INOAC

INOAC CORPORATION

CSR REPORT 2023

Corporate Philosophy

Creating a beautiful forest, comprised of many trees of varying character.

In our efforts to enrich people's lives, we at INOAC have specialized in not only a single business, but we have cultivated four business "seedlings"—polyurethane, rubber, plastics, and composite materials. Today we have developed into a conglomerate, supplying diverse products and services, thereby contributing to society.

Applicability of report

Reporting period	This report was prepared based on the business activities of INOAC Corporation during FY 2022 (January 1-December 31, 2022). * Also includes some information from FY 2021 and before, and from FY 2023.
Applicable scope	Focusing on the business activities of INOAC Corporation on a non-consolidated basis, including certain domestic and overseas companies of the INOAC Group.
Year & month issued	November 2023
Guidelines for reference	○ Environmental Reporting Guidelines FY 2018 Edition ○ ISO 26000 ○ GRI Standards for sustainability reporting 2016/2018/2019/2020

[Inquiries]

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INOAC Group History

Expanded as a leading company in foaming technologies for comfortable life and a sustainable society

Since our founding in 1926, we established ourselves as Japan's first-ever producer of polyurethane foam and have gone on to create an extensive range of products and services that make people's lives better and more comfortable. The growth of INOAC is also a history of development. For the sake of people and the planet, we continue challenging ourselves to generate an abundance of new usage applications, while focusing particularly in recent years on consistently conducting environmentally-conscious development.

Business history

- Established Inoue Rubber Co., the predecessor of Inoue Rubber Co., Ltd. ("IRC") in Atsuta ward of Nagoya, Japan (1926)
- Started exporting IRC-brand tires and tubes
- Implemented polyurethane foam technology from Germany (1954)
- Established MTP Kasei Co., Ltd.
- Entered the automotive components business
- Entered the bedding and childcare products businesses
- Established first overseas joint venture Associated Rubber Industries Ltd. in Sri Lanka

- Entered the piping materials business
- Entered the consumer products business

- Entered the furniture business
- Entered the distribution materials business
- Full-scale entry into the cosmetic container business
- Full-scale entry into Southeast Asia

- Established Inoue MTP Co., Ltd. (1980)
- Entered the construction materials business
- Entered the office automation business
- Entered the packaging materials industry
- Full-scale entry into the US

- Changed company name to INOAC Corporation (1990)
- Entered the nursing care products businesses
- Full-scale entry into China

- Entered the environment business
- Bolstered and expanded locations in Southeast Asia
- Established the International Polyurethane Technology Foundation

- Held International PU Forum 2015 for the 60th anniversary of the start of manufacturing polyurethane foam

- Established INOAC Ryukyu Co., Ltd. as the first subsidiary of the INOAC Group in Okinawa

- Established Jinno R&D center in Nagoya, Aichi Prefecture

- Expanded Nagoya Head Office and established new company building

- Opened retail stores for bedding and more, primarily within business sites nationwide

1920 | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2010 | 2020 | 2024

Product history

- Launched Japan's first-ever production of polyurethane foam
- Launched sales of Color Foam mattresses

- Performed on-site thermal insulation work on tankers and shinkansen vehicles

- Developed cosmetic bottles using injection blow method and decorative technology

- Developed in-mold coating (double-layered) integrally molded instrument panels

- Developed foaming polyurethane R-PUR method for road construction sites

- Produced MAPS® eco-friendly interconnected fine cell polyolefin foam

- Produced FOLEC® clean polyolefin rolled sheet foam using the supercritical foaming technique

- Produced PureCell® eco-friendly, ultrafine cell foam sheet with anti-yellowing properties

- Developed Ecolocel® plant-based polyurethane foam

Our products

Right there beside you, making your everyday life better
Now and into the future

In everything from household consumer products, nursing care products, and everyday IT devices, to industrial machinery used in production plants. Also in housing and construction materials, and at civil engineering worksites. Even in cars and other means of transport, and in infrastructure facilities. INOAC materials come in many different forms. They can be found in every aspect of the neighborhoods that surround us, adding comfort to our everyday lives in various fields.

Committed to comprehensively addressing sustainability-mindedness and other social changes ourselves, based on the consistent importance of the manufacturing site

PROFILE

Mar 1985	Joined Inoue MTP Co., Ltd. (now INOAC Corporation)
Feb 1991	Assigned to North America
Feb 2004	General Manager of the Technology Department, Automotive-related Products Division
Oct 2007	General Manager of Quality Assurance Division, Automotive-related Products Division
Oct 2008	President, Tohoku INOAC Co., Ltd.
May 2011	Automotive-related Products Division Supervisor (stationed in Thailand)
Feb 2015	Managing Director & General Manager of Automotive-related Products Division
Apr 2018	Director
Apr 2019	Managing Director
Apr 2022	President & COO (Current)

野村 泰

Yasuhi Nomura

President & COO
INOAC Corporation

Confronting new cost increases

Starting in 2020, the COVID-19 pandemic has been inflicting tremendous damage on social and economic activities in Japan and throughout the world. Intensified demand for certain supplies and materials, chaos in supply chains, and other factors have given rise to severe inflation, significantly impacting the procurement environment for companies and the lives of everyday citizens.

Social activities have been returning to normal as the virus was reclassified in Japan from class 2 to class 5 in May 2023, among other changes that have been taking place. While raw materials prices have been stable or in some cases even slightly decreased, our concerns in terms of costs have been fueled by skyrocketing energy costs, rising labor costs and personnel shortages, and rising logistics costs. These have been major hindrances to our business operations.

When confronted with high raw materials costs, we tried out various ways to minimize the impact such as searching for more affordable materials and reducing material loss in our production processes. Approaches such as these are of course effective, but we will probably need to take more drastic action to address the wide-ranging cost increases that we now face, including energy, labor, and logistics costs.

Digitalization to enhance the intrinsic value of manufacturing

Fundamental to the manufacturing business is how well the balancing act of *buy*, *make*, and *sell* can be executed. The skill and strength with which you execute the *make* function is particularly decisive in terms of adding value that generates profit. While there may be various approaches we could take to digitalization, what we emphasize most is digitalization that bolsters the *make* function, which is a profit center.

For example, we prioritize digitalization that contributes to better productivity and quality. This includes functionality to communicate and store production status-related information such as defect rates and lot sizes in real time, alerts for when something abnormal occurs or there are signs that one could occur, and support functions that help to identify causes with high accuracy. While there are points such as cost effectiveness to take into consideration, we are fundamentally inclined toward incorporating digitalization.

As it becomes more difficult to secure engineers, there is also plenty of room to leverage DX in development activities as well, including in compounding which is our core technology. Trial and error is essential in fields such as these. For instance, until now we have been trying out 10 types of patterns and evaluating them. If we can use the power of AI to reduce these to three patterns for real experiments, that could significantly cut down on lead time and boost operational efficiency.

For EVs which are considered to have far fewer components that gasoline cars, Chinese and American manufacturers are completing development phases in six months that take Japanese manufacturers of finished cars around two years, in some case even three or four. They are turning these out at the same general pace as new smartphone models come out. As a result, Japanese suppliers like us are being criticized as slow. If we ourselves do not address this situation urgently as a priority matter, we may get left behind by the global competition. I think digitalization shows promise as a means to bridge this gap.

Head Office's role is to support true localization that swiftly addresses each community's needs

In terms of the differences between car development in the US, China, and Japan, there is no major divergence in what is being done or the procedures being performed. The overwhelming difference lies in the sense of speed.

Catching up to this sense of speed will require us to establish development organizations in each region. We will expand our R&D center in the US. We will also establish an R&D center in China where we will conduct development in ways that are particular to China (see p.17). Materials manufacturers have now clustered in South Korea and China, so we will establish development locations in each region and perform development locally. If we can engage in development with our Global Technical Division in Japan playing the leading role and coordinating development activities with overseas locations, we will make proposals to customers in those respective regions and aim to have them use what we propose.

Mattresses are one of the consumer products that we produce, and the ideal softness and texture sought in a mattress completely differs from country to country. Countries such as those in Southeast Asia where people used to sleep on bamboo rugs and mats want softer mattresses, while Japan prefers mattresses that are relatively hard. This truly reflects the differences in lifestyles between countries and regions. Since needs vary by market, it is important that development is done on per-region basis.

For that reason, our thought process as management will also need to change. In the past, the primary role of people on the Japan side had been to facilitate technical transfers—in other words, to bring technology from Japan to overseas locations, establishing and instilling it there. However, local people will now need to handle the management in order for us to achieve true localization.

Not long ago, when I spoke to an old acquaintance from another country who had been handling local management, he told me, "You really should think a bit more carefully about the Japanese people you're sending over from Head Office." This is someone I knew well, so when I told him, "You're quite the authority now, aren't you?" he replied, "That's right. We've grown too, you know." The more I think about it, I realize he was right.

Rather than just being technicians, or just handling sales, or doing nothing more than overseeing improvements in manufacturing, the role of our Japanese expat staff is to have the discretion to formulate and execute business strategies on their own, and work alongside local management personnel to help them acquire knowledge as managers as well as management capabilities that mirror INOAC's distinctive philosophy and policies. Those are the duties of the role.

How many such high-level individuals do we currently have in the company? The number would fall well short of the number of overseas business locations that need them. If we were to raise the bar that high, it would place a heavy burden on our expats themselves. For that reason, we are dedicating efforts to our Trainee System. This is a mechanism to assign young employees in their 20s to work temporarily overseas for period of a year without any particular responsibilities, other than to build experience working together with the local people and experiencing the local culture.

This system also functions to determine whether the trainee is more suited to management or to becoming a specialist, while also helping the person realize what sort of skills and qualities they need to cultivate to that end and utilizing that for their development going forward. The only country assignment we currently offer in the system is the US, but I would like to expand the range of locations in order to provide opportunities for personnel who will handle management responsibilities to challenge themselves at supervisory roles and grow our ranks of personnel capable of driving localization effectively.

Business development with sustainability at its core

Many debates on the theme of "sustainability, environmental, and ecological technologies" took place at the International PU Forum 2023. This may be partly influenced by the EU's regulations on polyurethane waste, but the overall trend is focusing on efforts to pursue carbon neutrality.

Recycling until now has mainly been material recycling, involving collection, then crushing and solidifying again for reuse. Of course, this is insufficient on its own. In recent years, the process of chemical recycling to turn the collected items back into raw materials has been in the spotlight. This is not

necessarily new technologically, but we are working on verifications at the laboratory level, and we also plan to have scaled-up facilities go into operation before the end of this fiscal year. Hopefully, we can accumulate additional data and also roll it out to other plants (see p.13).

We have carbon recycling in our sights as the next evolution after that. Rather than foaming agent, we use carbon dioxide to manufacture polyurethane. “Maybe we could perform some processes without discharging any CO_2 from our plants by recovering and reusing the carbon dioxide emitted during foaming.” We are working on R&D with objectives such as these, and we are getting close to achieving them.

I would like us to go about reducing our environmental footprint by putting into practice and refining the three initiatives of materials recycling, chemical recycling, and carbon recycling.

In terms of sustainability, consideration for human rights and related actions throughout the entire supply chain will be an extremely important topic in conducting global business. We must also express our own thoughts on the topic, compile global procurement policies, and promote the same considerations for human rights as our own to all business operators involved in our supply chain, including for work environments, as we engage in these efforts together with them.

First I think it is important that we disclose to our stakeholders our company’s own stance and thoughts on respecting human rights. In this report, we have published “Our Approach to Respecting Human Rights” (see p.21). In line with Our Approach to Respecting Human Rights, I am spreading the message internally that I am taking the initiative myself to instill the spirit of commitment to respecting human rights. Going forward, we plan to advance effective initiatives based on this approach.

In our efforts for the Hakuba Circular Vision project in the village of Hakuba, we are working cooperatively with groups including local autonomous organizations, educational institutions, and government agencies to create models for resolving social issues in the local community from the standpoints of technology, activity (recreation), nature, and the economy. Since needs also vary in each field domestically, through trial and error I would like to try building an ecosystem that can be horizontally rolled out to other regions as well (see p.10).

Communication that helps to boost our business value

In closing, I would like to share my thoughts on communication, which I consider to be most vital to management.

Fundamentally, it is important to have mutual understanding—in other words, understanding the other person and them understanding you. However, the more that your employees and business locations increase in number, the more difficult it becomes to communicate directly through face-to-face conversation. In such situations, we need a culture of being interested in learning about what the company is doing and what other coworkers are doing, and recognizing the value of those efforts. If we can develop such a culture, it would be tremendously beneficial for us.

Our company also gives interviews to interested members of the media, and these often end up as articles in newspapers and magazines. In addition to people outside the company, this also gives employees in other departments that are not directly related an opportunity to realize, “wow, this product from my company is gaining recognition.” That is also something that happens.

While that has value in and of itself, it is not something we can count on. Even without such opportunities to learn through the media, our employees can know that those who have come together under the INOAC name, in various locations and departments in charge, are engaged in activities that deliver value to society and to our customers.

If we can get to the point where our people learn about these efforts and recognize each other while at the same time striving to keep the pace themselves, I think it could drive the value of our company even higher. As we move forward, I will be dedicating my own efforts to this type of internal communication and internal branding.

Being a Company that People Choose

Sharing sustainability with society

INOAC Group company INOAC Packaging Group (IPG) in North America is an international manufacturer of high-quality bottles and containers made from PET. They manufacture containers for a broad range of customers including global cosmetics brands, engaging in production aligned with their brand concepts. Consumers who the company's customers serve are now also keenly attentive to the quality of the products they use, recycling of those products, and actions toward environmental issues. They think together with their customers and strive to make proposals that address consumers' concerns and can solve problems.

Products & services

CUSTOM

Molding plastic materials to manufacture customized bottles in original styles. From the initial concept to 3D CAD, 3D prototyping, bottle samples, and label design, IPG works closely with customers through all stages of their projects to produce containers that exceed their expectations.

STOCK

IPG offers stock items suited to various capacity sizes. Various label designs, colorings, and matte options are also available. Equipped also for pad printing, silk screen printing, and other printing styles, a wide array of surface processing options are possible.

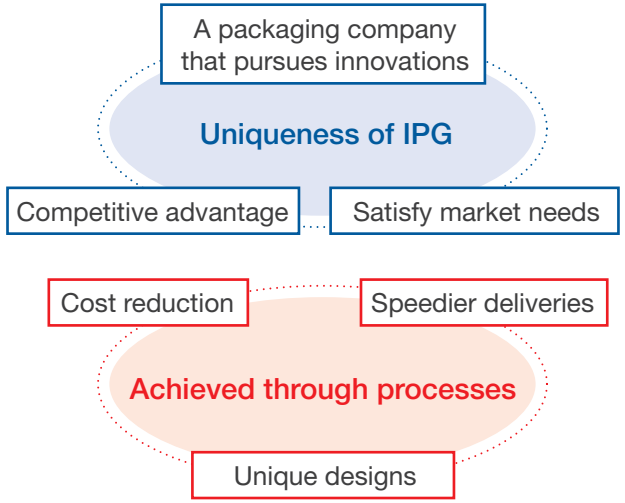
SPECIALITY

IPG also produces new types of containers by customer request. Applying metallic coatings, embossing, and other design elements, the containers offer a striking level of originality. The customer's ideal concept can become a reality.

Approach and systemization for sustainability

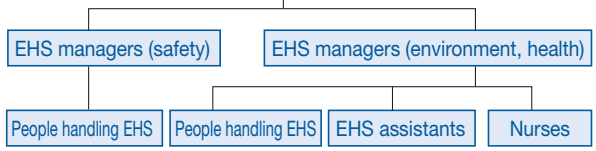
Global manufacturers of cosmetics and everyday consumer goods which are IPG's main customers are placing heavy emphasis on consumer awareness toward sustainability, which IPG also recognizes as a critical issue. In the past, we had thoroughly pursued compliance with laws and regulations on design, quality, environmental impact, and other areas, but we will now likely need to make proactive efforts toward future issues as well. To address these issues, in 2018 we constructed an all-encompassing engagement system as our EHS management system.
The system enabled us to verify the environmental and social impacts of our business activities at all times and consistently make improvements.

Contributing to a sustainable society



EHS system outline

Plant Manager
Juan Manuel García



In the management system for EHS, the plant manager is at the top, and the managers in charge of safety and health and of environmental aspects respectively manage the PDCA sequences of assessment, formulating plans, learning and awareness, and monitoring. We acquire external certifications such as BRS Certification*1 and ISCC PLUS Certification*2 for this management system, while also consistently finding ways to improve them from the broader perspective of business partners' preferences, regulatory trends in each country, and changes in international norms.

Recently we have been using supply chain management-related evaluations such as EcoVadis and other frameworks as tools for validating our own initiatives as we strive toward ongoing improvements that are more specific and in-depth.

BRS Certification

*1: A globally operated certification body for Quality Management Systems, Environment, Food Safety, Information Security, and other management systems

*2: A scheme that is applicable for recycled plastics, bioplastics (organic plastics), and biomaterials. Assures traceability of products throughout the entire value chain and verifies that companies are meeting important environmental and social standards in this new field

Message

Not only have I become more aware than ever of my contributions to the company through EHS management, but it has also made me conscious of our relationships with society.

Doraly Coronel
EHS Manager (Environment, Health)

Specific efforts

In EHS management at IPG, we believe it essential to take occupational safety and health, quality, and environmental impact into consideration at our manufacturing sites. We consider occupational safety and health to be a particularly important matter, not only for employees but also their families, and we are striving to cultivate a culture in which accidents and other mishaps do not occur.

Spreading occupational safety & health awareness

Occupational safety is the most important thing at our manufacturing sites. In order to achieve these aims, we need to conduct the proper assessments and always be eliminating risks.

After sorting out the risks involved in equipment and devices themselves as well as their usage, and risks related to aspects such as health, we thoroughly share information and engage in learning, awareness-raising, access monitoring, and other related efforts.

Through these activities, we must continuously raise the awareness of each and every employee and make improvements down to the fine details. IPM, which is a production department of IPG, has introduced an electronic system. Employees can submit a report when they notice something, and a system for awarding incentives based on the content of those reports has been implemented. There were 36 reports in 2023, and improvement were made as a result.

Safety training initiatives in 2021

1. IPM's priorities
2. Organizational chart
3. Safety rules
4. Results of unsafe behavior
5. What to do in emergencies
6. Using fire extinguishers
7. Safety mechanisms on machinery
8. The correct way to lift loads
9. Personal protective equipment
10. Pest prevention and safeguarding products from contamination
11. Preventive measures against COVID-19

Environmental conservation efforts

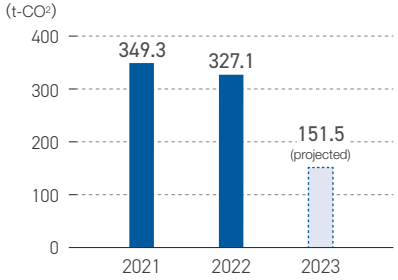
Our environmental conservation-related efforts aim to take our own production efficiency into consideration as much as possible, based on compliance with the laws and regulations in each country where we operate.

At IPG, we are engaged in various efforts with issues such as energy management, water-related risks, and reducing environmental footprint as the primary focus.

These are the most recent measures and plans that we are working on.

- Installing solar panels using space atop the roofs of plants
- Purchasing electric power produced from renewable energy
- Reducing volumes of water intake and discharge by switching cooling systems to closed systems
- Developing various solvents that reduce environmental footprint

CO_2 emissions reduction through clean energy usage



Thanks to efforts such as these, we are projecting a 54% year-on-year reduction of our CO_2 emissions to 151.5 t-CO_2 in 2023.

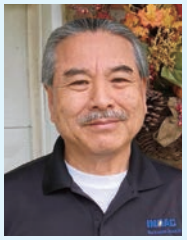
Co-creation with local communities

IPG puts heavy emphasis on relationships with local communities and business partners, and also regularly organizes events for children in the community to participate in. In joint trainings with business partners, we cover aspects such as safety and the environment as we take steps toward bettering our business practices.

Joint training with outside business partners

Message

Efforts such as these are activities originating from new orders we received thanks to acquiring BRC and improving our EcoVadis score. Through each type of activity, we improve our quality while at the same time contributing to the community. This has made be proud of the company I work for. We will maintain these efforts going forward.



Yutaka Matsui Executive Vice President

Scattering the Seeds of New Sustainable Lifestyles

Setting the stage for excitement a century later

Hakuba Village in Nagano Prefecture issued a Climate Emergency Declaration in December 2019, ahead of other municipalities in Japan. INOAC has been working with the Hakuba community to create a sustainable society and a beautiful forest for Hakuba by bringing about innovations and putting them into practice together with the locals.

The four seeds of "TANE"

INOAC is taking actions to address the community issues faced by Hakuba by combining our products, materials, and technologies under the theme of the four "seeds" of TANE—technology, activity, nature, and economy.

Technology
Addressing issues in the Hakuba community through INOAC's technological innovation.

Activity
Creating the perfect place for recreational activity through INOAC products.

Issues in the community

白馬村
SUSTAINABILITY
Develop the tourism industry
Adapt to the times and pass down to the next generation
Growth outside of the tourism industry
Create new industry & jobs

Future vision for Hakuba:
Become an ever-sustainable community

Corporate philosophy

INOAC
INNOVATION & ACTION
Creating a beautiful forest, comprised of many trees of varying character, rather than merely growing a single tall tree

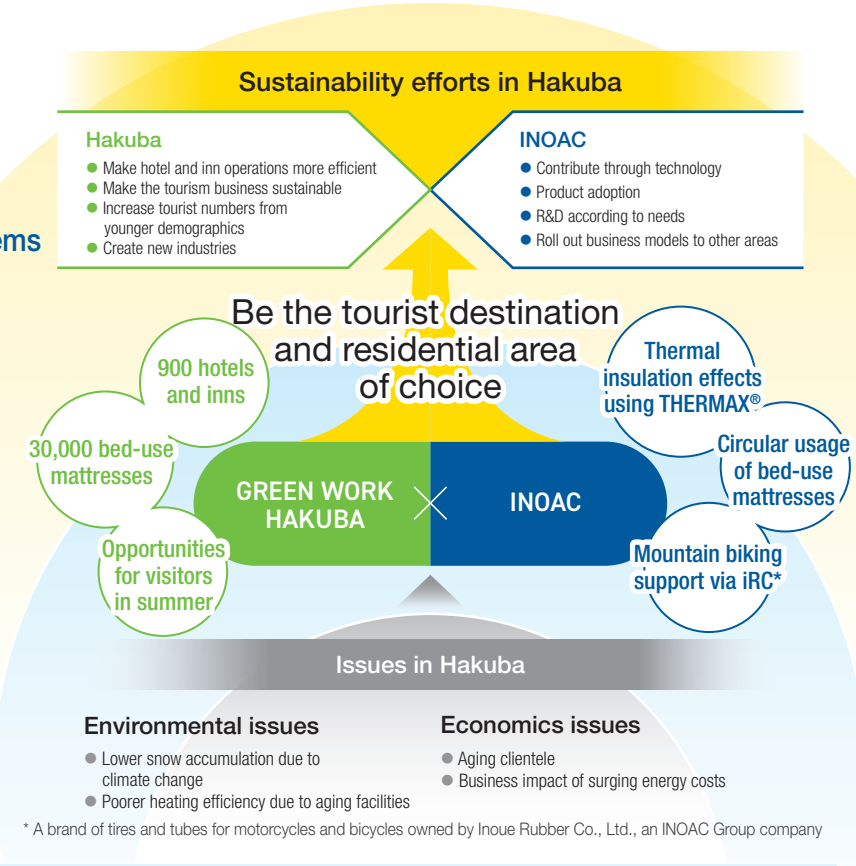
Future vision for INOAC:
Become a company that is even more necessary for society

Nature
Thinking up frameworks and methods to protect Hakuba's abundance of nature.

Economy
Creating a new circular economy that utilizes Hakuba's resources.

Aim to create advanced ecosystems (establishing business models)

On December 21, 2022, we opened the Hakuba Office and Showroom in Hakuba. There, we are leveraging INOAC's materials, technologies, and products (thermal insulators, health-oriented bedding/reusable bedding, attracting tourists, supporting foreign residents, cooperating on business development for companies in the village, making green sports successful, etc.) to bring about solutions to social issues and benefits for the village community. As we engaging in activities that are rooted in the community, we will be developing business models that are new to INOAC and putting them into practical application.



* A brand of tires and tubes for motorcycles and bicycles owned by Inoue Rubber Co., Ltd., an INOAC Group company

Message

Hakuba village is a snow resort with 70% of its industry comprised of tourism, yet at the same time it is being severely impacted by lower snow accumulation due to climate change and the aging of its visitor demographics. When we thought about the future, we realized it was essential to create new industry. Thus, the Green Work Hakuba project* was born. Since INOAC possesses not only products but also technological development capabilities and knowledge about many different things, we can create products and services that solve Hakuba's problems together. You have helped us to increase the heating efficiency of hotels and inns by introducing THERMAX thermal insulator and to advance the creation of a circular economy by disseminating 30,000 reusable bed-use mattresses to hotels and inns, in addition to bolstering the non-winter sports scene through iRC's support in bringing mountain bikes to the area. It would make us tremendously happy if new services or business initiatives could be created in Hakuba and your company could also offer those to other communities.

* Project to think up the future of Hakuba in three steps to make it a sustainable mountain resort
Green Work Hakuba: https://www.vill.hakuba.nagano.jp/greenworkhakuba/en/

Yojiro Fukushima
Director, Tourism Commission of Hakuba Village

Specific efforts

Co-creating with schools — Co-creation through cooperation on project-based lessons

Starting with upgrades to the thermal insulation in Hakuba Minami Elementary School buildings, INOAC supported actions by the schools to retrofit their own buildings and dormitories and also provided THERMAX thermal insulator to Hakuba High School and Hakuba International School (HIS). At HIS, INOAC is also actively cooperating to conduct project-based lessons. In these lessons, students play a leading role in conducting marketing research to create a bed-use mattress recycling program for the 900 hotels and inns in the village of Hakuba. Together, we are creating a circular economy in Hakuba while sharing many new discoveries along the way.

Hakuba International School (HIS):
https://www.hakuba-is.jp/

Message

Hakuba International School is an integrated junior high and high school that emphasizes project-based learning* with the theme of sustainability in the community. Our aim is to educate students to think independently and act based on their own ideas. In Hakuba, three high school students had a sense of impending crisis in 2019 due to the village being significantly impacted by climate change, which led to the village issuing a Climate Emergency Declaration and shifting the focus of its efforts to the full-scale pursuit of a sustainable society. We want the students at our school to experience changes in the world as a result of their actions and gain self-esteem and self-efficacy by working on responsible projects together with companies and the community. We are currently having discussions with your company about the potential to create a business model out of a circular economy of mattresses, and I have come to understand the high level of your technology and strength as a manufacturing company. At the same time, the younger generation is overflowing with creativity, so they might be able to somehow provide your company with new perspectives by involving them in collaborations. Very few companies decide to think up business models together with junior high and high school students, so this is an unparalleled opportunity for our school. Being able to create the vision of a better future together is truly wonderful and dream-inspiring.

Tomoko Kusamoto
Founder,
Hakuba International School

* An exploratory learning method in which educational institutions team up with municipalities and local companies for hands-on efforts, including to identify and resolve issues in the community

R&D — Tourism-based R&D on bedding and bike tires

Not only are winter sports thriving in Hakuba, but so is mountain biking. iRC has been participating in events since the 1990s and began sponsoring the Hakuba Mountain Bike Club in 2022. Through rentals of bicycles fitted with iRC tires and a kids' school, we are expanding the presence of mountain biking in Hakuba while at the same time learning about customer needs and using that knowledge for product improvements.

Regional development & government collaboration

Planning circular furniture making that uses timber from forest thinning

One community issue that Hakuba Valley is facing is the effective use of timber from forest thinning. Since heavy machinery expenditures and labor costs arise when felling trees, we conducted a verification test using horses to transport approximately 200 kg of timber.

At INOAC, we are planning to make bed frames and furniture to be supplied under the added-value Hakuba brand. INOAC is cooperating on solutions to issues confronting locals in the community through initiatives such as turning paths used for forest thinning into mountain biking courses and walking trails afterward.

We are also cooperating with the Forestry Department of Nagano Prefecture to perform kiln drying which is necessary for furniture production. The overall system is being designed at INOAC, linking together the local landowners, Hakuba Village Hall offices, construction associations, people involved in mountain biking, and others. We started the project in 2023 with the idea that this system can also be applied to other areas to help resolve issues in those communities.

Hakuba Valley: https://sdgs.hakubavalley.com/

Future developments

Perspective of someone in charge

It was a struggle to gain the approvals internally for the launch of this new business. In this project, we are co-creating together with people in the Tourism Commission of Hakuba Village, educational institutions, and forestry associations—designing a system that links together the related parties and launching a business to be welcomed by those both inside and outside of INOAC. With people from the area now also having joined our company this year, we will continue working to create local jobs and contribute to the community.

Takanori Kemuriyama
Director, Hakuba Office

Environmental management

Environmental vision

INOAC respects the natural environment of our irreplaceable earth and contributes to realizing an affluent society that is comfortable to live in through technology harmonized with our environment and environment-friendly corporate activities.

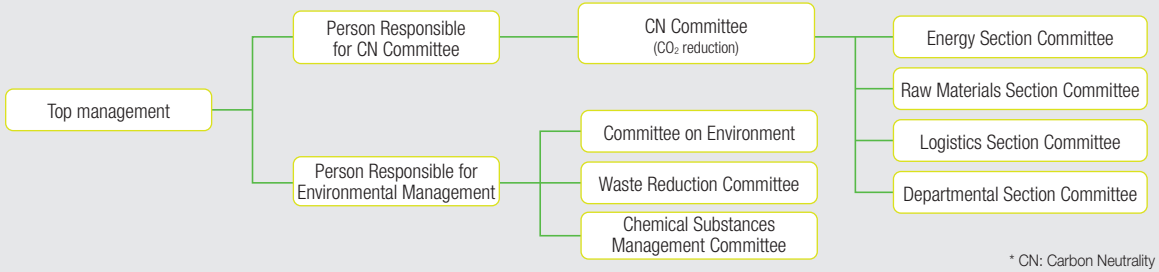
Environmental policy

(1) We observe environmental laws and regulations, thoroughly ensure compliance, and engage in business activities that society can trust.
(2) We work to reduce CO_2 emissions such as by saving energy, to help achieve a carbon neutral society and prevent global warming.
(3) We work on resource conservation, waste reduction and recycling to contribute to a recycling-oriented society.
(4) We properly manage chemicals that could impact the environment and seek to preserve our environment by reducing risk.
(5) We actively develop products with less environmental impact, contributing to the conservation of nature throughout the life cycles of the products.
(6) We work to reduce our water usage through initiatives such as circular water usage to use water resources sustainably.
(7) We engage in environmental management, educate employees about the environment, implement environmental audits, and continue to improve.
(8) We contribute to establishing a sustainable society through local environmental preservation work as good corporate citizens.

Environmental management system

In order to engage in environmental activities in an organized fashion, the Person Responsible for Environmental Management implements integrated management related to the environment, under the direct control of top management. In addition, the company as a whole also engages in environmental activities under the direction of the Environment Committee. We have organized specific section committees to handle industrial waste and energy saving, and we coordinate environmental management through these committees while seeking further improvements in mitigating our environmental impact. As we strengthen the connection between environmental management and our main business in managing our objectives, we are also supporting the appropriate efforts where changes are taking place, such as newly built business locations, buildings, and production lines.

Environmental Preservation Promotion System



* CN: Carbon Neutrality

Internal environmental audits

We implement internal environmental audits to check the operational state of our environmental management system. The audit team consists of two to three employees who have completed the auditor training prescribed by the company. The team checks if the environmental management system is being properly operated, maintained, and improved. We create audit guidance and take steps such as revising checklists to emphasize efforts toward goal achievement and compliance in order to improve the quality of the audits.

External environmental examinations

The Japan Quality Assurance Organization (JQA), an external certification body, conducts examinations to check if our environmental management system is functioning properly in accordance with ISO 14001:2015. No points requiring improvement were identified in the FY 2022 examination, and our certification was renewed. Also, as overall findings, some issues were raised in terms of environmental aspects, compliance obligations and evaluations, and processes such as internal audits. We are working to improve what was pointed out as the opportunities arise.

CN-related training sessions

As awareness-raising activities, the CN Administrative Office conducted training sessions for new employees and held webinars for employees in 2023. There were roughly 250 participants.

Initiatives of our CN Committee

Energy Section Committee

Mission

Scope 1 & 2 Japan: -50% in 2030 (vs. 2013: total overall emissions)
Overseas: Launched efforts in 2023 with -3% year-on-year

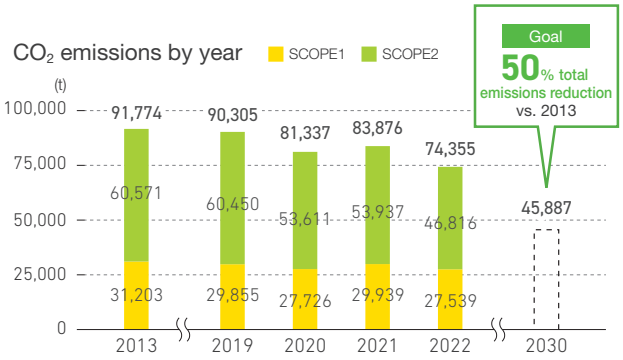
Action plan

- Activities to reduce scope 1 & 2 CO_2 emissions (case example 01 below)
- Promote introduction of eco-friendly parts and materials at INOAC Group companies (INOAC Housing & Construction Materials Co., Ltd.) (case example 02 below)
- Begin compiling data from overseas business units

01 CO_2 emissions by year in Japan (Head Office, associated & affiliated)

Emissions decreased 11% year-on-year in 2022. Around 30% of the reduction was from effects from horizontally rolling out energy saving standards, and 70% was effects from reduced production and both elimination and consolidation of production lines. The decrease was 19% compared to 2013.

Adopting renewable energies and reorganizing plants will be added to our activities targeting a 50% reduction in 2030.



02 Promote implementation of eco-friendly parts and materials at INOAC Group companies

INOAC Group company INOAC Housing & Construction Materials Co., Ltd. produces many different parts and materials that contribute to energy saving. We are actively incorporating these parts and materials in our own new office buildings and plants.

Tohoku INOAC Kitakami Plant (Iwate Prefecture, 2007) Air conditioning & snow melting using geothermal heat

Hokkaido INOAC (Hokkaido, 2013 & 2019) Snow melting using geothermal heat

Tohoku INOAC Detached houses & housing complexes (Miyazaki Prefecture, 2015) Air conditioning using geothermal heat

INOAC Head Office (Nagoya, 2017) Air conditioning using geothermal heat

INOAC Tsukidate Plant (Miyazaki Prefecture, 2018 & 2021) Air conditioning and ZEBs using geothermal heat

Raw Materials Section Committee

Mission

Set 2030 monitoring targets for scope 3 emissions (polyurethane, resin, rubber, and paint, which comprise a significant proportion of Category 1) and engage in activities to reduce CO_2

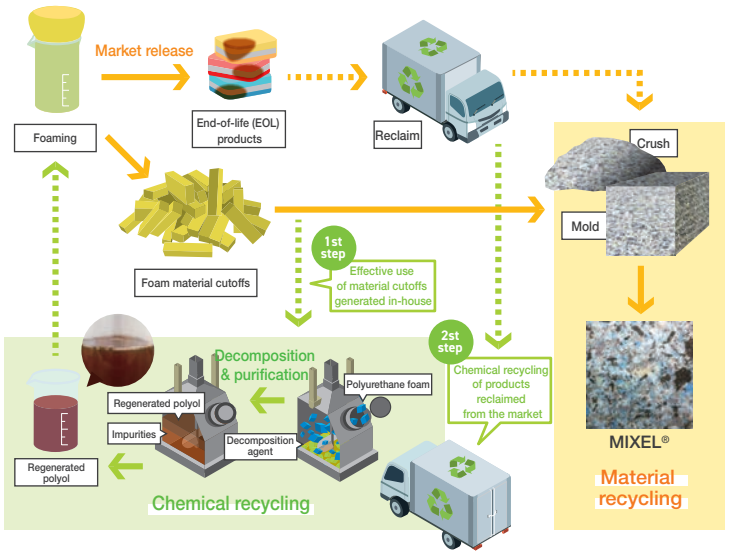
Action plan

- Reduce usage volume (waste reduction, weight reduction, thickness reduction)
- Shift to material and chemical recycling for materials (case example 03 below)
- Replace with eco-friendly materials (shift from rubber to resin and biomaterials)

03 Polyurethane foam recycling initiative

In addition to our conventional material recycling, we have also been working to develop chemical recycling technologies. Our aim is to reduce our usage volume of petroleum-based materials by recycling polyurethane foam as a raw material. First we want to make effective use of material cutoffs generated in-house, and then establish chemical recycling of products reclaimed form the market.

Polyurethane foam recycling efforts at INOAC



Initiatives of our CN Committee

Logistics Section Committee

Mission

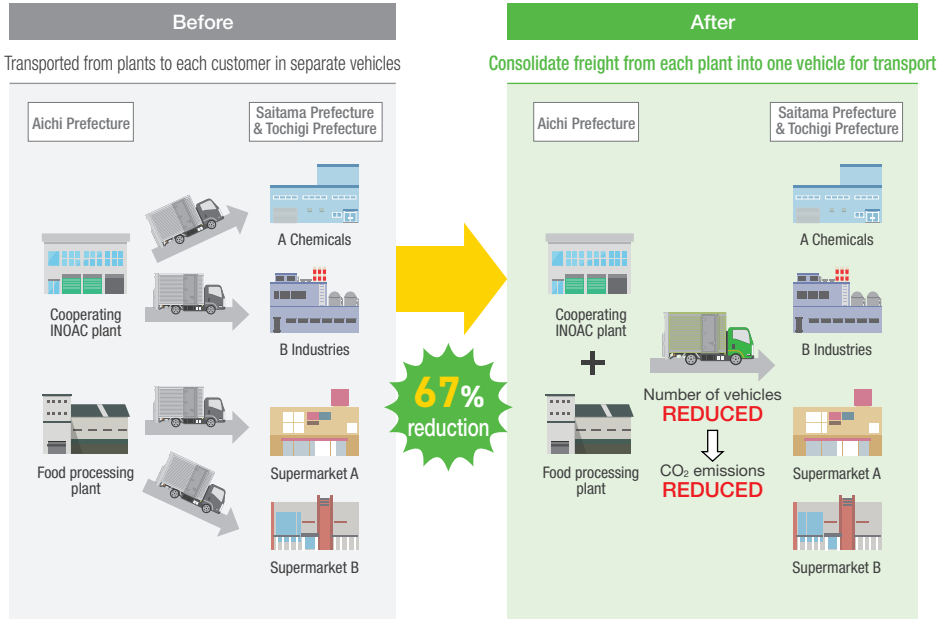
Targeting scope 3 (Category 4 upstream transportation and distribution). With 2023 as the base year, set monitoring targets for 2030 and work to reduce CO_2 emissions in logistics

Action plan

- Build systems to visualize CO_2 emissions in logistics
- Reduce CO_2 emissions in logistics (improve loading efficiency, consider modal shifts, join client milk runs, switch to low-emission vehicles) (case example 04 below)

04 More efficient loading in logistics

We consult with logistics companies to transport mixed loads with neighboring manufacturers in other industries. This has reduced CO_2 emissions by 67% while also successfully lowering logistics costs.



Departmental Section Committee

Mission

Plan and execute medium- to long-term strategies for major products with risks and opportunities from the transition to a low carbon society in mind

Action plan

- Expand the potential to achieve scenarios through closer coordination with other section committees, customers, and suppliers (case example 05 below)
- Calculate the carbon footprint of our main products, set target values, decide on items to reduce and execute those reductions (case example 06 below)

05 Request for supplier to engage in CO_2 reduction activities (coordinated with the Energy Section Committee)

In April 2023, we held an in-house CN exhibition. Suppliers were also allowed to attend, and they observed our CO_2 emissions reduction activities. Additionally, suppliers with high purchase amounts whose sales ratios with us are proportionally higher were selected for a kickoff that took place in July. First we requested that they research their CO_2 emissions and conceptualize topics for CO_2 reduction (energy-saving) items. We also asked that they set reduction targets at their own discretion. To support them, we are sharing our energy saving items and are also planning awards at the end of the fiscal year for companies engaging in outstanding activities.

06 Launch of CO_2 reduction activities per product type (Automotive Division)

Every year there is increasing demand for CO_2 reduction efforts from the automotive industry, which comprises a large proportion of our sales. To meet these demands, we launched CO_2 reduction activities per product type in 2023. Product leaders were chosen for eight main product types. The leaders gathered on a quarterly basis to share information on their progress.

Summary of major activities

Summary of major activities in FY 2022

The results of our main environmental efforts in FY 2022 are shown in the table below.

To clearly express our reduction targets, we changed our targets from measured units to total volume starting this fiscal year. In terms of reducing CO_2 emissions that result from energy use, the CN Committee took the lead in production efficiency efforts to reach our targets. For industrial waste disposal, we moved forward with efforts to reduce our volume of industrial waste disposal including in recycling and disposal of items with salvageable value. As a result, our disposal volume decreased and we achieved our target. We began managing our water intake in 2022 and started managing related targets in 2023. Our water intake in 2022 was 5.4% less than the previous year. Our volume of released PRTR substances declined from the previous year by 3.2% due to progress in replacing these substances and other efforts, but this fell short of our targeted 5% decrease.

Initiative		Targets in FY 2022	Achieved in FY 2022	Targets in FY 2023
Energy consumption reduction (in plants)	CO_2 emissions (tons)	78,439 or less	74,355	73,354 or less
Waste reduction (in plants)	Treatment amount (tons)	10,098 or less	9,894	10,440 or less
PRTR substances reduction in release and transfer amounts	Amount emitted + amount transferred (tons)	315 or less	321	304 or less
Water intake reduction	Water intake (thousand m³)	— [2,392 (2021 result)]	2,266	2,319 or less
Manage chemical substances	Revise green procurement rules	No target	Revise green procurement criteria (April 1, 2022)	Continue addressing the newness of this field
Environmental incidents	Major accidents, legal violations, number of complaints	No target	0	0

Environment data is collected to summarize major activities from all INOAC Group business locations in Japan.

Reducing our environmental footprint

Activities to reduce waste

In waste reduction, the company-wide Waste Reduction Committee led efforts to improve our rate of product commercialization by reducing defects and increasing yield, and to reduce waste by reusing more material cutoffs. The committee is working on technology to recycle cross-linked polyethylene material cutoffs that we produce and is developing a cyclical system to repurpose material cutoffs that normally had been discarded as raw materials. Production lines are currently being prepared for mass production of recycled material. The committee is striving to commercialize recycled materials and reduce waste.

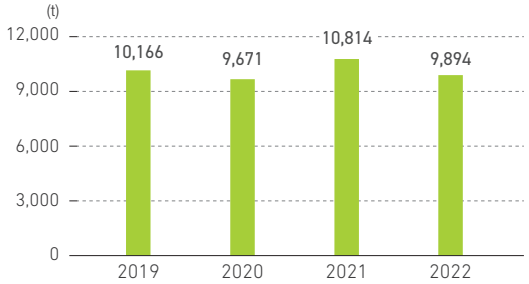
Activities to reduce the use of environmentally hazardous substances

We use PRTR substances such as m-tolylene diisocyanate, a raw material for polyurethane foam, as well as xylene and toluene which coatings contain. To reduce the amounts of these chemical substances that we handle, release, and transfer, we made progress in reducing dichloromethane which is partially left over as foaming agent and in both improving and taking measures against defects in its coating process. We reduced emissions, but our measured units metric increased due to its relationship with order volume.

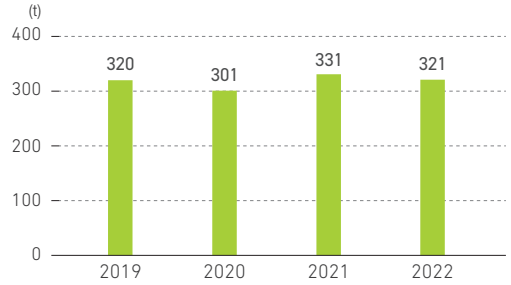
Efforts to address water-related risks

Since we use large volumes of water for cooling our facilities and cleaning, we consider water to be a precious resource. Our previous activities for water-related risks involved efforts to address droughts, water-related disasters, water pollution, and water regulations. For water recycling, we recycle the water we use to clean equipment in our coating processes. As measures against water pollution, we prevent spills or runoffs of raw materials and also monitor ground and drainage water. To reduce water usage, we started conducting present state investigations in FY 2022, and we will begin engaging in actual activities in pursuit of reductions going forward.

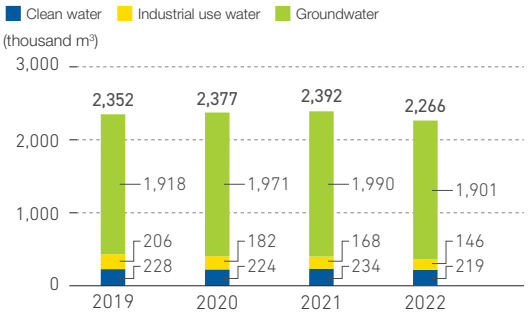
Waste treatment amount (tons)



PRTR (amount emitted + amount transferred) (tons)



Water intake (thousand m³)



Environmental risk & information management

Observing environmental laws and regulations

At INOAC, we identify environmental laws and regulations that are relevant to our business activities and manage them on a daily basis. Through monitoring, measurement, and assessment at each plant, we prevent environmental pollution and otherwise conduct environmental risk management to ensure that we properly comply with laws and regulations related to noise and industrial waste treatment as part of our environmental management system. We will also strictly observe environmental preservation agreements with local governments, including thorough compliance with environmental laws and regulations, by conducting regular audits pertaining to environmental regulations.

Major environment-related laws and regulations pertaining to our business

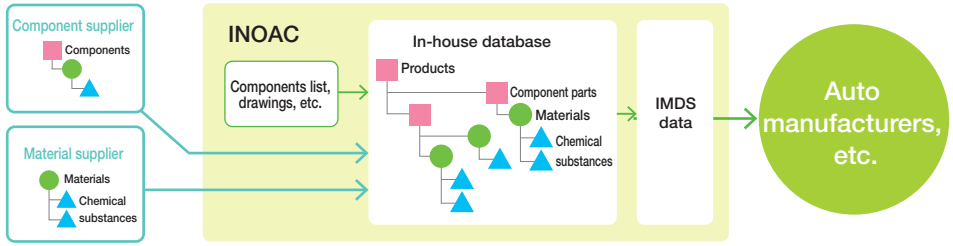
Air	Air Pollution Control Act, Automobile NOx PM Law, Act on Special Measures against Dioxins
Water quality & soil	Water Pollution Prevention Act, Purification Tank Act, Sewerage Act, Soil Contamination Countermeasures Act
Noise, vibration & odor	Noise Regulation Act, Vibration Regulation Act, Offensive Odor Control Act
Chemical substances	Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof, Poisonous and Deleterious Substances Control Act
Resource conservation & recycling	Act on the Rational Use of Energy, Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging, Act on Rational Use and Appropriate Management of Fluorocarbons, Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes, Waste Management and Public Cleansing Act
Disaster prevention	Fire Service Act, High Pressure Gas Safety Act
General & others	Factory Location Act, Act on Improvement of Pollution Prevention Systems in Specified Factories, Radio Act

* Legal orders such as local government ordinances are omitted
* Some of the above are abbreviated

Promoting IMDS, chemSHERPA and more

INOAC registers information on chemicals and reports it to our customers through IMDS*1, particularly in the automotive field which is our main field of business. We have a management system to obtain the necessary information via our supply chain and to register the information into IMDS.

Information collection through IMDS in INOAC—reporting process and chemical management system



We also collect information and report it to our clients using the chemSHERPA*2 format, which is widely used in the industrial world, especially the electrical machinery industry.

*1 IMDS (International Material Data System): A database for transmitting and obtaining information on materials and chemicals over the Internet for the automotive industry, which was originally developed to comply with the EU ELV Directive
*2 chemSHERPA: A unified format to transmit information on chemicals contained in products in the supply chain, which the Ministry of Economy, Trade and Industry took the initiative in developing

Creating an in-house database

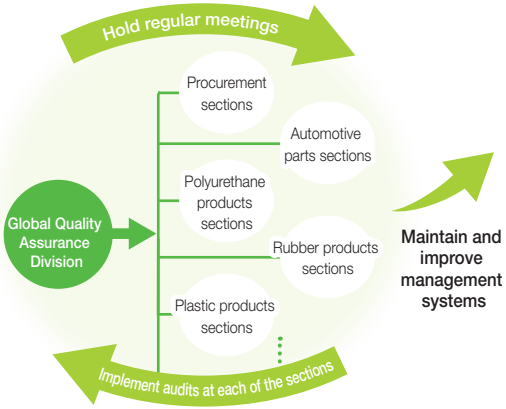
The Automotive Division and Foam Products Division are creating an in-house database through which information on chemical substances contained in parts and materials purchased from clients is identified based on information about chemical substances, and centrally managed. This has allowed us to be certain of our compliance with laws and regulations on chemical substances and client requirements which increase each year, while also helping to improve the efficiency and the reporting accuracy of information we register in IMDS and when examining the chemical substances contained in our products.

Establishment and implementation of green procurement criteria

We ascertain what chemical substances are regulated by laws, regulations, and by our clients, based on which we create our green procurement criteria—a list of those chemical substances that we should work to reduce. We present these criteria to clients and use them to obtain information on chemical substances contained in raw materials to be purchased. We are also consistently monitoring the latest regulatory developments, based on which we revise these criteria once each year.

Communication about chemical substance management

The Global Quality Assurance Division is a company-wide organization for environmental stewardship, which organizes and leads internal coordination meetings for the chemical substance management sections of each department once every two months. They review the green procurement criteria, check the management system and establish or change its operating rules, and exchange opinions concerning the latest trends in chemical regulations, such as the REACH regulation and RoHS Directive. They also periodically audit the management system in each department We strive to maintain and improve chemical substance management systems that are appropriate and reliable.



Training for emergencies

We identify accidents and emergencies according to the characteristics of each business facility, and periodically conduct training to prevent and stop the spread of environmental pollution resulting from earthquakes, fires and leakage of oils and raw materials. In 2022, disaster prevention training was conducted at the Anjo Plant (in Aichi Prefecture) on March 25, and raw material spill prevention training was conducted in manufacturing sections on October 19. These trainings were smaller in scale due to the pandemic. In other facilities, training for emergencies and urgent circumstances is conducted on a preparatory basis.

R&D efforts

Basic approach

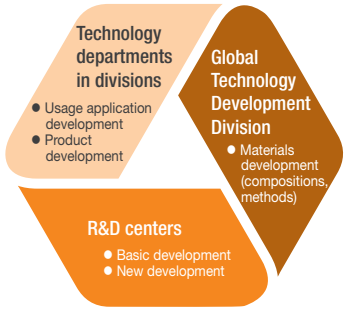
Focusing on R&D for polymer products, the INOAC Group conducts research using the two most valuable resources in the development of advanced technologies—creative engineers and cutting-edge evaluation instruments. We offer superior added value both as a leader of global technology groups and in collaborations with raw materials manufacturers and customers.

R&D centers aligned with the markets

Since we will not be able to keep up with the overwhelming speed of progress overseas in the conventional arrangement of R&D originating from Japan, we are moving and expanding our R&D centers in the US and also establishing an R&D center in China. We will be striving to accurately discern the needs in each region, design material compositions and commercialize products using locally-sourced raw materials, shift to R&D efforts that originate locally, and make ourselves more competitive internationally.

Innovation management system

We have launched a scheme to facilitate timely, efficient transitions form R&D to commercialization by clarifying the roles of technology departments throughout the company and establishing departments to centrally manage information such as market trends, customer needs, and internal ideas and technologies that could turn into new products. In our R&D efforts, we are also incorporating a scheme to establish stage gates and make decisions at the appropriate times on matters such as whether to proceed with efforts and what resources to allocate.



The strength as our foundation

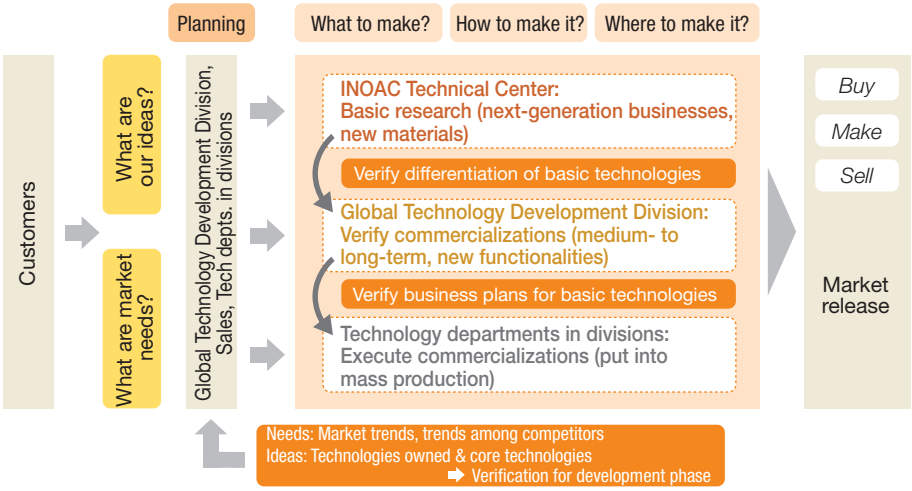
As a general manufacturer of high performance materials—polyurethane, rubber, and plastic—we have strength in being able to leverage technologies and expertise built up over long years of R&D to perform everything from materials compositions and compounds to design and processing, all in one place. We also have the ability to conduct many different types of product development that suit various needs by combining high-performance materials with foaming and molding technology.

Creating added value

In addition to simply dealing with our customers' needs, we also propose additional and improved functionality as we engage in dialogue to learn more about their usage purposes and applications, problems, and other details. We are dedicating efforts to developing polyurethane- and rubber-centric materials for electric car batteries, a materials market that is expected to grow going forward. For these materials, we suggest specific usage applications and strive to offer the ideas that we have for them while making value-added proposals.

Types of battery materials

Flow from R&D to market release



■ R&D centers

Japan
INOAC Technical Center Co., Ltd.

China
Shanghai INOAC Polymer Products Co., Ltd.

North America
INOAC USA, Inc.

Thailand
INOAC (Thailand) Co., Ltd.

INOAC Technical Center Co., Ltd.

Our technical center selects topics with a high degree of novelty that go beyond the boundaries of our existing business entities to develop original future-oriented solutions. In order to establish a personnel arrangement that can reflect market needs even more accurately, the center has recently been actively accepting personnel rotations from the Global Technology Development Division and technology departments in divisions. The center has also begun working to build an organizational structure to conduct basic research in line with customer needs.

Global Technology Development Division

This division ascertains various industry needs and conducts R&D for materials and products to address them. In addition to developing materials, the division also works to establish more in-depth manufacturing (developing production methods) as well as analytical and evaluation technologies. To acquire the intellectual property rights to the results of these development efforts, an Intellectual Property Department has been established within the division's organization. This department contributes to the creation of both tangible and intangible intellectual property. At the same time, to bolster industry-academia collaboration we are sending personnel on assignment to the New Energy and Industrial Technology Development Organization (NEDO) and working on public relations efforts to promote geothermal heat pipes, with sights set on achieving a carbon neutral society.

R&D efforts

Intellectual property strategy

As an initiative to acquire patents in product development, we have set a goal of 300 patent applications per year. In the development of our flagship products, we are also working to bolster our competitiveness by owning a concentration of multiple patents for each individual product.

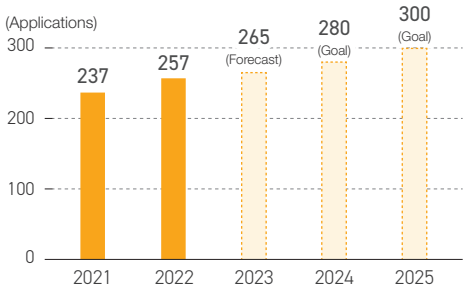
Overseas, we are expanding the presence of our R&D sections globally to address local needs that must be met quickly. We are also establishing a support organization in parallel with this expansion in order to facilitate smooth local patent applications.

Open innovation

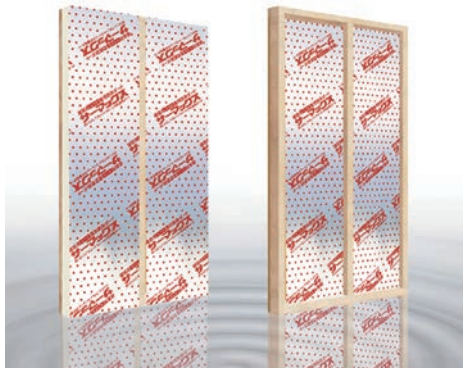
We engage in joint development with universities and other institutions, primarily in medium- to long-term basic development. Taking on new perspectives and mechanisms in more specialized fields of research enables us to bolster our development capability. To manage progress, we hold internal briefing sessions twice per year to verify the progression and direction of our research. Through participation in academic presentations, we are able to further enhance our cutting-edge technologies while at the same time sharing our research findings with society.

One example of our industry-academia collaboration is revelatory research into residential thermal insulation mechanisms. Our high-performance THERMAX thermal insulator is capturing attention as a means to reduce CO2 and combat global warming. To have this thermal insulator widely deployed in housing and factories, we are working to explore its insulating advantages from the structures of buildings to leverage in making widespread contributions to society. We are also organizing seminars to introduce usage examples to builders and other industrial craftsmen. The seminars are mainly held in the Tohoku region.

Patent applications per year



Development of THERMAX high performance thermal insulator



Examples of technological development in each business field

SOFWA® for business in high-performance materials

SOFWA® is an elongated polyurethane rolled sheet foam characterized by high absorbency, capable of absorbing approximately 20 times its own weight at thinness of 2.0 to 5.0 mm. As opposed to purchasing the raw materials from other companies, we compound the raw materials for it by ourselves, from scratch. For medical and hygiene products, SOFWA® shows promise for deployment in usage applications requiring safety and cleanliness such as the absorbers in wound dressings, diapers, and menstrual hygiene products.

The Facet Care Mattress for business in bedding and furniture

Excessive sinkage in low resilience mattresses can make it difficult to roll over in bed, which also leads to bedsores. For this problem, we developed the Facet Care Mattress with special slits that distribute body weight to prevent bedsores. With a three-layer structure combining different low-resilience polyurethanes, it limits excessive sinkage to make it easier to roll over.

For business in automotive-related products

As a company that has strong relationships with automakers, we are focusing on industry changes such as CASE and MaaS as priority topics. The shift to electric vehicles requires functionalities such as weight reduction, sound absorption, soundproofing, thermal insulation, and heat radiation. Leveraging our strengths in compounding and foaming technologies, we are working dedicatedly to develop products that automakers desire. In addition to establishing the Production Prep Review Panel that handles the function of checking on the progress of production preparation, we are striving to shorten launch times for new products by improving the quality of schematics starting from the initial stages of production preparation, and by setting targets in the design stages and improving quality in the process designs.

Quality improvement efforts

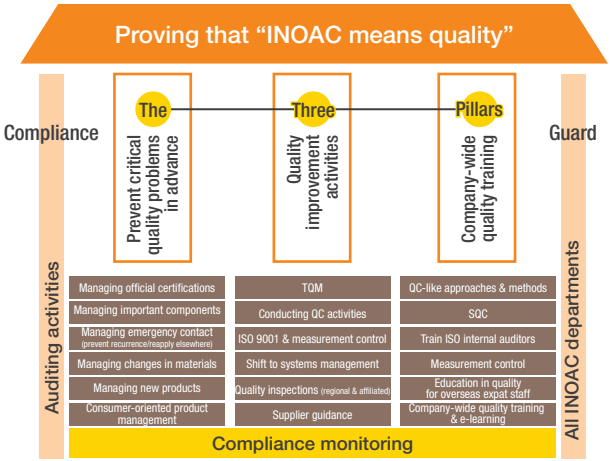
Basic approach

Based on our Quality Policy, we engage in manufacturing that prioritizes our customers and quality. We also strive toward "gratifying quality creation" via thorough quality compliance and ongoing improvements. We have implemented a comprehensive management system based on ISO 9001 to guarantee the quality and safety of products, and to provide products and services that deliver satisfaction. Through collaborations with our customers, we are also pursuing further improvements in quality.

Basic Quality Policy

1. Manufacturing that prioritizes our customers and quality
2. Observing laws, regulations, and arrangements with customers
3. Continuously improving to meet the needs of the times

Comprehensive management system for quality assurance



We are constantly working to improve quality through global company-wide collaboration and by various standardizations and ongoing updates to frameworks implemented under regular auditing activities in order to embody the concept of "INOAC means quality." The three pillars of these efforts are (1) Preventing critical quality problems in advance, (2) Quality improvement activities, and (3) Company-wide quality training.

(1) Prevent critical quality problems in advance

• Managing official accreditations or certifications

When applying for official accreditations or certifications for our products, we register them with the Global Quality Assurance Division which is in charge of our management system for quality. We verify whether there are any discrepancies between what is written in the applications and the corresponding products, production processes, and related specifications. After registering the products, the division conducts regular audits and ensures ongoing compliance.

• Managing important components

In areas such as performance and safety, lists of important components with higher social responsibility are managed in the Global Quality Assurance Division, and critical quality risks are prevented in advance by conducting regular audits. Improvements are also made to quality and to work operations as needed.

• Quality emergency contact system

For critical quality issues, we have established a quality emergency contact system to deliver negative information to management within 24 hours of it being communicated from locations.

After information has been communicated, the Global Quality Assurance Division verifies the appropriateness, implementation status, and effects of the recurrence prevention measures.

We also check the operational state of the following year's important components in the global quality management audit.

Our critical quality issues are defined as (1) those which lead to recalls, (2) those which become social problems, (3) those that pose physical danger to individuals, and (4) those with a high level of impact from a department's perspective.

• Managing changes in materials

For materials changes with high risk of serious quality issues, we build frameworks in which the Global Technology Development Division and the persons in charge of technology and quality assurance at the departments in charge deliberate over the changes, and internal approval is given by the Global Quality Assurance Division. In change proposals to customers, we have established a robust management structure for eliminating risks of quality issues in advance.

• Managing new products

For products created using new technologies, new materials, new processes, or for new usage applications, we strive to prevent serious quality issues in advance through reviews by staff members including our president to determine whether they are ready for market launch.

Audit members

President, Global Technology Development Division, Global Quality Assurance Division, persons in charge of technology, quality assurance, and sales in the applicable departments

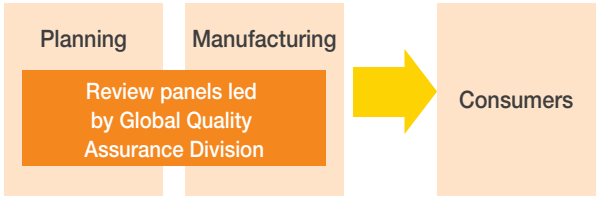
Audit areas

Material quality, product characteristics, product performance, structure, exterior, comparison with similar products, product safety, production safety, quality risks

Quality improvement efforts

• Consumer-oriented management of products

For the products that we design, manufacture, and provide directly to consumers, we employ a framework in which development starts after holding review panels led by the Global Quality Assurance Division starting from the planning stages and going through an approval process based on strict validation of risks, so that consumers can use the products safely and with confidence.
Even after that, we continue ensuring quality in coordination with the departments in charge of everything all the way through post-mass production inspections.



(2) Quality improvement activities

• Conducting TQM activities

Under the leadership of our president, all of our employees in all departments work together in all stages with the aim of providing gratifying products and services that satisfy our customers.

At full speed, we are working to improve our people, organizational, development, and manufacturing capabilities with all-inclusive participation as the foundation as we grow our personnel, create jobs, and expand frameworks in an effective, efficient manner.

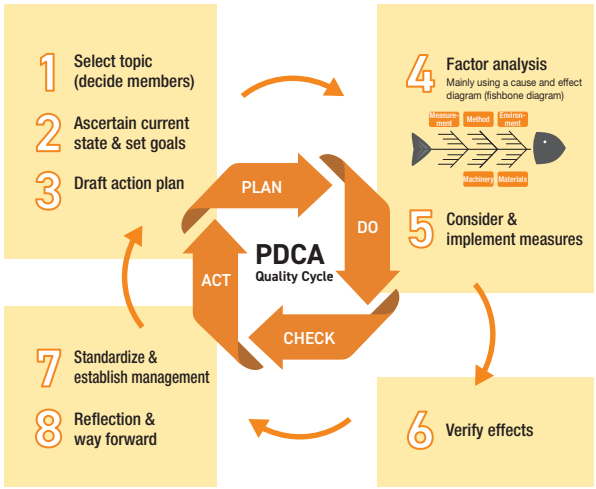
• QC group activities

We have been carrying out QC (quality control) group activities for small groups to voluntarily gather on the topic of quality improvement since around 1965. These activities have since expanded worldwide. Starting in 1985, INOAC has held the World QC & Improvement Competition on a global scale in order to share quality control activities taking place throughout the group of companies.

Since 2020 we had been refraining from holding the activity's presentations in one venue due to the COVID-19 pandemic, but finally in FY 2023 we started inviting teams from overseas again and held another world competition with a total of 13 teams—with three teams from Japan joining 10 teams from seven other countries.

With simultaneous interpretation streamed online, we are making this into a competition that bolsters the momentum of QC improvements in activities at all locations both domestic and international. We will continue developing human resources who can contribute to our customers and to society through this competition.

Steps of QC group activities



(3) Company-wide quality training

• Human resource development initiatives

We conduct mandatory training for new employees for acquiring the basic knowledge on quality which is important to the manufacturing industry. In addition, we also work toward increasing our employees' knowledge pertaining to quality with the required curriculum designated for each level on our hierarchy.

In FY 2023 we also began to incorporate e-learning, and we have opened our Quality Library where anyone can review the same lesson content at any time of the day.

Beyond that, we also offer encouragement and support for taking the QC Kentei written exam as part of our push to raise levels throughout the company.

• Global quality management audits

In order to prevent any serious quality problems in advance that could threaten the loss of social trust and credibility, we conduct global management quality audits of critical quality components and processes at our production sites in Japan and abroad and of all quality management systems.

Applicable locations

Locations in Japan and in Thailand, Vietnam, Indonesia, South Korea, Taiwan, and China

Applicable products

Production processes and plants such as those that make INOAC's main materials such as resin, rubber, polyurethane, and of processed components and mattress products

Consideration for human rights

Basic approach

We respect the Universal Declaration of Human Rights and internationally recognized fundamental rights of workers, and we dedicate effort to respecting human rights without being complicit in any human rights violations such as forced labor or child labor.

President's statement on respecting human rights

On August 1, 2023, our president communicated our "President's Statement on Respecting Human Rights" to all employees.

In addition to climate change, the consideration toward human rights is also becoming increasingly necessary among social issues in recent years. In the INOAC Group, we will also be scrutinizing human rights-related issues and engaging them in all aspects of our business. In line with our approach to respect for human rights outlined below, we ask that all employees embrace the spirit of being committed to respecting human rights. I will be taking the initiative myself to spearhead these efforts.

Approach to respecting human rights

We recognize that we may directly or indirectly affect human rights in the process of conducting our business. We support international norms related to human rights, such as the United Nations' International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO), and we hold ourselves responsible to respect the human rights of all people involved in our business activities.

We do not tolerate discrimination based on nationality, gender, age, beliefs, religion, race, ethnicity, sexual orientation, disability, whether one is married or has children, or for any other such reason, nor do we permit any form of harassment such as power harassment, sexual harassment, or peer pressure, or behavior that undermines an individual's dignity. We also prohibit forced labor and child labor, and we guarantee freedom of association. In addition, we create healthy and safe working environments for our employees.

August 1, 2023
Yasushi Nomura
President & COO
INOAC Corporation

Human resource development

Basic approach

At INOAC, we advocate the philosophy that diverse human resources are the foundation for the continued existence of the company. Rather than specializing in one particular business, we are an entity that contributes to society by creating a diverse range of products and services. By respecting the individuality of each employee who constructs these products and services, taking quick actions and making speedy decisions, we aim to develop human resources capable of forming a vibrant global team with an abundance of individual character.

Human resource development that brings out the aspirations and motivation of each individual

Our human resources system changed two years ago with the aim of all employees achieving their own professional growth and developing their subordinates. There is something that we emphasize at INOAC in order to become an organization that instills this type of philosophy, where each employee changes their own behavior more voluntarily and autonomously and can achieve swift professional growth. That is to bring out and enhance employees' aspirations and motivation toward their work. We are designing training for everyone from general employees to executives to identify an overlap between their own roles and 'what they aim to accomplish' = "aspirations" at INOAC for the vision of the personnel they hope to become, and put it into practice while increasing their capabilities. Our aim is to be an organization that raises each individual's motivation toward their work and enables them to grow autonomously.

At player training

Using blocks to express their own work environments. For a panoramic outlook on their current position and the role required of them

Gradually taking a bigger-picture outlook on their surrounding environments—themselves, their workplace, related departments, and society—to gain a fresh new perspective on their own roles

Global human resource development initiatives

Through a variety of programs, we are working to develop global human resources. Our Overseas Trainee System is a program aimed at experiencing the process of achieving results among other cultures through on-the-job training (OJT) overseas. Younger employees in many different industry types can achieve significant professional growth by training at local subsidiaries overseas, confronting the differences in values and difficulties of getting people around them involved, and overcoming difficulties.

This fiscal year, we launched new Intercultural Communication training for personnel assigned to live abroad, enabling them to feel more comfortable with working overseas by experiencing what "intercultural" really means. For employees who are scheduled for overseas assignments, we also began offering courses to learn specialized knowledge for living and working overseas (financial control, legal affairs, quality assurance, safety, etc.) and are assisting their advance preparations and smooth transitions overseas.

Comments from an employee with trainee experience

For one year, from January through December 2023, I underwent training mainly in plant engineering works and sales activities at our plant in New Jersey and sales office in Michigan in the US.

Through the trainee system, I was able to see first-hand how the expat employees stationed there are going about their work, which gave me a real sense of the challenges, capabilities, and methods that will be required of me in order to work globally. I was also able to experience the differences between the US and Japan in terms of the independence and means of communication that are needed. I'll be even more committed to my work here in Japan to make the most of my experience training overseas.

Naoya Oe

Research Section, Business Planning Department, Corporate Planning Division

On a business trip with local employees

Diversity & inclusion

Basic approach

The “many trees of varying character” expressed in our Corporate Philosophy are the very definition of diversity. Thus, our philosophy itself could be considered the fundamentals behind our basic policy on diversity & inclusion. We do business with respect for diversity by employing and developing people from all walks of life, which includes actively hiring female employees and global human resources.

Global business operations

We began expanding overseas in the 1930s, and we now have approximately 70 overseas production plants and business facilities in 14 countries and regions. In the process of doing so, we have constructed a robust global network by respecting the various values, practices, and national identities in the places where we do business and establishing trusting relationships with the people.

Project to promote employment of women

We enable female employees to demonstrate their skills and capabilities, actively seeking out roles for them and creating environments where they can contribute to the company. In our General Employer Action Plan which was formulated based on the Act on Promotion of Women’s Participation and Advancement in the Workplace, we set three goals including specific numerical values for current issues, and we are aiming to harness capabilities and develop careers in many different departments.

	Issues	Goals
1	Ratio of females among all INOAC workers	Raise to 20% or higher
2	Ratio of female employees in sales and technical roles	Raise to 15% in sales roles and 7% in technical roles
3	Usage rate of managers’ annual paid vacation	Raise to equal usage rate as that of general employees, 54.8%

Promoting work-life balance

Basic approach

We are actively working to support balance between work and family life, to have an employee-friendly workplace and promote the advancement of women.

Increasing our rate of annual paid vacation taken

Since fiscal 2021 we have been publishing our company goals and working toward achieving the Japanese government’s target of at least 70% usage of annual paid vacation days.

Company goals

All employees take at least 50% of annual paid vacation days in the fiscal year they are allotted

Description of initiative

Create annual paid vacation schedules, communicate in the early part of each month about the number of days which must be taken, and post results on the company intranet

Support systems to balance work and childcare (year enacted)

- Paternity leave (before 1980)
- Flextime system (1990)*1
- Regulations regarding family care leave (1990)
- Happy Holiday Leave (1991)
- Regulations regarding childcare leave (1992)
- Regulations regarding measures for maternity health management (1998)
- System for paid half days off (2000)
- Family support holiday leave (2005)
- Sick/injured childcare leave (2005)
- Regulations regarding childcare leave amended (leave period extension) (2005)
- System of reduced work hours for childcare (2008)*2
- Family care leave (2010)
- Regulations regarding telecommuting (2020)

*1 Flextime was changed from “with core time” to “no core time” on April 1, 2020.
*2 Changed on July 1, 2022 for the duration of reduced work hours for childcare to end when the child enters junior high school (March 31 when completing grade 6 of elementary school) and to enable reduced work hours to be applied in units of calendar months

Health management

Basic approach

In the past, employees were considered to be responsible for managing their own health individually. However, the idea that the company is responsible for establishing environments where employees can be physically and mentally healthy at work has now become prevalent. Improving workplace environments and promoting health make individual employees feel more motivated for their work, which in turn makes the workplace livelier as a whole.

With all three parties—the company, employees, and health insurance society—working closely together, we aim to mitigate health risks, prevent injuries and illnesses before they occur, and balance the business of the company with the health management of its employees.

Health promotion initiatives

We are formulating annual schedules for the company as a whole which include priority action items for each month. At each business facility, we are putting in place promotion organizations, formulating Mental Health Promotion Plans, and carrying these out. Working together with the health insurance society, we are also promoting employee health based on our “Three Pillars.”

Three Pillars

Prevent illnesses before they occur

For each individual employee to be healthy and thrive for longer, it is important to regularly prevent illnesses before they occur as opposed to only getting treatment after becoming ill. We provide assistance for employees to stay healthy, including subsidies for comprehensive health checkup costs, mental health courses, stress checks, and more.

Specific health checkups

These health checkups identify individuals who require health guidance for preventing lifestyle-related diseases. For health checkup categories, we use examination categories that can accurately identify those who require specific health guidance, which includes the addition of waist measurements to observe buildup of visceral fat.

Specific health guidance

Those who have been identified in specific health checkups create action plans based on guidance received from doctors, health nurses, and registered dietitians, and make efforts to improve their lifestyle habits.

Safety and health / Disaster prevention

Principles and basic policy for safety

Principles

Prioritize safety and health as well as disaster prevention in all behavior, based on creating workplaces where employees are healthy, safe, and comfortable carrying out their work.

Basic policy

(1) Improve workplace environments while eliminating and mitigating sources of danger
(2) Raise the safety and disaster prevention awareness of all employees
(3) Observe laws and regulations related to occupational safety & health

We demonstrate "prioritize safety and disaster prevention above all" through action and establish the practice to "stop it, call it in, and wait" when a risk becomes known. After performing risk assessments, we eliminate and mitigate sources of danger. We also set yearly activity plans with critically important monthly activities focused on lessons learned from past accidents. We strive to improve the safety, health, and disaster prevention levels at all of our locations by conducting repeated inspections and educational training and improving any weaknesses we find in our safety, health, and disaster prevention assessments.

KPIs	Applicable scope	2021 result	2022 result
Total occurrences of employee occupational accidents ▶ -30% from previous year	Japan	22	20
	Overseas	16	21
Total accident frequency rate	Japan	1.68	1.53
Total lost-worktime accident frequency rate	Japan	0.76	0.46
Severe employee occupational accidents ▶ Occurrences: 0	Japan	0	0
	Overseas	0	0
Fires at business locations ▶ Occurrences: 0	Japan	0	1
	Overseas	0	0
Having no more administrative classification III work environments at worksites	Japan	6 worksites	12 worksites

All INOAC Safety and Health Committee meetings

As safety activities led by officers themselves and attended by all employees, we hold safety meetings to increase company-wide awareness of safety, health, and disaster prevention, build organizational culture, and prevent the recurrence of accidents.

- Central Safety and Health Committee meetings: Held four times per year
- Field inspections by officers: Held twice per year
- Safety Practitioners Conference: Held four times per year
- Safety conferences: Held once per year
- Organizing safety presentations by outside instructors: Held once per year
- Safety and Health Committee meeting at each location: Held monthly

Field safety inspections by officers

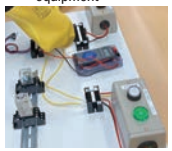
Developing safety-conscious workers with the Safety Dojo

The Safety Dojo lets employees experience potential work hazards in safe settings using 15 simulators that enable them to see, hear, and feel the hazards. The experience helps to build workplaces capable of achieving the zero-disaster standard by making employees more sensitive to potential hazards, training their ability to predict them, and building habits in safe work practices.

We introduced a virtual reality (VR) system and brought VR equipment to each location for on-site interactive safety training. To prevent occupational accidents caused by electricity, we also added training on handling low-voltage electricity and opened up participation to employees other than maintenance workers.

Safety Dojo

1 How to use inspection and measurement devices for electrical equipment



• Testers • Electroscopes
• Clamp meters

2 Electrical wiring & self-holding circuits

3 CPR/AED practice

Initiatives for healthier environments

Managers are improving their skills and knowledge through initiatives that enable them to lead by example.

- Establishing outdoor smoking space to ensure separation of smoking areas
- Taking environmental measures to reduce road surface temperature and lowering temperatures inside plants via the Thermax ceiling cover method, thermal insulation for furnaces, and more
- Organizing learning sessions and trainings by industrial physicians and the health insurance society
- Taking measures against heatstroke and extreme heat, creating Wet Bulb Globe Temperature (WBGT) visualizations, and systematically improving workplace environments
- Improving work environments and having no more administrative classification III (noise, organic & specified chemical substances, etc.) worksites
- Measures to prevent the spread of COVID-19

Heat insulating pavement
(reducing road surface temperature by reflecting infrared rays)

Thermal insulation for furnaces

Roof covering methods

Disaster prevention activities

We take action according to our Crisis Management Regulations to minimize damage by natural and other disasters, execute accurate first responses, and ensure early recovery.

- Large earthquakes
  - Measures to alleviate earthquake damage to buildings and facilities
  - Safety and disaster prevention equipment and stockpiles for earthquakes
  - Post-earthquake response
  - Stockpile of mattresses and other items to contribute to the community
- Measures against fires, storms, and floods
  - Prevention of fires and explosions at production sites
  - Preparedness and systems for dealing with storm and flood damage
  - Establishment of a weather information distribution system
- Disaster prevention education
  - Utilizing the Disaster Prevention Training Center and performing disaster prevention training at worksites
- Disaster prevention agreements with local communities
  - Providing supplies such as water and mattresses when disasters occur
  - Organizing disaster prevention events and participating in disaster prevention training together with local communities

Disaster Prevention Training Center

Firefighting training

Supply chain management

From tackling global environmental problems as well as problems related to human rights and labor to carbon neutrality initiatives to combat global warming, risk management against natural disasters, and the pursuit of a sustainable society, companies are now expected to engage in very different activities than they were in the past.

In response to changes in the surrounding environment such as these, we revised our Basic Procurement Policy. We are also engaged in CSR throughout our entire supply chain by establishing Supplier CSR Guidelines and making all of our partners fully aware of them.

Basic Procurement Policy

(1) Promotion of fair, just, and sincere procurement activities
(2) Building partnerships based on trust with our valued suppliers
(3) Achieving safety & quality
(4) Consideration for human rights & labor
(5) Consideration for the environment
(6) Compliance
(7) Consideration for proper information management
(8) Engaging in the optimal procurement globally

Strengthening partnerships with our valued suppliers

In addition to quality, price, and other parameters, it is now increasingly important in procurement activities to work together with clients on efforts such as improving labor conditions and making considerations for the environment. Once we have established our Supplier CSR Guidelines, we will request that our partners be receptive and prepared to engage in activities that lead to mutual prosperity as partners, based on greater mutual trust than ever.

Specific efforts

We engage in various activities through the INOAC Partnership Assembly with 64 of our valued suppliers. Teaming up with our clients, we engage in initiatives such as awareness-raising activities including lecture presentations on plans to strengthen business continuity capabilities and preventing lifestyle-related diseases, activities to ascertain problems at worksites and take measures against them, and activities to improve production processes. Through participation in the QC Improvement Competition to present results of improvement efforts and other such activities, we work toward mutually raising the levels of our enterprises and achieving benefits for all sides while at the same time developing human resources.

Assembly to Address Quality Problems

We engage regularly in activities to decide on the appropriate level of quality together with our clients while looking at the actual products.

Supplier Awards

We present awards for those clients who particularly contributed throughout the year.

Sustainable procurement

In order to offer products that are friendly to the environment and our daily lives, we have defined our INOAC Green Procurement Standards. We engage in manufacturing with low environmental impact by regularly updating these standards and investigating chemical substances contained in our products. As part of our procurement activities geared toward carbon neutrality, we also make visits to clients and propose energy-saving measures to them. We also make efforts such as conducting surveys to exclude products and other supplies involving conflict minerals or human rights abuses.

Compliance

In basic business agreements entered into with our clients, we clearly stipulate that infringement on intellectual property rights is forbidden. We also stipulate conformance with green procurement and elimination of relationships with antisocial forces in order to comply with the relevant laws and regulations.

In order to thoroughly ensure our observance of the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors), we create a list of clients we do business with, and we visualize the conditions of transactions with the clients to whom this act applies. In sections that handle purchasing work, we establish frameworks to ensure ongoing compliance through attendance at Subcontract Act workshops and periodical in-house training, in addition to internal audits conducted by legal affairs sections.

Visualizing transaction conditions

For new clients

When commencing business transactions, we verify whether those transactions are subject to the Subcontract Act. Before beginning the transaction, we exchange payment conditions (including offsetting conditions), basic business agreements, and notices of unit price determination with those clients. We also create lists to enable centralized management of what notifications have been exchanged with subcontracting clients.

For existing clients

Since the Subcontract Act could become applicable to transactions when terms and conditions are changed, we manage our ongoing Subcontract Act observance by regularly checking transaction conditions and updating our lists accordingly.

Initiatives in Japan and overseas

In the INOAC Group, we create opportunities for social interactions between people through social contribution activities, primarily in supporting culture and human resource development, and we help to foster the interpersonal connections formed in these activities.

Support activities for disasters

In the INOAC Group, we donate relief supplies when emergencies occur. Tohoku INOAC donated mattresses and sponges to evacuation centers when the Great East Japan Earthquake occurred. Kyushu INOAC and Tohoku INOAC donated mattresses to evacuation centers of communities affected by torrential rainstorms in July 2023.

Helping to raise awareness for blood donations

INOAC Living Vietnam conducted a blood donation drive through cooperation with the Red Cross. This was part of ongoing efforts to support patient care and emergency response and to contribute toward the advancement of voluntary blood donation movements in communities.

Supporting Donguri Kita Hiroshima Soft Tennis

Nishi Nihon INOAC is supporting the community-based club Donguri Kitahiroshima Soft Tennis, which includes Japan's nationwide champion soft tennis player. They help the team get better sleep by donating bedding such as mattresses and pillows manufactured at Nishi Nihon INOAC to the club.

Activity category	Summary
Community contributions	Donated 2,000 character-design sponges to Shinagawa Children's Center [INOAC Corporation Osaki Office]
	Donated kitchen sponges with municipalities' official mascot character designs to community groups [Tohoku INOAC]
	Donated mattresses to evacuation centers when torrential rains hit Kyushu and Tohoku [Kyushu INOAC] [Tohoku INOAC]
	Contributed toward the advancement of voluntary blood donation movements in communities [INOAC Living Vietnam]
Supporting social studies (social studies support, workplace experience)	Awarded scholarship money for study abroad in Japan and overseas to students from Japan and other countries [INOAC International Education and Scholarship Foundation]
	Provided training on trademarks and raised awareness on intellectual property rights in business society for commercial high school students [Intellectual Property Department, INOAC Corporation] [Tohoku INOAC]
	Provided workplace experiences for local junior high school students to learn about safety and health [INOAC Corporation Anjo Plant] Accepting field trips at production plants [Kyushu INOAC]
Supporting art & culture	Continuously conducting culture support activities including sponsoring ballet and opera as INOAC Innovation Support for many years [INOAC Corporation]
	Provided large and small polyurethane foam material cutoffs for workshops at Meguro Museum of Art [Higashi Nihon INOAC]
	Regularly holding afternoon concerts to enjoy classical music at company-operated store location in Shinagawa, Tokyo [Color Foam Sleepmode Osaki Store]
Health services, medical, health	Provided education and support for children with disabilities and orphans, and provided health management and rehabilitation for children with epilepsy, cerebral palsy, and Down syndrome. Also donated daily necessities and supported the children's physical therapy by donating funds for operating expenses [INOAC Polymer Vietnam]
Environmental conservation	Conducted cleanup activities (with over 100 employees in attendance) at Halong beaches to raise awareness about environmental conservation [INOAC Vietnam]

Corporate governance

Basic approach

We consider the improvement of corporate governance to be a key business issue for raising our performance, value, and social credibility.

Corporate governance structure

Our Board of Directors comprised of eight members makes decisions on key issues in INOAC's business. Each board member reports the execution, financial, and performance statuses of his/her division, based on which the Board supervises and controls the business execution of the company. In order to also separate supervisory and executional responsibilities in management, INOAC has introduced an executive officer system. Each executive officer, endowed with his/her own authority from the Board, acts as the head of the department, group company or major functional organization to speed up decision-making, optimize business operations, and handle critical business execution.

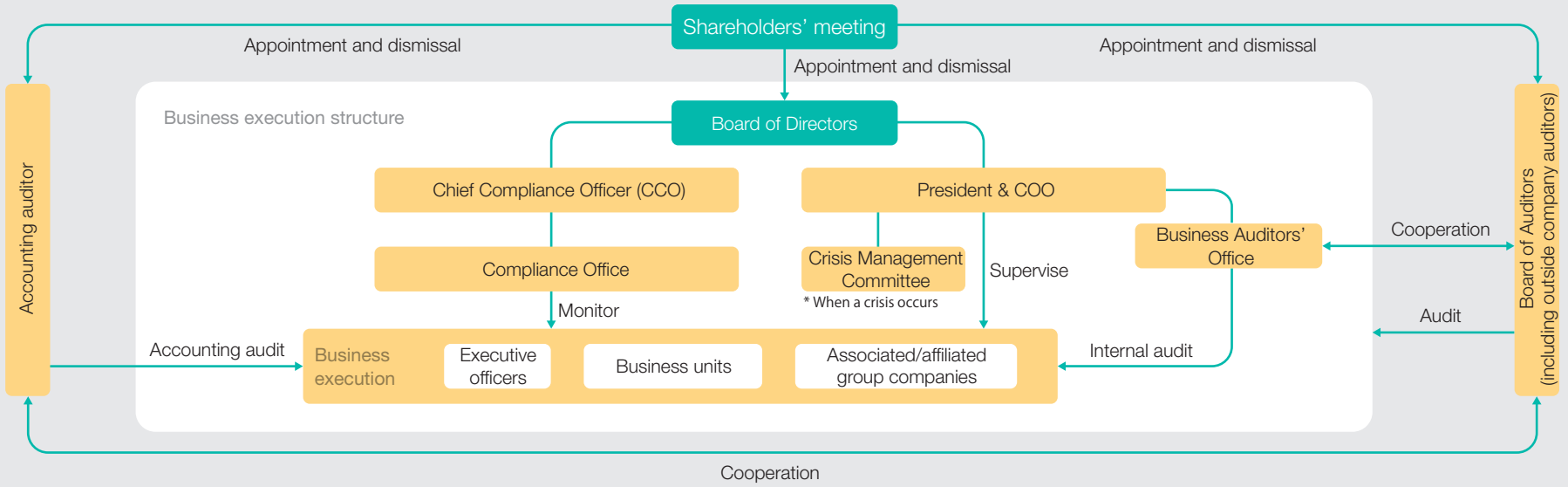
For our auditing function, we have a Board of Auditors composed of three company auditors including two external auditors. The company auditors attend important meetings such as board meetings and audit the execution of duties by the directors by inquiring about the status of their business operations.

Internal control system

We are implementing various measures to ensure that we comply with applicable laws as well as the company's articles of incorporation in our business execution. For information management, we determine the responsible department or section and storage period for each document according to our Document Control Procedure. The Executive Management Committee controls risk management, and Crisis Management Committee meetings are held when a crisis occurs.

For associated and affiliated companies we have established our Governance Rules for Associated Companies. We also clarify rules for business operations and conduct both operational and accounting audits as needed.

Corporate governance structure (organizational structure)



Compliance

Basic approach

In order for INOAC to satisfy its corporate social responsibilities and expectations from customers, it is not enough to simply observe the applicable laws. Employees must also recognize their social responsibilities as part of the corporation. We strive to implement thorough compliance that goes beyond simply defining a company policy and observing the applicable laws by also holding each individual employee to high ethical standards in their actions.

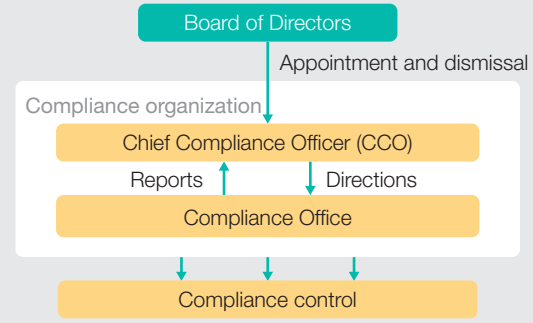
Implementation system

With authority independent of our directors and executive officers, our Chief Compliance Officer (CCO) runs the Compliance Office, taking measures and actions for compliance-related matters. Working together with the Compliance Office, with the CCO playing a leading role, we conduct compliance activities while finding ways to strengthen our overall global coordination.

If any compliance violations arise, the CCO directs the Compliance Office as the person in charge of the response. The CCO establishes a task force at Head Office to address the violation in a centralized manner according to the level of impact.

We continuously improve the program that determines our compliance organization through revisions made regularly by the CCO. The Compliance Office also hosts a Global Compliance Evaluation Conference once per year.

Compliance organizational chart



Specific efforts

Compliance training

We are incorporating compliance portions into the regular training conducted at major intervals in all employees' careers (training for new employees, employees hired mid-career, overseas assignment candidates, those handling core functions, etc.). In addition, we conduct separate compliance trainings according to the characteristics of each region and department.

Whistle-blowing system

We have established a whistle-blowing system to enable everyone who works for or with our company to consult or report matters involving compliance violations that have or might have occurred. Our whistle-blowing system connects both internally (to the Compliance Office) and externally (to a law firm).

Information Security Committee established

We established our Information Security Committee in September 2022 in order to operate properly in line with our Confidentiality Management Regulations and to further improve our management of information. The aim of our activities is to implement these globally throughout our organizations as we also work to reduce occurrences of cyber incidents and put response measures in place.

Activities

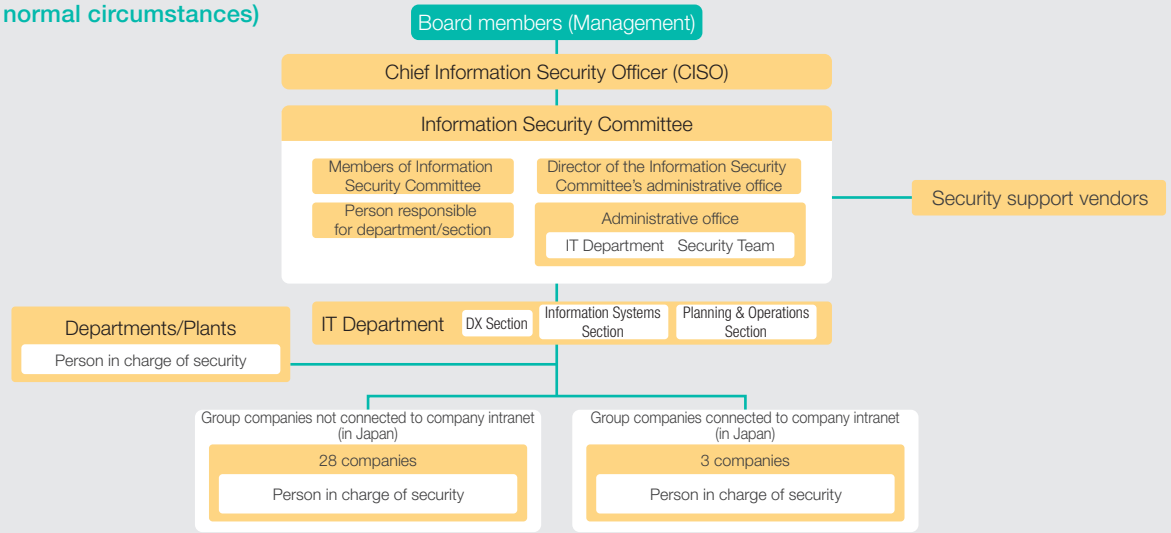
- Actions to reduce occurrences of cyber incidents
- Rule-making and training to be able to take quick action against cyber incidents when they occur
- Accommodate Cyber Security Guidelines Ver. 2.0 and various guidelines set out by customers
- Take actions to bolster security which also include the INOAC supply chain network

Goals

(* Within the duration of our security specialist vendor agreement from February 2023 to February 2024)

- Visualize the issues to achieving 90% of the LV1 & LV2 categories of Cyber Security Guidelines 2.0 and how to deal with them, along with the main departments involved, deadlines, and amounts of investments (as needed) by March 2024
- Conduct training based on the flow of steps to responses when cyber incidents occur
- Security awareness-raising activities (e-learning, workshops)

Information security management structure (in normal circumstances)



ESG statistics

Environment

(14 facilities in Japan and 27 related locations (including affiliates))

		2018	2019	2020	2021	2022
Energy consumption	Heavy oil (kL)	3,894	3,778	2,891	2,997	2,792
	Natural gas (x 1,000 m^3N)	939	816	800	945	845
	Petroleum, etc. (x 1,000 kg)	5,708	5,932	6,036	6,570	6,030
Power purchased (x 1,000 kWh)		123,678	125,753	120,162	124,521	116,324
CO_2 emissions (tons)		90,437	90,305	81,337	83,876	74,355
	Scope 1 (tons)	29,774	29,855	27,726	29,939	27,539
	Scope 2 (tons)	60,663	60,449	53,611	53,937	46,816
PRTR (handled & emitted) (tons)		306	320	301	331	321
Water intake	Clean water (x 1,000 m^3)	204	228	224	234	219
	Industrial water (x 1,000 m^3)	249	206	182	168	146
	Well water (x 1,000 m^3)	1,939	1,918	1,971	1,990	1,901
Industrial waste	Volume (tons)	9,300	10,166	9,671	10,814	9,894

Social

(Non-consolidated)

			2018	2019	2020	2021	2022
Employee-related data	Employees * As of April 1, 2023		1,745	1,853	1,903	1,889*	1,884
		Male	1,544	1,628	1,642	1,611*	1,590
		Female	201	225	261	278*	294
	New graduate recruits * April 1, 2022 through March 31, 2023		54	45	52	46	52
		Male	42	34	31	31	36
		Female	12	11	21	15	16
	Average age (years) * As of April 1, 2023		42.9	41.9	41.6	41.6	41.6
		Male	43.2	42.3	42.3	42.3	42.3
		Female	40.6	39.3	37.8	37.7	37.9
	Departed employees * April 1, 2022 through March 31, 2023		96	88	114	113	153
	Turnover rate (%) * April 1, 2022 through March 31, 2023		5.5	4.7	6.0	6.0	8.1
	Hours actually worked (x 1,000 hours) * Employees only, April 1, 2022 through March 31, 2023		3,626	3,748	3,760	3,699	3,645
	Difference in pay between males & females (Ratio of wages for females compared to wages for males) (%)		—	—	—	—	79.8
		Full-time employees	—	—	—	—	80.7
		Non-regular employees	—	—	—	—	81.5

* Figures revised due to change in counting method

ESG statistics

Social

(Non-consolidated)

		2018	2019	2020	2021	2022
Human resource development	Total training hours	37,892	25,562	18,608	26,023	25,018
	Trainees	1,830	1,345	1,442	1,971	1,390
	Average training hours per year	20.7	19.0	12.9	13.2	18.1
Promoting diversity	Ratio of female employees (%) * As of April 1, 2023	12	12	14	15*1	16
	Male managers * As of April 1, 2023	278	273	273	289	286
	Female managers * As of April 1, 2023	8	9	9	13	13
	Ratio of female managers (%) * As of April 1, 2023	2.8	3.2	3.2	4.3	4.3
	Employees with disabilities * As of April 1, 2023	30	28	28	28	30
	Ratio of persons with disabilities employed (%) * As of June 1, 2023	2.4	2.3	2.3	2.4	2.5
Producing an employee-friendly workplace	Individuals who took childcare leave * April 1, 2022 through March 31, 2023	4	3	11	9	5
	Male	0	0	1	4	0
	Ratio of leave taken to care for children, including childcare leave (%)	—	—	—	—	89.6
	Ratio of paid vacation taken (%) * April 1, 2022 through March 31, 2023	47.3	53.0	52.9	64.2	70.6
	Average monthly hours of overtime work per person*2 * April 1, 2022 through March 31, 2023	18.1	17.5	19.5	19.7	18.6
	Members of labor union * Including members of quasi union as of April 1, 2022	1,417	1,486	1,491	1,481	1,486
Occupational safety & health initiatives	Lost-worktime accident frequency rate*3	0.60	0.82	0.44	0.76	0.46
	Near-miss & hazard prediction cases submitted*4	0.11	0.10	0.17	0.26	0.40
	Health checkup screening rate (%)	96.1	99.9	100	100	100
	Stress check screening rate (%)	86.1	90.1	93.9	94.6	97.0

*1 Figures revised due to change in counting method
*2 Overtime pay + work on days off + legally mandated days off worked Excluding months with 0 workdays Actual number of overtime hours worked for general employees (ST through AM), sales & technicians
*3 Number of occupational accidents ÷ hours actually worked x 1,000,000
*4 Submissions per month, per person

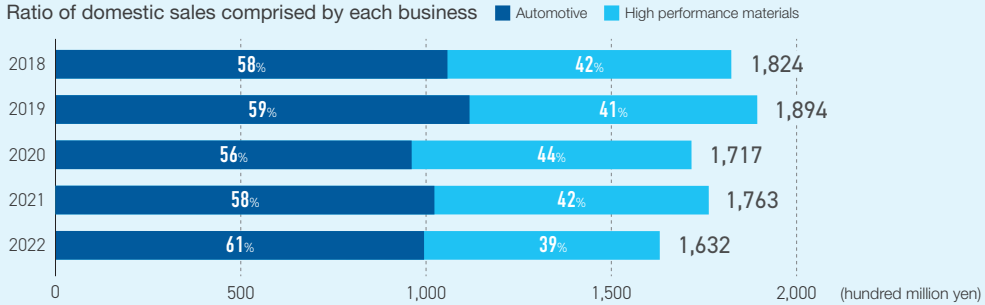
Governance

(Non-consolidated)

		2018	2019	2020	2021	2022
Board of Directors	Members of Board of Directors	10	10	9	8	8
Compliance	Compliance training participants	—	—	271	361	650
Information security	Information security training participants	82	87	57	1,034	53
	Severe incidents	0	0	0	0	0

Company outline

Company name	INOAC Corporation
Capital	720 million yen
Representatives	Soichi Inoue, Chairman Yasushi Nomura, President & COO
Head Office	2-13-4 Meieki Minami, Nakamura-ku, Nagoya, Aichi 450-0003
Head Office (Tokyo)	4F Osaki West-city Bldg., 2-9-3 Osaki, Shinagawa-ku, Tokyo 141-0032
Established	1954
Employees	1,835 (as of April 1, 2023)
Sales	163.2 billion yen (as of December 2022)



Main Businesses

INOAC Materials for a Comfortable Life.

INOAC operates in five broadly-defined categories of business.
We make people's lives more comfortable and enjoyable in many different life scenarios, offering a wide range of products in various markets.

1 High Performance Materials
Operating in various fields closely related to daily life, from consumer products to information technology equipment and housing and construction materials.

2 Automotive-Related Products
Offering products for interiors and exteriors, products for car functions, and seat-related products that help make cars safer and more comfortable.

3 iRC Tire
This specialist manufacturer of motorcycle, bicycle, and wheelchair tires and tubes is the original founding section of the INOAC Group.

4 Housing & Construction Materials
Operating mainly in housing, construction, civil engineering, and environment-related business.

5 Bedding & Furniture
Producing Color Foam bedding for a comfortable night's sleep, as well as Smile nursing care furnishings, and HUKLA furniture.