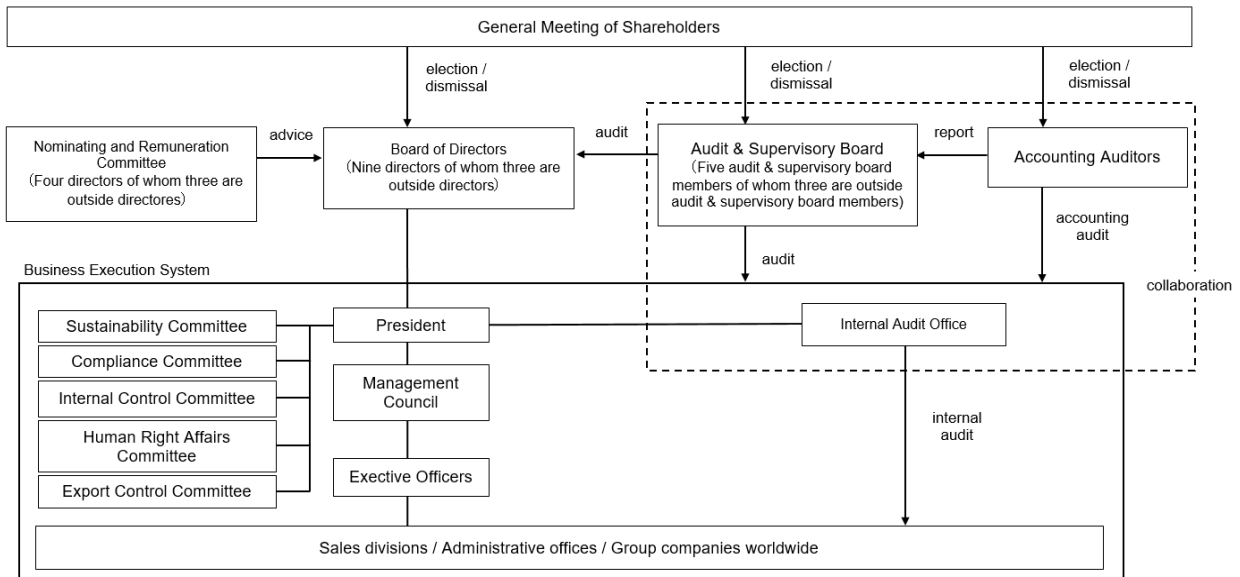
The Company discloses matters required by law and company information to stakeholders, including shareholders and investors, on a timely basis via its website and other means of communication including various printed materials. The means for information communication are as follows.

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

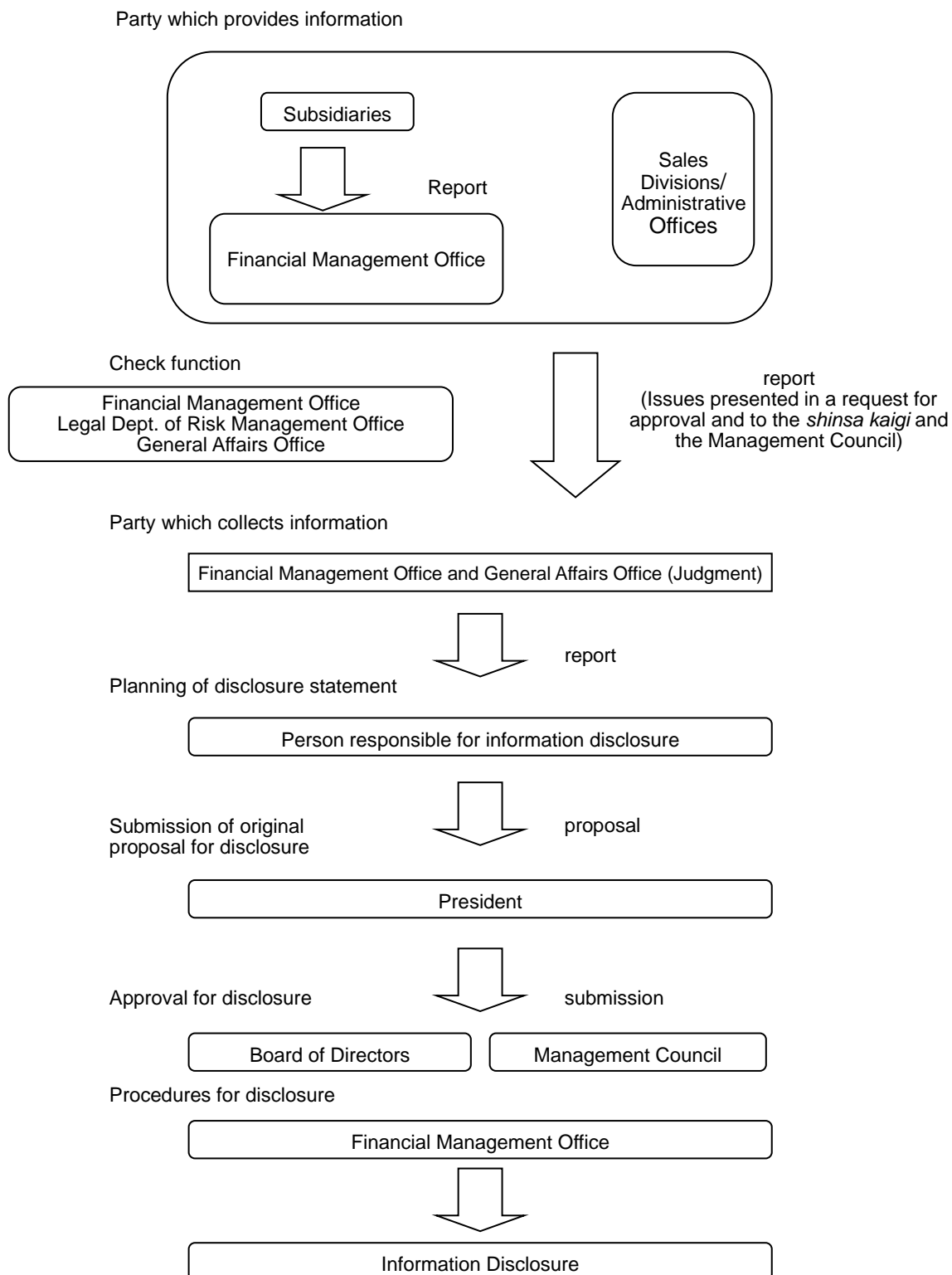
2. Check function of internal system for timely disclosure

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

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



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



Inabata Group Sustainability Basic Policy

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

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

Inabata Group Sustainability Code of Conduct

1. Respect for Human Rights

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

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

2. Healthy, Safe, and Secure Working Conditions

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

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

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

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

4. Environmental Conservation

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

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

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

5. Crisis Management

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

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

6. Constructing a Sustainable Supply Chain

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

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

7. Compliance

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

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

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

8. Collaboration with External Stakeholders

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

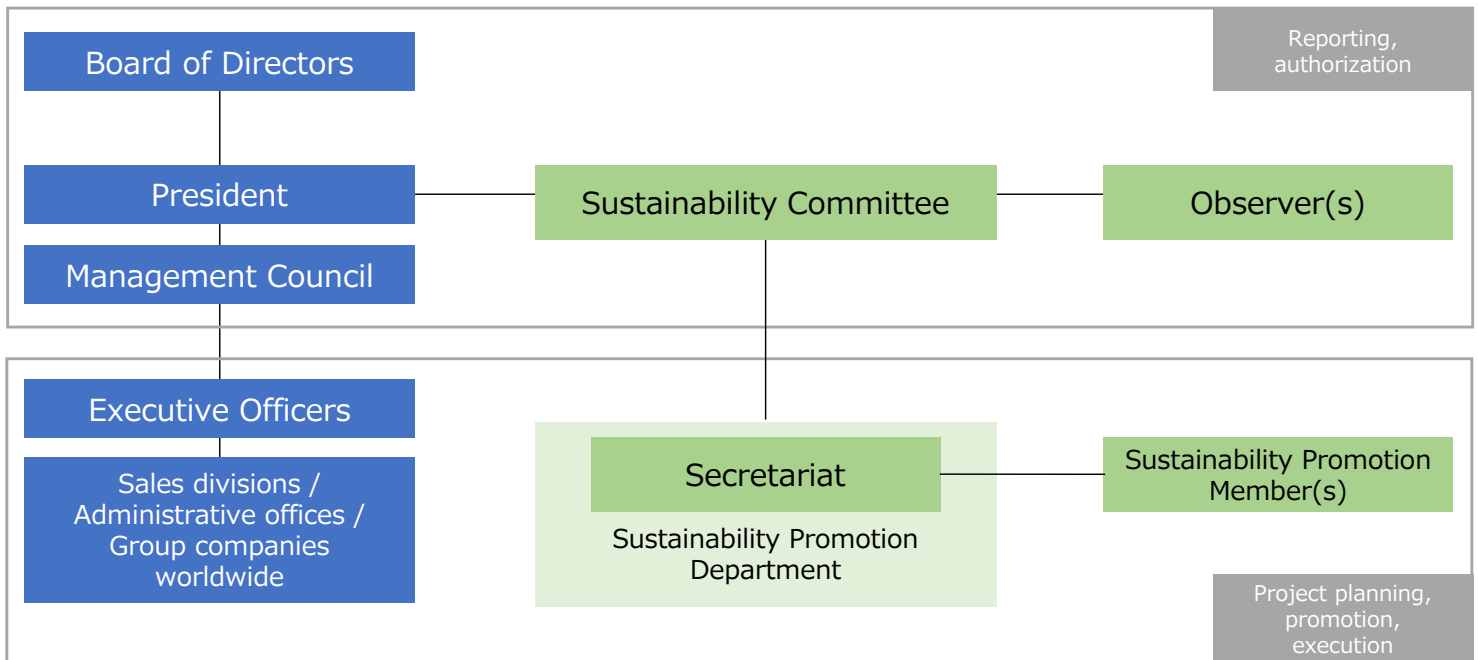
We will use information obtained through that dialogue to improve our business efficiency, enhance our corporate value, and form action strategies to address environmental and social issues. We will also work with stakeholders when implementing our strategies to improve their effectiveness.

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

9. Sustainability Information Disclosure

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

Sustainability Promotion System



◆ Sustainability Committee

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

◆ Observer(s)

Non-executive directors, outside directors, audit & supervisory board members, and outside audit & supervisory board members serve as observers of the Sustainability Committee. The observers monitor the fairness and effectiveness of the discussions at the committee and provide recommendations as necessary.

◆ Secretariat

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

◆ Sustainability Promotion Member(s)

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

◆ Sustainability Promotion Department

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

■ Investment in human capital and intellectual property

1. Investment in human capital

Greater diversity for stronger human capital

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

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

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

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

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

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

As of October 2021, persons with disabilities represented 2.2% of our workforce, meeting the statutory employment rate.

As of October 2021, Inabata & Co., Ltd. employed 15 foreign nationals. The hiring of new college graduates and mid-career professionals is based on qualifications regardless of nationality.

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

2. Investment in intellectual property and other initiatives

In terms of enhancing our intellectual capital, Inabata operates facilities for processing and manufacturing as well as R&D in Japan and overseas to complement our trading businesses function. Also, the development teams onsite at the Life Industry Segment firms Pharmasynthese S.A.S. and Inabata France S.A.S. are currently focusing on developing processes for the manufacture of materials for pharmaceuticals and cosmetics. Their work is primarily in response to customer requests to further improve the manufacturing processes and better enable small

quantity production, as well as to develop our in-house technologies, accumulate expertise, and develop analysis methods. In the fiscal year ended March 2021, we invested ¥37 million in R&D activities.

In September 2021, we became a member company in the international Alliance to End Plastic Waste (AEPW). We are expanding our plastic recycling business and developing and manufacturing biodegradable plastics. One of the key initiatives in the NC2023 medium-term business plan involves increasing products and materials with a low environmental load. We plan to ally with other AEPW member companies to advance a global movement to reduce plastic waste.

■Internal Whistleblowing System

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

Inabata operates its internal whistleblowing system in accordance with the Internal Whistleblowing Rules. To encourage and protect employees who use the system to provide information and to ensure they do not suffer consequences for whistleblowing, the rules clearly stipulate that the provider of the information be kept anonymous and that any adverse treatment of the individual is strictly prohibited. When information is received, the rules provide clear procedures for communicating and verifying the information promptly and appropriately. The president of Inabata, who chairs the Compliance Committee, regularly reports the operational status of the internal whistleblowing system to the board of directors.

The compliance hotline also allows for anonymous reporting to an internal contact, specifically a full-time audit & supervisory board member or other designated office staff, or to an external contact, specifically a designated lawyer or an English or Chinese speaking specialist, all of whom are independent of company management.

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