

## Corporate Philosophy

# INOAC intends to create a beautiful forest, comprised of many trees of varying character, rather than merely growing a single tall tree.

In its efforts to achieve a better life, INOAC has specialized in not only a single business, but has cultivated four business “seeds” : polyurethane, rubber, plastics and composite materials. Today it has developed into a conglomerate, supplying diverse products and services, thereby contributing to society.

## Innovation & Globalization

INOAC Corporation is leading the world in polymer chemistry and working to be a more global organization with energy and individuality through quick decisions and actions. We will determine our behavioral guidelines and maintain our brand as one that can be trusted by local society, customers and everyone related to INOAC by implementing and achieving our corporate philosophy with actions consistent between inside and outside the company.

## Action Guideline

- Challenge** Think resourcefully and take action without fear of failure
- Profits** Act to expand business continuously and realize profit growth
- C S** Act to enhance customer satisfaction
- Teamwork** Exhibit originality and act trustworthy
- Honesty and Trust** Be reliable and avoid falsehood
- Responsibility** Carry out each duty with responsibility

| Report period | This report is based on the activity results of INOAC Corporation in FY 2018 (January 1 through December 31, 2018).

\*The contents of FY 2019, FY 2017 and earlier are partly included.

| Coverage | This report is based on the activity results of INOAC Corporation, partially including domestic and overseas INOAC GROUP activities.

| Issued | September 2019

| Referential guidelines | ©Environmental Report Guidelines FY 2018 ©ISO26000

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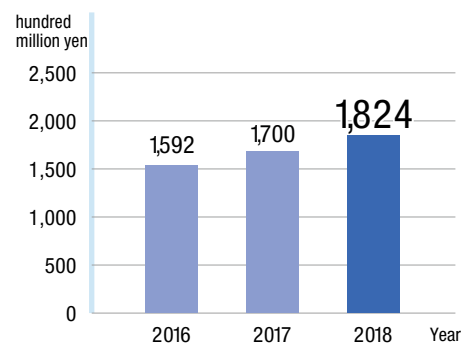
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# Company outline

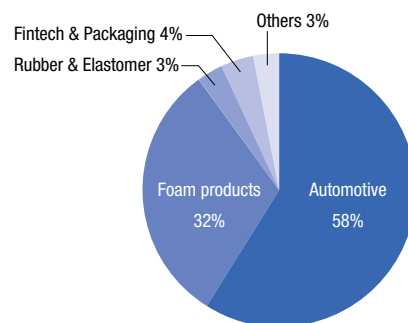
<b>Company name</b>	INOAC CORPORATION
<b>Established</b>	1954
<b>Incorporation Capital</b>	720 million yen
<b>Representative</b>	Chairman & CEO Soichi Inoue
<b>Employees</b>	1,917 (as of December 2018)
<b>Sales</b>	182.4 billion yen (as of December 2018)
<b>Main Businesses</b>	Development of functional materials based on polyurethane, rubber, plastics and composites, as well as the manufacturing of products utilizing these materials contributing to a variety of fields closely related to daily life such as automotive, two-wheeled vehicles, information technology equipment, housing and construction materials, and consumer products.
<b>Head Office</b>	2-13-4 Meieki Minami, Nakamura-ku, Nagoya, Aichi 450-0003
<b>Head Office (Tokyo)</b>	4F Osaki West-city Bldg., 2-9-3 Osaki, Shinagawa-ku, Tokyo 141-0032
<b>Offices and Plants</b>	Anjo, Sakurai, Kira, Shinshiro, Yana, Ishimaki, Nanno, Seino, Hanyu, Hadano, Toyohashi, Taketoyo
<b>Main Sales Offices</b>	Sales branches: Tokyo, Chubu, Osaka, Kyushu Sales offices: Sapporo, Tohoku, Hamamatsu, Hiroshima
<b>R&amp;D Centers</b>	INOAC Technical Center Co., Ltd. Jinno R&D Center
<b>Overseas Locations</b>	North America, Central America, China, other Asian countries

# Sales

■ Sales trend



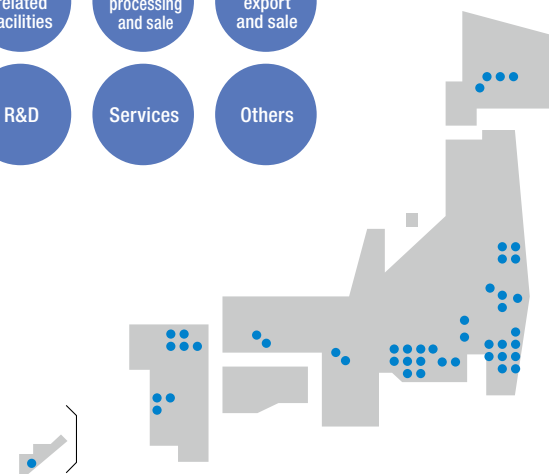
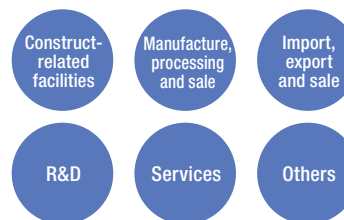
■ Sales by division as of FY 2018



# Network

## Major domestic locations

Our affiliated, associated and joint venture companies from Hokkaido to Okinawa, in addition to the nationwide network of INOAC CORPORATION, have established a close production and sales network, enabling us to provide our customers with the most appropriate solutions.



### <Associated companies>

- Inoue Rubber Co., Ltd.
- INOAC International Co., Ltd.
- INOAC Technical Center Co., Ltd.
- INOAC Housing & Construction Materials Co., Ltd.
- HUKLA Japan Inc.
- INOAC Living Co., Ltd. and others

### <Affiliated companies>

- Hokkaido INOAC Co., Ltd.
- Tohoku INOAC Co., Ltd.
- Higashi Nihon INOAC Co., Ltd.
- INOAC Elastomer Co., Ltd.
- Nishi Nihon INOAC Co., Ltd.
- Kyushu INOAC Co., Ltd.

### <Joint ventures>

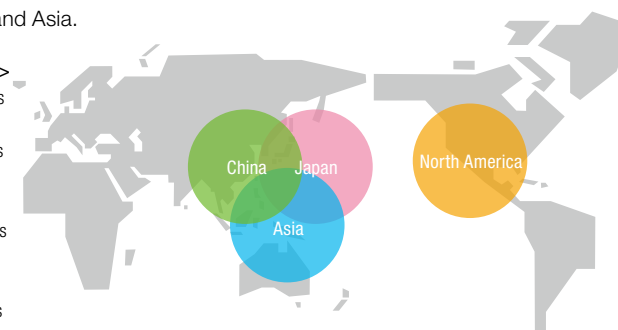
- BASF INOAC Polyurethane Co., Ltd.
- ROGERS INOAC Corporation, and others

## Major overseas locations

We have constructed a system of proposing and supplying research, development, material processing, molding technique and mass production at 13 countries and regions worldwide, mainly in North America and Asia.



- <North/Central America 18 companies>**
  - USA 10 companies
  - Canada 3 companies
  - Mexico 5 companies
- <Asia 35 companies>**
  - Thailand 13 companies
  - Taiwan 3 companies
  - Indonesia 6 companies
  - Vietnam 5 companies
  - Korea 1 company
  - Singapore 3 companies
  - Philippines 1 company
  - Malaysia 1 company
  - Sri Lanka 2 companies
- <China 18 companies>**
  - China 17 companies
  - Hong Kong 1 company



# Message from the President

Now is the time when the true value of INNOVATION and ACTION is put to the test

**INOAC CORPORATION**  
**President & COO**

**Toyohiko Okina**

## **In a rapidly changing world**

The state of the society we live in has been changing at a dizzying speed in recent years. This is not only limited to the automotive industry, which is said to be going through a once in a century revolution. Many companies are also pursuing reforms to respond to the constantly changing needs of the world. Their survival depends on it, and our company is no different.

In FY 2018, we saw an increase in revenue, but profit growth was hampered by raw material manufacturers in Japan and abroad raising their prices one after another. This was due to rises in crude oil prices, distribution costs and electricity rates. Nevertheless, we made steady capital investments, constructing new plants in Yukuhashi, Fukuoka Prefecture, Nishio, Aichi

Prefecture, and Kurihara, Miyagi Prefecture. While the final result may have been a decrease in profit, raw material costs have started to drop in FY 2019 and the new plants have also commenced operations. We hope to catch this tailwind and work to turn it into a profit increase.

## **Creating factories that are worker-friendly and rooted in the community**

When building new factories, we are particularly focused on incorporating AI and IoT technologies to create facilities with even greater efficiency and productivity. While this is in part a measure to save manpower in anticipation of a future decrease in the working population, it is also an initiative to reduce the burdens of the employees working in each of the locations and to improve safety. While the pursuit of quality is a top priority for us as a manufacturing company, the main force that supports this goal is our employees. As such, we will aim to create environments that are comfortable to work in by encouraging a work-life balance and improving the training system. We are also working on improving our risk management structure by implementing a system that allows even a small issue in the field to be immediately



shared by all the companies, so it can be dealt with before it grows in a critical incident.

Additionally, factories should be rooted in the community and operated based on a positive relationship with the local residents. As such, when we construct a new factory, we make sure to explain what the business is, its significance and the effects the factory may have on the surrounding environment. We respond earnestly to any criticism or demands and only start construction when we have reached a full and mutual understanding. We also keep in mind the importance of continued contribution to the community, such as creating jobs and holding social events on occasion even after operations begin.



### **The seeds of sustainability that we have sown**

In this report, we feature the topic of plant-based products as part of our efforts to develop products that are both earth-friendly and human-friendly. However, such initiatives are nothing new to our company. When I joined the company over 40 years ago, the first development work I was involved in was developing materials using palm oil. Back then, I had simply assumed chemicals were all derived from fossil fuel, so I was surprised by the company's desire to explore the possibilities of plant-based materials. At the same time, research was also being conducted on ways to convert products back to their raw materials, and those efforts have likewise come to fruition in the shape of product development using recycled goods. This topic will also be featured in the report. Such technologies with an awareness for sustainability have continued to be cultivated over many years and have built the foundation that enables us to respond to our customers' needs today. I find this high gratifying, not only as a member of executive management but also as a former engineer who helped sow the seeds.

### **Taking on further challenges as a member of society**

In addition to the initiatives I have touched upon,

we have also been engaged in various CSR activities, such as providing reconstruction aid to people living in disaster-stricken areas, support for cultural activities and education as well as sports grants. At the core of these activities is our belief that a company is a member of society, and as such, it is our duty to contribute to its improvement and advancement. After all, the inherent purpose of our business as a company that develops and provides various materials is to bring about a better society. We must never forget that mindset and continue refining our technologies so that we can quickly and flexibly respond to our customers' expectations.




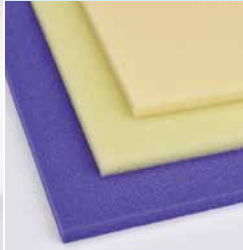


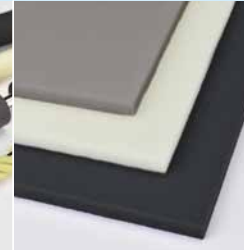






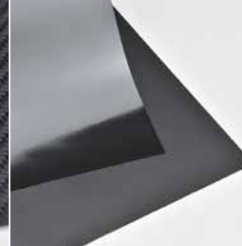


I believe the changes that I mentioned at the beginning will only accelerate further from now, such as the rapid progression of digitalization, constant changes in international affairs, and the decrease of birthrates and aging of society in Japan. As a company that has continued to work with innovation and action, the situation we are facing now puts our true value to the test. We will continue actively taking on challenges to pave the path to a new era and provide affluent lifestyles to as many people as possible.

We will greatly appreciate your continuous guidance and encouragement.



# Business overview

INOAC materials utilized in a variety of fields

Fields	Housing & Construction	Industrial Machinery	Transportation	Distribution & Packaging	Electric Products	IT Equipment	Medical & Welfare	Consumer Products
Material	PORON® WA	CELLDAMPER	CELLASTO®	Color foam®	PureCell®	EXROTH®	Moltopen	Kitchen sponge
Urethane								
Rubber	Seam gasket for houses	Crawler Pad	Track Pad	Rubber Wheels	Ksil™	TransCool	Wheelchair Tires	Latex Sponge Puffs
Plastic	U-Polypie	Waterflex	Rear Spoiler	P•E-LITE®	VAFTER	FOLEC®	MAPS®	Injection Blow Molding Bottle
Composites	THERMAX® (lightweight headliner material)	THERMAX®	Lightweight Headliner	Cool System	Rigid Light-Carbon	PureCell®	Rigid Light-Carbon (prosthetics)	INOTACK® (garden tape)
								

# INOAC brands

We focus on adding functional value by making the most of the ideas and technologies based on the materials we have created. Our original products utilizing various materials, including complete interior items offering both design and function, support our comfortable lives.



IRC Tire was founded in 1926 as a manufacturer of tires and tubes for bicycles. Since then, we have produced daily-use tires for comfortable riding and racing tires for world-class racing, building upon our experience in manufacturing and business. For the past 30 years, we have conducted business overseas as well. We will continue adding value as we meet our customers' needs through IRC brand products.

HUKLA is a total-interior brand focused on beautiful form and comfortable lifestyle. We produce top-quality furniture with excellent design and high-grade materials to provide our customers with a pleasant feeling and healing. We believe that the HUKLA collection will make your life more comfortable than ever with natural texture and a variety of colors and patterns.

Smile is an original brand developed by INOAC for at-home nursing care, including mattresses, cushions and bedroom floor mats. We have utilized a variety of materials and technologies for the brand's lineup, and have pursued a sensation that is soft to the touch. "Smile" is a play on sumire, the Japanese word for the flower violet. We have worked to create products that make both those who provide care and those who receive care smile.



# Technological innovation

## R & D

INOAC Corporation is engaged in R&D, full of creativity, in view of the future under the motto of making life affluent. We are always providing new materials to a wide range of fields such as the automotive industry, information and communication industry, electronics industry, industrial materials and consumer products. We achieve this by fully using compounding, foaming and molding technologies with various kinds of urethane, plastic and elastomer that are mainly polymeric and also by using other techniques for composite materials. Simultaneously, we are advancing our R&D to reduce environmental burdens, save weight and energy, and provide highly functional new products and new processes.



## Research and development system

We are advancing our original new material development by regarding high-polymer material technology such as polyurethane, rubber, resin material and more as our core technology. These efforts are led by our employees at the INOAC Technical Center, Jinno R&D Center, and the Global Technical Division. We are also promoting new material development and applied development research with an eye toward the future with an arrangement of R&D systems in the US, China, Thailand and other countries, emphasizing the importance of collaborative research and technological development with domestic and overseas universities and public research institutions.

The technical sections of each department develops products that aim to satisfy customer needs, such as with products that utilize the molding process and material composition techniques as well as by adding high functionality to urethane foam, such as heat and shock resistance. The process development sections also created and is actively installing original manufacturing lines that are automated and more compact than they were before.



### JAPAN

INOAC Technical Center Co., Ltd.



### CHINA

Shanghai INOAC Polymer Products Co., Ltd.



### USA

INOAC USA, Inc.



### THAILAND

INOAC (Thailand) Co., Ltd.