To whom it may concern:

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Notification of Recurrence Prevention Measures

As announced on September 13, 2017, in "Notification of Release of Investigation Report from Internal Investigation Committee and Actions to be Taken," Inabata & Co., Ltd. (the "Company") released the investigation report from the Internal Investigation Committee regarding the unauthorized sale by the planned buyer of solar battery modules that were part of the inventory of the Company's consolidated subsidiary, INABATA EUROPE GmbH (hereinafter, "IKEG").

In response to this, the Company has formulated specific recurrence prevention measures by establishing the Committee for the Promotion of Preventing Recurrences under the Compliance Committee, and hereby provides notice, as set forth below, regarding the recurrence prevention measures to be taken which were resolved at the meeting of the board of directors held today.

One of the main reasons for this incident having occurred is that, at a time when the overseas operations of the Company have been expanding rapidly, levels of management and employee education at overseas subsidiaries have not necessarily reached those of the head office. It is thought that IKEG in particular, as a relatively new overseas subsidiary, was prone to falling into this situation.

Going forward, we will disseminate and thoroughly inculcate measures to prevent recurrence throughout the entire Group while earnestly considering these issues, with the aim of regaining the trust of our stakeholders, in which regard we humbly request your understanding.

[Recurrence Prevention Measures]

1. Measures in purchasing and inventory management

(1) Reinforce onsite stocktaking and book inventory practices

In the "IK Group Administrative Operations Rules" (hereinafter, "Administrative Operations Rules") created by the International Affiliate Management Department of the Financial Management Office as standard rules aimed at preserving a certain level of operations at each overseas subsidiary, it is mandated that onsite stocktaking be carried out for all inventory at least once every year. However, because onsite stocktaking was not mandated for situations such as the one in question, in which inventory increased dramatically over a short period, this did not result in special action.

In future, in addition to the existing periodical onsite stocktaking, new rules will be established to ensure thoroughgoing checks at times of rapid increases in inventory. Specifically, in cases where the total value of inventory held by the Company's sales department and subsidiaries exceeds the value recorded at the end of the previous month, or at the end of the previous quarter by a certain percentage, an onsite stocktaking will be mandated.

In addition, the Company records inventory in the accounts at least once every quarter, but in the Administrative Operations Rules, book inventory practice is only mandated at least once every year. Accordingly, we will strengthen inventory control at overseas subsidiaries by amending this and raising it to at least once every quarter, the same level as that of the Company.

Moreover, the administration department of the Company will monitor the implementation status of onsite stocktaking and book inventory practices at overseas subsidiaries, in addition to ensuring that this monitoring is carried out without exception.

(2) Set criteria for approval to a large quantity purchasing

During the incident in question, the value of solar battery modules purchased by IKEG came to a total of US$18 million. Given the size of IKEG at the time, the credit situation regarding Company X (hereinafter, "X") that bought the modules, and the state of transactions with X, the Company too should have carefully considered the scheme and the locus of risk. Because there was not a procedure in place to approve implementation of large volume purchases, it was possible for it to be implemented by the judgment of IKEG alone.

Going forward, the Company's rules for request for approval, etc. will be amended so that, in cases of large purchases, the nature of the scheme and the locus of risk can be considered carefully beforehand at the headquarters level. For cases in which the value of each purchase transaction exceeds a certain level, a rule shall be enacted whereby the transactions may not be implemented without passing through screening and approval procedures prescribed by the Company.

2. Measures in the operational management

(1) Disseminate and thoroughly inculcate the Administrative Operations Rules

The Administrative Operations Rules are distributed to the Company's overseas subsidiaries in Japanese, English and Chinese. Nevertheless, at IKEG, where the problem occurred on this occasion, a lack of awareness and understanding with regard to these Administrative Operations Rules led to the omission of vital checking procedures in inventory management and logistics operations, and was one of the causes of the unauthorized sale by X of inventory owned by IKEG.

In order to rectify this situation, the measures below have been devised for overseas subsidiaries, including IKEG. In addition, senior management will again pursue initiatives to signal as clearly as possible that understanding the Administrative Operations Rules and conducting business in accordance with them, without fail, is an indispensable aspect of operations.

1) The Administrative Operations Rules shall be made available in locations that anybody can see, such as intranets operated by each overseas subsidiary, and implementation shall be checked.

2) Guides and manuals related to the Administrative Operations Rules shall be created in Japanese, English and Chinese, in the same way as the Administrative Operations Rules, and shall be displayed in the same way as described in 1) above.

(2) Ensure thorough education and training on purchasing and inventory management, credit management and operational management

In the incident in question, the sales department of IKEG showed insufficient knowledge of basic management in relation to purchasing and inventory, credit and operations. This led to the omission of vital checking procedures and to the handling of business in idiosyncratic and inexact ways, with the result that the prevention of the problem, and its early discovery, was materially hindered.

The main cause was that the Company was unable to keep pace with the rising need for training and education at overseas locations that continued to grow at a time when overseas operations were expanding rapidly. For some locations, this resulted in opportunities that were insufficient to enable them to maintain the standard level of the Group.

In order to rectify this situation, the Company will strive to raise standards across the board, using e-learning, etc. to consistently implement education and training for basic items such as purchasing and inventory management, credit management and operations management for those assigned to overseas subsidiaries, including IKEG.

3. Measures to ensure smoother communication between sales department and administration department

The Administrative Operations Rules prescribe that meetings shall be held with a frequency of at least once every month to follow credit limit management, management of delays in the

repayment of accounts receivable and long-term buildups of inventory. It is also specified that the presidents of subsidiaries and those in charge of sales and administration shall be involved in the sharing of information and in the implementation of other measures.
However, at IKEG these meetings were not held, and communication between the sales and administration departments was inadequate, into a situation which is difficult to communicate risk and other information. This was one of the primary reasons that the occurrence and expansion of this problem could not be held back.
Accordingly, when disseminating and thoroughly inculcating the Administrative Operations Rules described in 2 (1) above, in addition to again impressing on presidents of overseas subsidiaries such as IKEG the importance of holding and reporting the prescribed meetings on a monthly basis, the Company shall monitor the status of the holding of meetings and their outcomes.

4. Measures to reinforce capability of managing group companies

(1) Build new information systems

During the incident in question, the Company's information gathering with regard to credit, inventory and liabilities, etc. at IKEG relied primarily on local reports, and it is difficult to say that those reports were all submitted in a timely fashion. As a result, the Company's management functions were unable to be executed appropriately, which is one reason why the occurrence of the problem was not prevented.
Accordingly, the Company will build a new information system for its main overseas subsidiaries, including IKEG that will allow it to automatically gather timely and accurate information, enabling it to aggregate and view, at an early stage, such important figures as credit limits, liabilities outstanding and delays in the repayment of accounts receivable.

(2) Strengthen checking function of the Company’s administration department

From the perspective of the management of group companies by the Company's administration department, as was seen in the managerial approval process for the prepayments related to the purchase of the solar battery modules, when important decisions needed to be made, there were a few cases in which the sales department had in effect given approval in advance, and as a result, checks by the administration department were insufficient or came too late.
Going forward, the Company will increase the number and adjust the disposition of personnel in such areas as the Financial Management Office, Business Process Management Office, Risk Management Office and Internal Audit Office, and will also make active use of outsourcing to external specialists as necessary in order to strengthen the checking, audit and monitoring functions in the context of the decision-making process.
In addition, for overseas subsidiaries that operate with a small number of staff like IKEG, the

Company will ensure thorough support and instruction from its administration department so that it is possible to maintain appropriate allocation of roles in key functions, while implementing separation of duties in light of the unique situation at each respective location.