Translation

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CORPORATE GOVERNANCE

Last Updated: May 11, 2021
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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).'" This Mission applies to shareholders, business partners, employees and all stakeholders who support our corporate activities. To execute the Mission, the Company maintains an awareness of the importance and necessity of corporate governance and implements various measures to develop and enhance its system.

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

The Company complies with all the principles of the corporate governance code.

[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.

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 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 2-6. 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 management strategy and plan on the website and in securities report, etc.
(ii) Based on the Mission and the Vision mentioned in (i) above, 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, the majority of the members of which are independent outside directors, 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. 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, the majority of the members of which are independent outside directors, 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.

[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 4-11. 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.

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, the majority of the members of which are independent outside directors, while considering the knowledge, experience and views of each candidate.

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. 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 division or office 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.

[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 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, 2020, IR-related matters were reported at the meetings of the board of directors held in July and August 2019 and January 2020.

(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%

[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)	2,682,700	4.44
Japan Trustee Services Bank, Ltd. (Trust account)	2,538,300	4.20
Trust & Custody Services Bank, Ltd. (Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	1,736,000	2.87
DFA Intl Small Cap Value Portfolio	1,280,900	2.12
SSBTC Client Omnibus Account	1,275,633	2.11
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,237,600	2.05
Katsuo Inabata	1,161,400	1.92
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,082,900	1.79
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	1,008,100	1.67

Controlling shareholder (except for parent company) ———

Parent company N/A

Supplementary explanation

Treasury shares held by the Company (3,010,320 shares) are omitted from the above table and calculations of percentages (excluding the 100,000 shares of the Company's shares held by Trust & Custody Services Bank, Ltd. (trust E account) as trust assets in the Board Benefit Trust (BBT) system).

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

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

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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
Toshiyuki Kanisawa	From another company											
Kiyoshi Sato	From another company											
Kenji Hamashima	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

Outside directors' relationship with the Company (2)

Name	Designation as independent officer	Supplementary explanation of the relationship	Reasons for appointment
Toshiyuki Kanisawa	○	—	Toshiyuki Kanisawa has served as director, senior executive officer, representative director, and executive vice president of Tokyo Gas Co. Ltd. He currently serves as a consulting retiree of Tokyo Gas Co. Ltd. In electing an outside director, the Company aims to appoint a candidate who has abundant experience and knowledge of corporate management, the ability to oversee the decision-making and business execution of the board of directors of the Company, which conducts business on a global basis, and is capable of providing appropriate advice from an objective perspective. As he has abundant experience as a member of the management of Japan's largest city-gas utility and leading energy company, the Company considers him suitably qualified and appoints him as outside director. 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.
Kiyoshi Sato	○	—	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 Toshiba Machine Co. Ltd. In electing an outside director, the Company aims to appoint a candidate who has abundant experience and knowledge of corporate management, the ability to oversee the decision-making and business execution of the board of directors of the Company, which conducts business on a global basis, and is capable of providing appropriate advice from an objective perspective. As he possesses global and abundant experience as a member of the management of a leading semiconductor and flat panel display manufacturing equipment company, the Company considers him suitably qualified and appoints him as outside director. 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.
Kenji Hamashima	○	—	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. In electing an outside director, the Company aims to appoint a candidate who has abundant experience and knowledge of corporate management, the ability to oversee the decision-making and business execution of the board of directors of the Company, which conducts business on a global basis, and is capable of providing appropriate advice from an objective perspective. As he possesses global and abundant experience as a member of the management of a manufacturer which produced applied optics products, such as industrial light sources, and industrial machinery, the Company considers him suitably qualified and appoints him as outside director. 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.

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

Updated 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	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, of which the chairperson and the majority of the members 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 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

Updated 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

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(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, 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

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[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 2020 of the Company is 325 million yen. Remuneration breaks down into 201 million yen in fixed remuneration, 75 million in performance-linked remuneration, and 48 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 2020.

Policy on determining remuneration amounts and calculation methods: Established

Updated 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, 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.

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

Corporate Secretariat Department of General Affairs Office is responsible for supporting outside directors and outside audit & supervisory board members and handles administrative communications, etc.

[Status of former director and president of the Company]

Updated Name, etc. of advisor or counselor who is a former director and president of the Company

Name	Position	Responsibilities	Work status/conditions (full-time, part-time, remuneration status, etc.)	Date of retirement as president, etc.	Term
-	-	-	-	-	-

Updated Number of advisors or counselors who are a former director and president of the Company 0

Updated Other notes

Currently, there are no subject persons.

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 12 executive officers of whom six 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 business execution of directors.

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 2020 are Koji Yasui (designated limited partner) and Kazushi Chiba (designated limited partner). There are 11 certified public accountants, four people who have passed the certified public accountants examination, etc. and seven 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 3 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. However, for the 159th Ordinary General Meeting of Shareholders held on June 23, 2020, the Company sent the notice of convocation on June 8, 2020, which was later than in typical years due to the impact of the spread of the novel coronavirus disease (COVID-19).
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 159th 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_200623.pdf), as well as on the websites of Japan Exchange Group, Inc. and the platform for electronic voting, on June 2, 2020.
Others	Prior to the sending of the Notice of Convocation of the 159th Ordinary General Meeting of Shareholders on June 8, 2020, the Company posted it on its Japanese website (https://www.inabata.co.jp/themes/inabata/investor/event/file/notification_200623.pdf), as well as on the websites of Japan Exchange Group, Inc. and the platform for electronic voting, on June 2, 2020.

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 two briefing on company information for the fiscal year ended March 2020.	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, 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. 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 whistle blowing system shall be established, reports shall be received on incidents of violations of compliance, and a system to protect internal whistle blowers 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 whistle blowing 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 whistle blowing system of the Company shall have a system established to enable whistle-blowing 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 whistle blowing system of the Company shall report to the Company's audit & supervisory board members on a regular basis on the status of whistle-blowing 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, and privacy) within the Compliance Committee chaired by the president. In addition, the Company has set up a corporate ethics helpline (an internal whistle blowing system) incorporating a system for reporting violations to an external attorney.

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.

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, and privacy) within the Compliance Committee, and has also set up a corporate ethics helpline (an internal whistle blowing 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 met 16 times during the fiscal year ended March 31, 2020. 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 corporate ethics helpline (the internal whistle blowing system), enabling whistle-blowing 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, a system has been established whereby specific personnel in relevant departments offer support as necessary for audit & supervisory board members' duties, and the Company assigns one concurrently serving staff member to record and store the details of discussions that the audit & supervisory board has with directors, executive officers, Internal Audit Office, and other employees of the Company and its subsidiaries, as well as the accounting auditor.

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 corporate ethics helpline (the internal whistle blowing system) reports to the audit & supervisory board members regarding contact or requests for advice received via the helpline.

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

Updated Adoption of Anti-Takeover Measures -

Updated Supplementary Explanation

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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

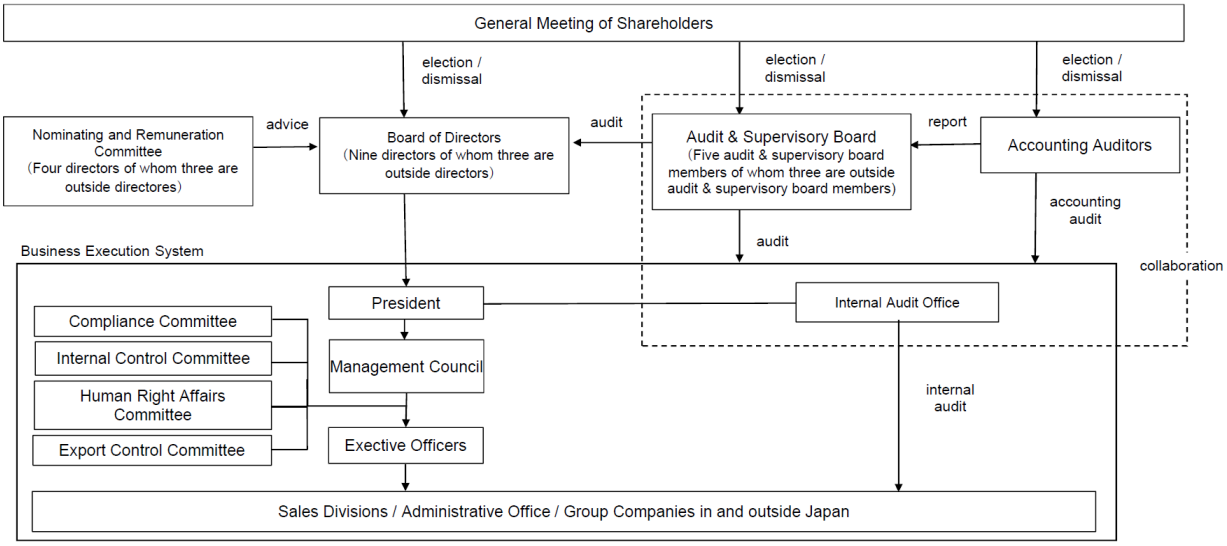
The Company discloses matters required by law and company information to stakeholders, including shareholders and investors, on a timely basis via its website and other means of communication including various printed materials. The means for information communication are as follows.

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.

