CSR REPORT 2024

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INOAC CORPORATION



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Editorial policy

© Reporting period

This report was prepared based on the business activities of INOAC Corporation during FY 2023 (January 1-December 31, 2023) * Also includes some information from FY 2022 and before, and from FY 2024

O 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

O Guidelines used as reference **GRI** Standards

Issued: November 2024

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

In our efforts to enrich people's life,

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.

INOAC Corporation PR Department, Corporate Planning Division

Inquiries



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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.

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Message from the president



Continuing our quest, with strong determination to "Enrich people's life with materials"

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Yasushi Nomura

President & COO INOAC Corporation

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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)



Staying ahead of changes in the social setting

The COVID-19 pandemic and geopolitical problems in recent years have caused significant changes to society and economics. This flux in value chains has also significantly impacted the way we do business. We must also more seriously consider heightened social awareness of problems such as climate change, biodiversity, and human rights and address the risks when thinking about business strategies.

Additionally, there are cases of corporate misconduct and what is considered to be systemic fatigue of society as a whole, including in supply chains. It is important for us to also push through with the necessary changes and help shape the society of the future. Now that we have entered such a major transition period, I think we need the fortitude to take on many different challenges without hesitation.

Evolution of buy, make, and sell

How to balance the three functions of *buy, make*, and *sell* is still fundamental to the manufacturing business, that has not changed, but the factors to consider in each of them are growing more complex. Risk must therefore be addressed in an all-encompassing manner. After that, it is important to create added value and provide it to clients and to society.

For *make*, we must comprehend data from sites objectively and in real time, and leverage it in business operations. We are working to properly implement factory automation and AI, known as digital transformation (DX), to improve our operations. At the Sakurai Plant which is a mother factory, we are introducing systems that help to improve productivity and quality. These include monitoring for the operational status of all types of equipment, communicating and storing 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. This has been achieving cost reductions, including improvements in resource and energy efficiency. Going forward, we will adjust these systems for each location and proceed with implementations.

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For *buy*, we are building global procurement functions for our supply chains as a whole from resource extraction onward, based on what the business involves as well as geographical factors. We must do this in a way that also leads to lower cost ratios in make. This includes comprehensively considering spikes in raw materials and energy prices as well as logistics issues, and expanding into business realms positioned upstream in locations closer to the raw materials.

For *sell*, it will be key to solidify relationships with our clients. The market situation for each type of product will also be swayed by social trends and other factors. I believe we will need to detect signs of the most recent trends in EVs in the automotive industry as quickly as possible, share that information with clients, and make proposals accordingly.

In B-to-C fields for products such as bedding and furniture,

Message from the president

we need to thoroughly identify changes in the markets and propose products based on lifestyles in each region, including their cultures and customs.

Growing global operations

The INOAC Group has business operations in around a dozen countries, primarily in Asia. Taking into consideration all of our suppliers, clients, and the markets for the final products, we need to think of our business strategies from a global perspective.

INOAC Corporation's purpose is to "Enrich people's life with materials." To achieve this purpose, it is important to consider the way people live in each country and region, including laws, regulations, the living environment, and social issues. As opposed to our business models until now that only go as far as providing conventional products, we are establishing R&D locations in Japan, China, North America, and Thailand, while communicating closely with those markets and clients to be



able to provide products that offer direct solutions to the issues in each region.

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We have also begun restructuring our business organizations with future expansion in mind. Based on relevance to customers, we will make it possible to do business with speed in the automotive and industrial materials business segments, while positioning home products including bedding and furniture as well as construction materials including thermal insulator as strategic businesses and operating them with a more market needs-driven approach. For the flow of our business, we are also pushing forward with organizational reforms that enable us to operate with clear distinction between material businesses focused mainly on polyurethane, rubber, and plastics, and processing businesses that give these materials further added value and market value.

Additionally, we are working to enhance each of our Head Office functions to optimize our overall global management.

Our human resources will also be critical to efforts in these global advancements. We are working more aggressively on revising our salary structure, expanding our company awards system, and human resources development, while also aiming our new hiring efforts at those who are highly motivated.

As the pandemic has ended, our company awards system was administered as an event held with all related persons in attendance. We sang the praises of various initiatives happening in each country and business location and built closer connections through interaction at the event, which I think was



tremendously meaningful for the INOAC Group as we pursue global expansion. Many case examples were shared about individual employees producing results by thinking and acting on their own. I want to also establish the work environments for employees to be able to share initiatives such as these globally and increasingly scale them up.

Sustainability takes center stage in the world

We now live in an age that strongly demands actions, from boardrooms to actual business sites, in response to environmental issues such climate change, ecosystem conservation, controlling chemical substances, and circular economies. You cannot do business nowadays without proper environmental awareness.

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For a company such as ours that focuses on materials, I consider it our overarching mission to create circular economies for polyurethane, rubber, and plastics. We will leverage the technologies we have established thus far, from material recycling for reuse as materials to recycling chemicals to turn them back into raw materials, as we aim to create circular economies. For chemical recycling, we have reached the point of developing and implementing basic technologies which we will proceed to test in order to roll them out for practical use in society.

To address climate change, we are engaged in efforts on a global scale with the Carbon Neutrality Committee playing a leading role. To manage progress and consider measures on a more tangible level, we have established four section committees—the Energy, Raw Materials, Logistics, and Departmental Section Committees—and are engaging in more in-depth management internally to reduce our Scope 1 and 2 emissions. Since our Scope 3 has also become more socially clear based on progress in areas such as supply chain management, we will also proactively manage Scope 3 emissions by gathering information, requesting that measures are taken, providing support, and taking other relevant actions.

With human rights due diligence, we are also managing human rights—a topic that has come under greater scrutiny and is also associated with climate change. This includes verifying aspects of human rights within the INOAC Group and learning how the circumstances are at our suppliers, based on my President's Statement.

Sustainability is not a problem only for INOAC Creating a truly sustainable society will require cooperation with various stakeholders, and we will also need to change society itself. Our efforts in Hakuba have progressed beyond the initial phase and into more all-encompassing, tangible phases. Engaging in various dialogues and initiatives with government agencies, groups and organizations, educational institutions, and others, we have begun establishing community locations to be able to support the transformations that can energize communities. From the standpoints of technology, activity (recreation), nature, and the economy, we will explore our relationship with Hakuba and create models for collaborative business inclusive of both residents and visitors. In addition to aging populations, we believe that we can help find solutions to issues such as carbon neutrality, ecosystem conservation, circular economies, sharing economies, diversity, and urbanization in communities around the world.

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Introduction

INOAC by the century

We will soon mark the 100th anniversary of INOAC's predecessor Inoue Rubber Co., which was founded in 1926. As I think about the 100 years to come, I believe it will be important to offer improved value not only to the lives of individuals but also from the perspectives of all our stakeholders. For that reason, we must work together toward pursuing our philosophy in business operations as well.

"Know the market, know the enemy, know yourself" is also

important for companies. Knowing the market leads to understanding society as a whole and comprehending global trends, while knowing your enemy (competitor) also leads to building partnerships with interested parties. Making effort to know yourself is important as well, in order to firmly maintain relationships inside and outside the company.

Social

I want us to be a company that has the resolve to "Enrich people's life with materials" and continues takes on new challenges with an unwavering positive, cheerful attitude. This is the fundamental nature of "Innovation & Action" which is also what our corporate name represents. To engineer innovation in society, we will push forward with the improvements we make on a daily basis and steadfastly turn these into cycles of innovation to continue to be "INOAC of the world, INOAC of the future."



Data & Statistics

Feature Story | Project working closely with the community in Hakuba

Taking the Hakuba Project to the Next Level

The Hakuba Project seeking solutions to issues in the community and to create a sustainable society is now moving at full speed

In the INOAC Group, we are working to make our business operations sustainable and are partnering with communities to build a sustainable society. The Hakuba Project aims to explore progressive, innovative initiatives and work together with stakeholders to turn enormous possibilities into reality.

Since opening the Hakuba Office and Showroom in Hakuba in December 2022, we have continued efforts in business development while engaging consistently with government agencies, business operators, and many others in testing out potential solutions to issues in the community.

In doing so, we have emphasized contributions that leverage INOAC's materials, technologies, and products (thermal insulator, health-oriented bedding/reusable bedding, attracting tourists, supporting foreign residents, cooperating on business development for companies in the village, making green sports successful, etc.) and also establishing cooperative systems to implement such contributions. These efforts have since taken on a more tangible form.

Going forward, the challenge will be to establish ecosystems in the local community based on efforts thus far, and to build and expand new business models within these ecosystems. Utilizing the basic materials and technologies that INOAC possesses, we must expand our scope to include providing products more closely targeted to the issues that exist, and push forward with such efforts.

For that, we believe that we will need to establish a location under the INOAC name. This is because we aim to have a hub for social interaction in the community and for visitors to the village of Hakuba, and we want to make it a place where people can also learn more about INOAC.

We believe that having many different people intermingling and interacting on a deeper level will also further advance our sustainability efforts in Hakuba.





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

Providing THERMAX thermal insulator

Organized "Thermal Insulation Workshops"

Main efforts thus far

Starting with thermal insulation workshops in buildings at Hakuba Minami Elementary School, we provided THERMAX to Hakuba High School and Hakuba International School (HIS). They checked the effectiveness of its thermal insulation and helped to reduce energy usage.



We produced an original mattress for Hakuba. The bed cover which serves as

the top layer is partially made from recycled materials such as plastic bottles, the middle-layer main part of the mattress contains ECOLOCEL (composed of at least 30% plant-based raw materials), and the bottom later contains MIXEL*. Hakuba's mountainscape has also been recreated on the cover.





Creating opportunities to experience the charm of Hakuba in the summer with the aim of year-round tourism.

- Organizing motorcycle tourism events
- Organizing gravel path bicycle events
- Sponsoring Hakuba mountain biking events
- Participating in the JOC Junior Olympic Cup Supporting mountain bike rider Tsubasa Hara
- from the Hakuba Mountain Bike Club



We are helping to build circular economies through participation in initiatives by the Tourism Commission of Hakuba Village.

* Recycled polyurethane foam made from sponge material cutoffs discarded from production processes that are crushed and then hardened with steam and starch

Feature Story | Project working closely with the community in Hakuba

Establishing New Locations

In the Hakuba Village Project, we are working to build a new location and pressing ahead with efforts to establish a sustainable society. Guest Eisuke Tabata shares his thoughts on the new location which we have entrusted him to design in its entirety.

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How the new location project got started

Kemuriyama We asked each individual in the community about their issues, then touched on the nature of these issues such as whether they are in areas that INOAC can help out with, or areas that INOAC cannot address on its own. Doing so, we made lots of connections, but we also felt strongly that we needed to find ways for more effective social interaction.

Kamiya Including the preparation period, this relationship between Hakuba and INOAC is now entering its third year. From among the various initiatives we had already implemented, we came to the point of realizing that we needed to establish a location as a base for full-scale activities.

Kashiwazaki Initially, our feeling was just to have better functionality as an office, but in our interactions with many different stakeholders the

concept of a new base became important to us. As a conceptualization, we are reviewing the idea of a creating a new location that makes use of the natural environment in the abundant forests of Hakuba. Forest is also part of INOAC's corporate philosophy. Thinking about that holistically in terms of space and location, I think it needs to be a comfortable place for many people, and that it must remain so into the future.

Tabata My relationship with the village of Hakuba predates this project. I had previously been involved in creating public spaces there, such as laying electric power lines underground. For this project to create the new location, I also remember first having various informal dialogues in the phase before participating in the project.

Eisuke Tabata

Head of Hakuba Office Regional Business Development Department

From left: Kemuriyama, Kashiwazaki, Tabata, Kar

Specific concept for the location

Social

Tabata I had been involved as a specialist in areas such as architecture and public spaces. As opposed to being made just for a single company, this location is meant to be a company facility that also has public spaces. Thus, we must explore the public value that the company can facilitate, which is quite a challenge.

Kamiya In addition to its identity as a B-to-B company, INOAC is also active in B-to-C, so I think that communality with diverse stakeholders will become an important standpoint.

Kemuriyama I also want to emphasize the point that it should be a place for interaction not only by locals but also where tourists and many others young and old, male and female, can relax. When they do, I hope they can notice things about INOAC, learn about the village of Hakuba, and feel a deeper sense of connectedness with it.

Kashiwazaki As you also mentioned, Professor Tabata, I think the communality of this whole site will be increasingly important. It will be like a forest for the generations.

Tabata This project is highly public in nature, and I think it will have important implications for INOAC, the village of Hakuba, and also for many areas of Japan. For the design of spaces at the site, I want to emphasize the balance between architecture and a forest where large numbers of people can slow down and relax. I also believe it can be a place where visitors from the community and tourists can form new relationships with the company, and where new lifestyles can be discovered

Kamiya INOAC is now more well known in Hakuba than it is in other communities. We will also need to display a sound corporate attitude.





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Feature Story | Project working closely with the community in Hakuba

Specific design proposal

Tabata We must take good care of the natural environment, which is also one of Hakuba's attractions. It is important to design it in a way that opens up just enough space in the forest for people to relax while also fully utilizing the large trees. Also, for this design I have proposed setting up a forest plaza as a community space in the middle, and also walking paths.

Kashiwazaki It is also important for INOAC's new location to have office, residential, and interaction zones positioned organically. Additionally, I want to make it a place for creating next-generation business models and communicating them to the world.

Kamiya We need to incorporate spaces where people can naturally intermingle with interiors such as thermal insulator and other construction materials, and furniture, which are INOAC products. For these, I think we will need even better eco-friendly performance including energy efficiency, and also barrier-free design.

Kemuriyama For this new location, I want to create a facility that can be the pride of both INOAC and Hakuba once it is completed.



INOAC and Tourism Issues in Hakuba

Feature Story

The village of Hakuba is a tourist spot. We listened to what people involved in the local tourism industry had to say about issues in tourism caused by social contexts such as Japan's aging population and inbound tourism, and the potential for INOAC to get involved.

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Hideki Ito

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CEO, Goryu Co., Ltd. Representative Director, Tourism Commission of Hakuba Village

Developer of ski resorts from the ridge to the base of Mt. Goryu in the Northern Japanese Alps blessed with a wonderful natural environment Switched all facilities in operation to 100% renewable energy starting in December 2023 to achieve sustainable resort operations. Also operates Hakuba Goryu Alpine Botanical Garden as part of back to nature activities.

Introduction



Tourism does not happen with resort facilities alone. It is important for all types of stakeholders including local government agencies, public organizations, and infrastructure developers to get onto the same page and coordinate to create the area's appeal. Hopefully each of the resort facilities will cooperate to think about branding for the village of Hakuba.

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In addition to products such as thermal insulator, mattresses, and furniture, I also hope that INOAC can utilize its track record interfacing with various people and locations as a global company here in Hakuba.

Although individual organizations have information in their own respective fields, they cannot easily share information with others and have been inevitably challenged to look at things such as the SDGs from an all-encompassing perspective and take measures to address them. The tourism industry here in Hakuba is also dealing with the issue of finding successors. It would be great if INOAC could be a positive guiding force by getting involved using their perspective as an outsider, in a good way, instead of only relying on local perspectives.



Yuji Hoshino

Representative Director, Iwatake Resort Co., Ltd.

Operates mountain resorts for extra-special leisure, from the most beautiful scenic spots on the three peaks of Hakuba (Mt. Shirouma, Mt. Shakushi and Mt. Hakuba Yari) to trekking, mountain biking, winter sports, and more.

He is also actively working on measures to make the community sustainable such as abolishing sales of beverages in plastic bottles in the summit areas and offering locally-produced menu items for local consumption.

Tomoko Kusamoto

Representative Director, Hakuba International School Outside Director, Nippon Ski Resort Development Co., Ltd.

Hakuba International School is a combination junior high and high school that opened in September 2022.

Using a project-based learning format with the theme of sustainability envisioning the future world, its curriculum is designed primarily around the three pillars of social emotional learning, self-awareness in the context of the natural environment, and outdoor education that empowers students to refine their life skills and relationship-building skills.

In 2021, I also assumed an outside director role at Nippon Ski Resort Development Co., Ltd. which operates ski resorts and other facilities.



In Hakuba, there are clearly discrepancies in awareness and desires between people who have been here for a long time and those who have moved here recently, and also between the elderly residents and younger residents such as high schoolers. Over the long term, I hope to evolve it into a resort in a broader context, including residential tourism, hosting international conferences, and more. I would like INOAC to be involved by getting information through the company to people who cannot normally be reached from a tourism perspective, and by building business models rooted in the community.

Employee Engagement Via the Company Awards System

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Introduction

Feature Story

We have established the Company Awards as part of our drive to create work environments that inspire pride and strong awareness as members of the INOAC Group among employees in locations around the world.

Our Company Awards are honors that recognize achievements in the INOAC Group once per year.

These awards go to companies, members, teams, departments, and others who have delivered high performance or special achievements.

- Top management directly shows appreciation to employees
- Boosts employee motivation
- Improves company spirit and trust in the company

The awards are held for these purposes and more.

In FY 2023 we also received large numbers of entries, both voluntary and through recommendations by others, from countries around the world. Awards were then given to the most outstanding examples.

Company Awards: List of Awards				
Outstanding Performance Award	Factory Improvement Award			
New Technology & Patent Excellence Award	Excellent Sales Activity Award			
Good Quality & Excellent Production Preparation Award	Carbon Neutral Contribution Award			
Safety Award	Sustainability Contribution Award			
Excellent Procurement Award	Excellent Rookie Award			
Digitalization Promotion Award*	Lifetime Achievement Award*			

* The Digitalization Promotion Award and Lifetime Achievement Award were added in FY 2023.

Environment

Excellent Procurement Award

Activity to Reduce Raw Material Costs Through Cooperation Between Global Locations

Winning Company

Dongguan INOAC Polymer Co., Ltd. (China)

Materials such as additives that are purchased in small quantities were being purchased separately at each location, and locations had also been handling their own cost reduction activities and BCP management. Having the relevant departments work on management together eliminated deviations in areas such as the effectiveness of supply chain management, cost reductions, and BCP management.

Members /

Procurement sections	Global Procurement Section, Procurement Section or Shanghai INOAC Corporation			
Plant sections	Associates from Shanghai INOAC Corporation Shanghai INOAC Polymer Products Co., Ltd. Dongguan INOAC Polymer Co., Ltd. INOAC Vietnam Co., Ltd. INOAC Polymer Lanka (Pvt) Ltd. INOAC (Thailand) Co., Ltd.			



Reason for Award

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Eliminated inefficiencies such as overlaps due to evaluations of suppliers and other management having been conducted by individual departments, and from dealing with increasing numbers of suppliers.

Overall man-hours spent in evaluations were reduced by conducting basic quality assessments in a centralized manner for controlling the quality of raw materials from suppliers. Also contributed in areas such as greater efficiency in evaluations when switching raw materials.

Contributed to the advancement of supplier management in the future

Cost reduction effect: 105% vs. initial plan

Reduced work hours through greater operational efficiency, reduced energy usage, etc.

Good Quality & Excellent Production Preparation Award

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Smart Standard Activity Putting smart operations in place with a focus on improving work standards

Winning Company

INOAC Automotive (Thailand) Co., Ltd.

Advanced the standardization of tasks and improved operational efficiency by compiling the improvement initiatives completed within individual purchasing, quality, and production teams into an overall workflow, leading to improvement in production efficiency for the plant.

Members /

Quality Control (QC) & Quality Assurance (QA) Team	K.Thansinee T., K.Poonsak B., K.Wittaya P.		
Production team	K.Passaworn, K.Nutthawut, K.Aphinan		
Purchasing team	K.Suradej, K.Kamolrat		



Reason for Award

Sharing information and implementing education between teams

Raised production efficiency for raw materials in plants when operational improvements and layout changes are implemented

Reduced relevant waste (approx 20% reduction in waste volume)

Reduced work hours through greater operational efficiency, reduced energy usage, etc.

Implementing activities learned from Japan under the leadership of local staff was particularly praiseworthy

Lifetime Achievement Award

Socia

Activity that Supported IHL's 50th Anniversary

Recipient

Popo Fong INOAC Hong Kong Ltd.

She was the first female employee to ever work at INOAC Hong Kong Ltd. ("IHL") when she joined the company in April 1991, since which time she has supported multiple Japanese presidents of the company and served as coordinator for local employees. During that time she supported the establishment of companies in multiple locations in China and managed employee health during outbreaks of infectious diseases such as SARS, among other contributions. In addition to company operations, she has also contributed greatly to management of employee work environments. IHL was able to commemorate its 50th anniversary this year, and this award was given to recognize contributions in support of the company such as hers.



Closest to the front: Popo Fong

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Basic approach

As expressed by "act proactively to address environmental problems, with the understanding that efforts toward solving them are a common issue for humanity and an essential requirement of companies' existence and activities," the INOAC Group contributes to environmental conservation with the spirit of practical activities that benefit society as we aim to build a sustainable society. Based on our environmental vision, we "respect the natural environment of our irreplaceable earth and contribute to realizing a prosperous society that is comfortable to live in through technology harmonized with our environment and environment-friendly business activities." We give tangible form to our environmental vision by striving to mitigate the environmental impact and risks of our business activities while actively pursuing the development of eco-friendly products and technologies that comply with environmental regulations, based on our environmental management system.

Environmental Preservation Promotion System



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Introduction

To engage in environmental activities in an organized fashion, we have established our Environmental Preservation Promotion System under the direct control of top management as shown in the figure above. The Person Responsible for CN Committee handles overall management related to reducing CO₂ emissions, and we have established four section committees subordinate to the CN Committee. The Person Responsible for Environmental Management handles the overall management of other environmental activities. For that, we have established three committees for environment, waste reduction, and chemical substances respectively. Each committee and section committee engages in activities with clear missions and KPIs. The committees and section committees also coordinate with each other to implement environmental management for INOAC as a whole.

Carbon Neutrality (CN) Committee	Implements measures to reduce business-related carbon dioxide emissions and pursue carbon neutrality.		
Committee on Environment	Implements measures involving the environment such as ISO and EMS based on environment-related laws and regulations.		
Waste Reduction Committee	Manages various types of waste arising from our business activities.		
Chemical Substances Management Committee	Manages chemical substances based on international regulatory trends.		
Energy Section Committee	Implements measures to reduce energy usage primarily at manufacturing locations in Japan and other countries with the aim of reducing Scope 1 & 2 emissions.		
Raw Materials Section Committee	Makes efforts to reduce CO ₂ emissions primarily in raw materials with the aim of reducing Scope 3 (Category 1) emissions.		
Logistics Section Committee	Implements CO₂ reduction measures related to shipping and logistics for which we are the cargo owner.		
Departmental Section Committee	Implements comprehensive measures on a per- department basis to reduce carbon footprint related to products.		

Environmental vision	prosperous society that is comfortable to live in through technology harmonized with our environment and environment-friendly business activities.
	1. We observe environmental laws and regulations, thoroughly ensure compliance, and engage in business activities that society can trust.
	 We work to reduce CO₂ emissions such as by saving energy, to help achieve a carbon neutral society and prevent global warming.
	3. We actively work on resource conservation, waste reduction and recycling to contribute to a recycling-oriented society.
Environmontol	4. We properly manage chemicals that could impact the environment and seek to preserve our environment by reducing risk.
policy	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.
	 We contribute to establishing a sustainable society through efforts in local environmental preservation as good corporate citizens.

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Social

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Feature Story

Goals & results of activities

Each committee takes the leading role and engages in activities for the main initiatives after setting quantitative goals. Due to factors such as increases in production volume, we were unable to achieve our goal for reducing energy consumption related to CO_2 in FY 2023. However, we are continuing our CO_2 reduction activities to achieve our goals for FY 2024 and beyond.

Steady progress was also made in reducing environmental impact from waste, VOC, PRTR, and water intake. We had zero environmental incidents, including violations of laws and regulations.

Observing environmental laws and regulations

The INOAC Group strives to thoroughly observe environmental laws and regulations. In FY 2023 we had zero law violations at locations in Japan and other countries. We will continue striving to have zero environmental incidents.

To thoroughly ensure compliance with environmental laws, in Japan the person in charge of environmental efforts at each location participates in Committee on Environment meetings four times per year to touch base about revisions to environmental laws and report on self-directed inspections at each location. Our Quality Division also regularly inspects the observance of ISO14001 EMS at our locations in Japan, verifies the status of their legal compliance, and strives to ensure that violations do not occur.

Initiative		Targets in FY 2023	Achieved in FY 2023	Targets in FY 2024	Targets in FY 2030
Reducing energy consumption (in plants)	CO ₂ emissions (tons)	70,637 or less	73,394	68,631	45,887
Reducing waste (in plants)	Amount treated (tons)	10,440 or less	10,055	9,500	8,400
Reducing emissions of VOC substances	Amount emitted (tons) / monetary sum of production (million yen)	Not specified	1.82	1.81 or less	1.30 or less
Reducing amounts of PRTR substances emitted & transferred	Amount emitted + amount transferred (tons) / monetary sum of production (million yen)	2.14 or less	2.15	2.09 or less	Not specified
Reducing water intake	Water intake (thousand m ³)	2,319 or less	2,284	2,236	2,153
Managing chemical substances	Green procurement rules revisions	Continued new efforts	No revision	Continued new efforts	Continued new efforts
Environmental incidents	Major accidents, legal violations, number of complaints	0	0	0	0

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Major environment-related laws and regulations pertaining to business activities

Introduction

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

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* Some of the above are abbreviated

V

Environment

Environmental management

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 internal auditor training prescribed by the company. The team checks if the environmental management system is being properly operated, maintained, and improved. We create implementation guidance and revise checklists whenever necessary to emphasize efforts toward goal achievement and legal compliance, among other efforts to audit at a higher level.

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. In September 2024 we underwent a renewal audit and our renewal was registered without anything being pointed out. 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.

(Education & training) 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, with a total of around 250 attendees.

We also held two internal & external CN exhibitions during the year, which had a total of around 400 visitors.

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. At the Yana Plant (in Aichi) we hold disaster prevention training (evacuation & extinguishing fires) every March and November, and in manufacturing departments we also change scenarios and conduct raw material spill/runoff prevention training every October. In other facilities, training for emergencies and urgent circumstances is conducted on a preparatory basis.



Climate change initiatives

Social

Addressing climate change (Scope 1 + 2)

In addition to being a social issue, addressing climate change requires aggressive efforts in the course of doing business. For our management to reduce Scope 1 and 2 emissions in particular, we set the goal of a 50% reduction in 2030 (overall volume in Japan) compared to 2013, and the CN Committee is leading our efforts toward this goal.

Specifically, we are assigning CO_2 reduction targets for each department and plant, visualizing the items to be reduced, reduction effects, and amounts of related investments, and managing the progress.

Our primary measures to reduce CO_2 emissions involve thoroughly reducing energy usage. We are implementing effective measures to advance all types of energy-saving activities such as developing production engineering processes. This includes listing up the measures being carried out at production sites as "energy-saving standards" and staying informed on the progress at each site.

We have defined eight categories, including for thermal insulation measures and for replacing air conditioning, heating, and lighting facilities respectively, and are creating, revising, and updating lists of specific measures. In addition, we are working to share the appropriate management methods such as managing measured units and carbon offsets within our processes.

Since it is also not realistic to completely eliminate the use of energy in production, we are working on changing our energy sources and implementing renewable energies. Through all of these measures combined, we aim to achieve our 2030 goal with certainty.

Overseas, there are some inconsistencies in the levels of these activities, so we started by setting a goal of a 3% year-on-year decrease. We are requesting that energy saving activities are organized and reduction activities implemented, and we are actively sharing information about activities in Japan.



Climate change initiatives



Promoting implementation of eco-friendly parts, materials, and systems at Group companies

INOAC Group company INOAC Housing & Construction Materials carries parts and materials that help to save energy, and systems that are powered by geothermal heat. We are actively adopting these in new buildings and plants to bolster thermal insulation effects and save energy.

Snow melting using

geothermal heat

Air conditionina usina

geothermal heat

Tohoku INOAC

Detached houses &

housing complexes

(Miyazaki Prefecture,

2015)





Tohoku INOAC Kitakami Plant (Iwate Prefecture, 2007)





(Hokkaido, 2013 & 2019)



INOAC Head Office (Nagoya, 2017)

- **INOAC** Tsukidate Plant (Miyazaki Prefecture,
- 2018 & 2021)

* ZEB: Abbreviation for Net Zero Energy Building. These are buildings that aim to balance the consumption of primary energy throughout the year to zero overall, while also maintaining a comfortable indoor environment.

Energy conversion

Since the usage of fossil fuels at plants leads to on-site CO₂ emissions, we are updating to facilities that are capable of energy conversion on the basis of also reducing Scope 1 emissions.

We installed heat pumps to replace steam heating from LPG boilers which we had been using to heat raw material storehouses, reducing our LPG consumption at raw material storehouses to zero. Although our electricity usage increased, our CO₂ emissions fell by roughly 80%.



Approx. 21 tons/ Approx. 7.000 kg/ vear vear

Approx. 7.800 kWh/ Approx. 3.6 tons/ vear vear

Managing chemical substances appropriately

Basic approach

Social

V

Environment

The INOAC Group uses various chemical substances in the secondary materials that go into the raw materials of products and our production processes.

Chemical substances can pollute soil, waterways, and the atmosphere due to leakage, vaporization, or other emissions from products that contain them or from production processes, which negatively impacts the earth's environment.

Regulations on chemical substances are being strengthened every year, primarily in western countries. We are improving our frameworks including for selecting and managing chemical substances that we use (Green Procurement Standards) and bolstering efforts to train employees on proper management of chemical substances, as we remain committed to making products that are safe and reliable.

Managing chemical substances in our supply chain

In our supply chain, we manage the chemical substances that go into our products in the INOAC Group.

We manage the chemical substances that go into our products in product design, materials procurement, and production processes according to our Green Procurement Standards, in order to deliver products that meet the standards of laws, regulations, and our clients.

Managing chemical substances in purchased goods

We obtain information on chemical substances contained in raw materials by presenting clients with our Green Procurement Standards when purchasing raw materials. These standards list chemical substances and other inputs which we should strive to comprehend, and we work to reduce the substances and content amounts specified by laws, regulations, and other stipulations.

We are also consistently monitoring the latest regulatory developments, based on which we revise these standards once each vear.

Managing chemical substances appropriately

Communication about chemical substance management

The Global Quality Assurance Division is a company-wide organization for environmental stewardship, which takes the lead in organizing internal coordination meetings for chemical substances once every two months, bringing together the sections that manage chemical substances in each department. These meetings are to revise our Green Procurement Standards, observe management systems and establish their 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 systems in each department. We strive to maintain and improve chemical substance management systems to ensure that they are appropriate

and reliable.

* REACH regulation: A regulation in Europe for registering chemical substances and controlling harmful substances * RoHS Directive: Restriction on the use of certain hazardous substances in electrical and

electronic equipment in Europe



Management of PRTR-regulated substances

When manufacturing polyurethane foam, we use PRTR substances such as m-tolylene diisocyanate, 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 also in both improving and taking measures against defects in its coating process. Although our emissions + amount transferred of PRTR substances in FY 2023 increased 14% vs. FY 2022, they decreased by 6% vs. FY 2022 in measured units, indicating an improvement trend.

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Ω

2019



PRTR (amount emitted + amount transferred)

2020

Establishing and enforcing controlled substances

2021

2022

2023

In order to accurately communicate information about chemical substances to customers, the INOAC Group controls chemical substances according to laws and regulations in each country, primarily Europe's ELV Directive¹, RoHS Directive, and REACH regulation, laws and regulations in Japan, GADSL², and IEC 62474³, and based on customers' requirements.

In tangible terms, we thoroughly establish roles and methods for implementing controls within each section to provide safe, reliable products.

*1 ELV Directive: Regulation for end-of-life vehicles in Europe (European Union member countries)

*2 GADSL: List of internationally controlled substances in the automotive industry *3 IEC 62474: List of internationally controlled substances in the electrical and electronics industry

Initiatives to reduce air pollutants

VOCs (volatile organic compounds) emitted into the air react with ultraviolet rays in sunlight, generating photochemical oxidants and airborne particulate matter.

Among the raw materials that we use, VOCs contained in materials such as coatings for automotive components and adhesives are released into the air through the action of drying.

To reduce VOCs, we strive to mitigate our VOC usage through means such as developing fabrication methods and processes geared toward coating efficiency and spreading dichloromethane-free polyurethane foam technologies as we work to reduce our airborne emissions.

VOC emissions

V

Environment

Feature Story



Examples

Activities to completely eliminate dichloromethane

We are implementing improvements to completely eliminate dichloromethane which is used in some of our polyurethane foaming processes. To replace it, we introduced polyurethane foam technologies that use CO₂ and completed installation of related facilities at our locations throughout Japan. CO2 polyurethane foam has lower envi-



Data & Statistics

ronmental impact than conventional foaming agents and is capable of curtailing greenhouse gas emissions. Since CO₂ can be obtained at low prices, it also offers advantages in terms of costs.

Properly controlling ozone-depleting substances

To protect the ozone laver and stop global warming, we are curbing our airborne release of fluorocarbons and switching to natural refrigerants. We are controlling operations through regular inspections based on laws controlling the emissions of fluorocarbons, and are recovering waste appropriately. Going forward, we will continue updating our equipment in a structured manner as we work to properly control fluorocarbons.

Contributing to a recycling-oriented society

Basic approach

The INOAC Group uses raw materials, various chemical substances, and other materials derived from petroleum. We are engaged in activities to mitigate environmental pollution by utilizing limited resources effectively, and by reducing and properly treating waste discharged during production and after usage.

For these issues, we are expanding our existing 3R's (reduce, reuse, recycle) activities as we work to create an advanced recycling-oriented (circular economy) society with no waste.

Waste reduction initiatives

The INOAC Group (domestically) achieved its goal for total volume of waste discharged in FY 2023, but this volume did increase slightly compared to FY 2022. However, through our ongoing activities to reduce defects and improve yield and to recycle rubber and resin materials and convert them into resalable waste, we have been able to reduce emissions in measured units (volume of waste per unit monetary sum of production) by 17%.

Volume of waste (excluding resalable), measured units of sales



Recycling-oriented initiatives

Recycling has become a major issue in the circulation of resources. At INOAC, we are finding ways to implement recycling related to our products. We are also developing technologies for chemical recycling of polyurethane foam, and for recycling materials such as rubber.

In addition, we are working cooperatively with local government agencies and other institutions to build systems for recovering used products.

Examples

Material recycling of rubber

After crushing and reprocessing material cutoffs left over from our production processes, we reuse them as recycled materials.



Future issues and actions

 $\mathbf{\nabla}$

Environment

The INOAC Group will continue its quest for the effective usage of resources.

Specifically, we will reduce emissions (waste) in our production processes through 3R's activities, while also reducing amounts disposed through simple incineration and as landfill.

Additionally, we will develop technologies for chemical recycling, material recycling, and energy recovery from waste as we continue finding ways to use the earth's resources effectively.

To build circular economies we will improve our structural design and production processes, which includes selecting renewable materials and making products that are easy to recycle.

Addressing water-related risks

Basic approach

The INOAC Group consumes large volumes of water, including not only water used when manufacturing products but also for cooling molded rubber and plastic products, and the water that our employees drink. We consider water to be a crucial resource. In addition to reducing our water usage through production process improvements and recycling, we will also utilize tools by Aqueduct to address water-related risks. Leveraging these tools, we will pursue the continuity of our business activities by anticipating the risks and conducting interviews in each area to further understand these risks.

Initiatives to reduce water usage

Water is most often chosen as the means to cool equipment and machinery such as materials kneaders and extruders that heat up during usage for processing. Since water flow is used without limitation during such cooling, tools such as G-HEXs* and cooling towers can be used to cool and recycle water that has absorbed heat. We are working on improvements that produce significant water savings using such tools.

* G-HEX: Resin heat exchangers sold by our group company INOAC Housing & Construction Materials, which can recover and recycle wastewater heat at plants (heat, heated water, and cold water arising from production processes at plants). The recovered cooling and heating can also be recycled as heat sources for air conditioners and other equipment and machinery. Water usage can be reduced by creating water recycling systems.

Understanding and mitigating water risks

We investigate our water-related risks by using water risk assessment tool Aqueduct to assess water-related risks in each area where our production sites are located in Japan and around the world, and by speaking to people at all of our manufacturing locations.

Through our investigations, we have not been able to find any locations with major water risks requiring urgent response.

We will bolster our efforts to address various water-related risks, including the depletion of aquatic resources and worsening

water quality, floods, and enhanced regulations.

(1) At domestic group companies, we are working on improvements by setting targets for water usage and intake reductions to facilitate sustainable usage of water resources that addresses water supply risks.

Introduction

- (2) We are working on managing wastewater by monitoring the quality of wastewater from wastewater treatment plants in order to address regulatory risks from water-related laws, regulations, and other ordinances, and to make our wastewater cleaner.
- (3) We are working on separate improvements at each plant from a BCP perspective to address water submersion risks posed by torrential rains and floods.

Water intake

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(FY 2023)

Groundwater

1.91

Examples

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Environment

Feature Story

Water recycling system at the Sakurai Plant

Social

Governance

Coating processes consume relatively larger volumes of water. The plant reduced water intake by upwards of 99% by properly treating and recycling wastewater that contains substances such as organic solvents.



Data & Statistics



Future issues and actions

Some risks from problems associated with water risks differ by region, such as water shortages caused by growing populations and increasing risk of water damage due to global warming. Since we have locations throughout the world, these are important issues for us.

We will share information about matters such as saving water and preventing leakage in production processes with our locations operating around the globe, while also proactively working to understand risks and create action plans for reductions.

Consideration for biodiversity

Conserving ecosystems that maintain biodiversity is critical both for the sustainability of society and the continued development of the INOAC Group's business.

In addition to compliance with various laws and regulations, we also consider it necessary to thoroughly understand impacts on the surroundings caused by extraction of raw materials and business operations at manufacturing sites, and to implement all-encompassing measures to address them.

In FY 2023 we used tools such as Aqueduct to conduct assessments of our manufacturing locations and evaluated the main impacts.

Environment

V

Creating added value

Buy

Make

Sell

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 from 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 handle everything from materials compositions and compounds to design and processing, all in one place.

Introduction

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.

Flow from R&D to market release

What to make? How to make it? Where to make it? Planning Global Technology Development Division, Sales, Tech depts. in divisions **INOAC Technical Center:** What are our ideas? Basic research (next-generation businesses, new materials) Verify differentiation of basic technologies Customers **Global Technical Division:** Verify commercializations What are the market needs? (medium- to long-term, new functionalities) Market Verify business plans for basic technologies release Technology departments in divisions: Execute commercializations (put into mass production) eeds: Market trends, trends among competitors Verification for ⇒ Technologies owned development phase & core technologies R&D centers 10/10 III

Japan China INOAC Technical Center Co., Ltd. (ITC)

Products Co., Ltd.



North America Shanghai INOAC Polymer INOAC USA, Inc.



Thailand INOAC (Thailand) Co., Ltd.



tionality 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 vehicle batteries, a materials market that is expected to grow going forward. For these materials, we also dedicate efforts to proposing specific usage applications and added value.

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 acguire 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.

CSR REPORT 2024

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 patent applications locally.

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 advantages in insulation starting in the structures of buildings which we can 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

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Development of THERMAX high performance thermal insulator



Examples of technological development in each business field

V

Social

Developing biomass foam

Environment

Development of products using plant-based (biomass) resources is advancing. We have biomass-certified products among our PE-LITE AB-100F polyolefin foams made from at least 25% plant-based raw materials and SlimFlex microcell polymer sheets used for applications such as waterproof sealing material on smartphones.



On-site PU foaming light weight banking method Foam Light W

"Banking" refers to the use of earth and sand to build up sloped and low land to create level ground. Our PU foaming light weight banking method involves foaming our rigid polyurethane foam on-site to use instead of earth for construction. *Foam Light W* has also achieved a track record of excellent results in infrastructure repair work such as repairing cracks in roads and collapsed slopes, including work to widen mountain roads. It was also utilized in construction to repair motorways that were damaged in the Noto Peninsula Earthquake.



Feature Story Env

Quality improvement efforts

Basic approach

Based on our Quality Policy, we engage in manufacturing that prioritizes our customers and quality. We also strive toward what we call "gratifying quality creation" via thorough quality compliance and ongoing improvements. We have implemented a comprehensive management system based on ISO 9001 to guarantee the safety, reassurance, and quality 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 and certifications

When applying for official accreditations or certifications for products, we register them with the 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 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 problems, 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 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 im-

portant components in the global quality audit.

We define critical quality problems as (1) issues that conflict with laws or regulations in Japan or other countries, (2) issues with safety parts, (3) issues that could lead to recalls, (4) issues that have hindered customers' production, and (5) critical problems as determined by someone responsible for quality assurance.

Managing changes in materials

T

Social

For materials changes with high risk of serious quality problems, we build frameworks in which the 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 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 critical quality problems in advance through audits by staff members including our president to determine whether they are ready for market launch.

Audit members

President, Technology Development Division, Quality Assurance Division, persons responsible for/in charge of technology, quality assurance, and sales at the departments in charge

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 the INOAC Group designs, manufactures, and provides directly to consumers, we employ a framework in which development starts after holding review panels led by the 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.



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 competition's presentations in one venue due to the COVID-19 pandemic, but since 2023 we started inviting teams from overseas again. In fiscal 2024 we held another world competition with a total of 16 teams—with four teams from Japan joining 12 teams from eight other countries.

Offering simultaneous interpretation in Japanese, English, and Chinese while streaming the competition online at all locations both domestic and international, we are making this into a competition that bolsters the momentum for QC improvements among those engaged in the activities. Through this competition, we will also continue developing human resources who can contribute to our customers and to society.



Company-wide quality training

V

Human resource development initiatives

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

In fiscal 2023 we also began to incorporate e-learning, and we have opened our Quality Library where anyone can review the same lesson content again 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 audits

In order to prevent any serious quality problems in advance that could threaten the loss of social trust and credibility, we conduct global 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, Sri Lanka, Taiwan, North America, South Korea, and China

Audit areas

Production processes and plants including those that make products such as processed components, mattress products and our main materials which include resin, rubber, and polyurethane



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, 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 with 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, and by 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.

Stronger framework as a human resources strategy

Launch of the Rules & Systems Improvement Committee

Together with the INOAC Labor Union, we launched the Rules & Systems Improvement Committee in April 2024.

After gaining an understanding of the background and purpose behind company rules and systems when they were initially established, the committee identifies those items that must be revised according to the changing times and works as a committee organization to improve them.

HR Portal Site opened

We opened the HR Portal Site as a communication channel between employees and the HR Department. In addition to information about hiring, training, systems, company benefits, law revisions, and other things that we wish to communicate on behalf of the company, we are also working to stimulate communication between employees and the company by posting inquiries related to particular topics.

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

Our human resources system changed three 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 overlaps between the vision of the personnel they hope to become and what they aim to accomplish = "aspirations" in the fields of their own roles and at INOAC, and put these 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.

Global human resource development initiatives

V

Social

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 in getting people around them involved, and overcoming challenges.

Last 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 around one year, from the end of September 2023 to mid-September the following year, I underwent training mainly in factory accounting at an automotive components plant in the state of Kentucky in the US. As a trainee, I was able to experience the differences in factory accounting between Japan and the US and the advantages and disadvantages of each, along with the work style and the way things are done there. I was able to learn firsthand what working in a global environment is all about. It feels like it was the most intense year of my life thus far. In Japan I plan to also share what I learned from my overseas

experience, and I hope to become an asset to the company who can help boost Japan's global standing.

Shin Yamamoto General Affairs & Accounting Section INOAC SlimFlex Co., Ltd.*



At the office with local employees

* Worked for Rogers INOAC Corporation during trainee period

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 fundamental element 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 13 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 by 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		
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 same 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

V

Social

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 pervasive. 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

be

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 Ilnesses fore 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 treat- ment 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 heckups	These health checkups identify individuals who re- quire health guidance for preventing lifestyle-related diseases. For health checkup categories, we use ex- amination categories that can accurately identify those who require specific health guidance, which includes the addition of waist measurements to ob- serve buildup of visceral fat.
Specific health uidance	Those who have been identified in specific health checkups create action plans based on guidance re- ceived 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

Basic

policy

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.

- Improve workplace environments while eliminating and mitigating sources of danger
- Raise the safety and disaster prevention awareness of all employees
 - 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 management 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	2022 results	2023 results
Total occurrences of employee	Japan	20	17
 -30% from previous year 	Overseas	21	23
Total accident frequency rate	Japan	1.53	1.27
Total lost-worktime accident fre- quency rate	Japan	0.46	0.52
Severe employee occupational	Japan	0	0
Occurrences: 0	Overseas	0	0
Fires at business locations	Japan	1	0
Occurrences: 0	Overseas	0	0
Having no more administrative classification III work environments at worksites	Japan	12 worksites	6 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: Conducted twice per year
- Safety Practitioners Conference: Held four times per year
- Safety conferences: Held once per year
- Safety presentations by outside instructors: Held once per year
- Safety and Health Committee meetings 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



Testers
 Electroscopes
 Clamp meters



V

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

- Establishing outdoor smoking spaces 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



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 swift recovery.

- Large earthquakes
 - Measures to alleviate earthquake damage to buildings and facilities
 - Safety and disaster prevention equipment and stockpiles for earthquakes
 - Post-earthquake response
- Measures against fires, storms, and floods
- Prevention of fires and explosions at production sites
- Preparedness and systems for dealing with storm and flood damage
- Utilizing weather information distribution systems
- 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





(reducing road surface temperature by reflecting infrared rays)



Thermal insulation for furnaces





V

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. Our Supplier CSR Guidelines were also approved at the Board of Directors meeting in October 2024. We are engaged in CSR throughout our entire supply chain by making all of our partners fully aware of these guidelines.

Basic Procurement Policy

 Engaging in fair, just, and honest procurement 	4. Consideration for human rights & labor
activities	5. Eco-friendly procurement
2. Building partnerships based	activities
on trust with our valued	6. Compliance
suppliers	7. Consideration for proper
3. Achieving safety & quality	information management
	8. Engaging in the optimal
	procurement globally

Strengthening partnerships with our valued suppliers

In addition to quality, price, and other aspects, 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. Through 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 more 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 to us throughout the year.



Sustainable procurement efforts

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. In addition, we 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

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.

When commencing business transactions, we verify

For existing clients

For new

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.

Introduction

Support activities for disasters

In the INOAC Group, we donate relief supplies when emergencies occur. To help people feel a little more comfortable during the time they spend in evacuation centers, we are making in-kind donations such as mattresses that our Group produces, as well as donations through public institutions and other

means. We donated large numbers of mattresses and other items from the inventories of Group companies when the 2024 Noto Peninsula Earthquake occurred.

Art & culture support activities

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In our efforts to support art and culture in the INOAC Corporation, we have been giving many people opportunities to enjoy music through our continuous sponsorship of the Nagoya Philharmonic Orchestra. We also organize "Afternoon Concerts" and "Young Artist Concerts" with free admission to support younger musicians at the Osaki Color Foam Shop.



Feature Story

Environment

Social education support activities

V

Social

At locations throughout the INOAC Group, we are engaged in activities to contribute to communities in ways that closely address their issues. INO-AC Sistemas Exteriores S.A. de C.V. in Mexico is donating school supplies



Data & Statistics

and other items to support educational opportunities for children. In Japan, we have sponsored events such as the CBC Kodomo Ongaku Concours (Kids' Music Contest) and the Aichi Prefecture Industrial High School Robotics Competition.

Governance

Activity category	Summary					
Support for disasters	Donated polyurethane foam mattresses, polyethylene sheets with warming effects, pillows, and other items to those impacted by the Noto Peninsula Earthquake [INOAC Corporation, Higashi Nihon INOAC]					
	Signed an agreement to provide supplies when disasters occur in the city of Ogaki in Gifu Prefecture. (Supplying polyurethane foam mattresses and other items needed for living in evacuation centers to the city of Ogaki when large-scale disasters occur or could potentially occur) [INOAC Corporation]					
	Signed an agreement to provide supplies when disasters occur in the town of Ichikawamisato in Yamanashi Prefecture. (Supplying polyurethane foam mattresses and other items needed for living in evacuation centers to the town of Ichikawamisato when large-scale disasters occur or could potentially occur) [Higashi Nihon INOAC]					
	Providing mats to a local childcare support center in the city of Hanyu, Saitama Prefecture [Techno Foam Japan]					
Community	Organizing a motorcycle touring event (for women) in Hakuba [Inoue Rubber]					
contributions	Organizing gravel path bicycling events (for beginners) in Hakuba [Inoue Rubber]					
	Sponsoring a mogul skiing lesson event organized by Hakuba Happo-One Ski Resort [INOAC Corporation]					

INDAC

Activity category	Summary
Supporting social studies (social studies support, workplace experience)	Donating school supplies, playground equipment, and other items to help local children return to school [INOAC Sistemas Exteriores, Mexico] Providing polyurethane foam material cutoffs as materials to be used in workshops for young and old at Meguro Museum of Art (Meguro, Tokyo) and "Meguro Asobi Boukentai (Meguro Kids' Playgroup)" [INOAC Corporation] Sponsoring CBC Radio Co., Ltd. program "CBC Kodomo Ongaku Concours (Kids' Music Contest)" [INOAC Corporation] Sponsoring the Aichi Prefecture Industrial High School Robotics Competition
Supporting art & culture	Holding "INOAC Afternoon Concerts" at the Color Foam Osaki Shop every other month [INOAC Living] Sponsoring the Nagoya Philharmonic Orchestra and Tokyo Symphony Orchestra for many years [INOAC Corporation]
Health services, medical, health	Donated proceeds from a holiday dinner to a The Hospital for Sick Children in Toronto [INOAC Exterior Systems Canada] Supported a mobile clinic in the area of Livingston, Tennessee in the US [INOAC Exterior Systems USA]
Environmental conservation	Performed cleanup activities in areas surrounding Group company locations

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.

T

Governance

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)



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.



Specific efforts

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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.

Introduction

Feature Story

⁺ Whistle-blowing system

We have established a whistle-blowing system to enable everyone who works for or with the INOAC Group 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

Hamoru project

Social

Under the mantra of *Mamoru* meaning "protection" in Japanese, we are engaged in an initiative to promote proper usage of the whistle-blowing system and create a sounder business culture.

T

Governance

Data & Statistics

(1) Comply with the Rules (2) Safeguard Your Colleagues (3) Protect Yourself

Mamoru is bringing the message directly from top management along with the system and our compliance policy to INOAC locations throughout the world, while establishing environments that make it easier for members of the INOAC Group to speak up.

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.

Environment

Activities

- Actions to reduce occurrences of cyber incidents
- Rule-making and training to be prepared to take quick action against cyber incidents when they occur
- Accommodating Cyber Security Guidelines Ver. 2.0 and various guidelines set out by customers
- Engaging in activities to bolster security including in the INOAC supply chain

Goals

* Within the duration of our security specialist vendor agreement from February 2024 to February 2025

- Visualize the issues in 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)





ESG statistics

Environment (14 facilities in Japan and 27 related locations (including affiliates					cations (including affiliates))		
		2020	2021	2022	2023	Targets in FY 2024	Targets for FY 2030
Energy consumption	Power purchased (x 1,000 kWh)	120,162	124,521	116,324	117,133	109,531	73,233
Total consumption of fuels from non-renew-	Heavy oil (kL)	2,891	2,997	2,792	2,049	1,916	1,219
able energy sources in the organization (by joules or higher multiples (megajoules,	Natural gas (x 1,000 m ³ N)	800	945	845	890	832	529
gigajoules))	Petroleum, etc. (x 1,000 kg)	6,036	6,570	6,030	6,230	5,826	3,706
	Scope 1 + 2	81,337	83,876	74,355	73,394	68,631	45,887
GHG emissions (tons of CO ₂)	Scope 1	27,726	29,939	27,539	26,229	24,527	15,602
	Scope 2	53,611	53,937	46,816	47,165	44,104	30,285
Contaminants discharged	VOCs (volatile organic compounds) (tons / monetary sum of production (million yen))	1.67	1.85	2.02	1.82	1.81	_
	Total	2,377	2,392	2,266	2,284	2,236	* 2,153
Mater intoles (the user d m ³)	Clean water	224	234	219	233	_	-
water make (mousand m ⁻)	Industrial use water	182	168	146	141	_	_
	Groundwater	1,971	1,990	1,901	1,910	_	_
Waste	Hazardous waste (industrial waste) generated (tons)	9,671	10,814	9,894	10,055	9,500	8,400
PRTR (amount emitted + amount transferred) (tons / monetary sum of production (million yen))		2.08	2.20	2.26	2.13	2.09	-
Environmental laws & regulations Violations of laws or regulations		0	0	0	0	0	0

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* Targets are only for overall water intake

Data & Statistics



Data & Statistics

ESG statistics

Social							(Non-consolidated)
			2020	2021	2022	2023	Targets in FY 2024
		Total	1,903	1,889	1,884	1,812	_
	Employees	Male	1,642	1,611	1,590	1,534	_
	* As of April 1, 2024	Female	261	278	294	278	_
		Foreign nationality	_	_	_	13	_
		Total	52	46	52	47	_
	New graduate recruits	Male	31	31	36	31	_
	* April 1, 2023 through March 31, 2024	Female	21	15	16	15	_
		Foreign nationality	0	0	0	1	_
		Total	41.6	41.6	41.6	42	
Employee-related data	Average age (years) * As of April 1, 2024	Male	42.3	42.3	42.3	42.5	_
		Female	37.8	37.7	37.9	39	
	Departed employees * April 1, 2023 through March 31, 2024		114	113	153	119	
	Turnover rate (%)		6	6	8.1	6.6	_
	* April 1, 2023 through March 31, 2024	Number of whom departed voluntarily	_	_	_	52	
	Hours actually worked (x 1,000 hours) counting employees only * April 1, 2023 through March 31, 2024		3,760	3,699	3,645	3,699	_
	Difference in nav between males & females (%)	Total	-	_	79.8	79.4	_
	(Ratio of wages for females compared to	Full-time employees	_	_	80.7	79.6	_
	wages for males)	Non-regular employees	_	_	81.5	85.4	_

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Social							(Non-consolidated)
			2020	2021	2022	2023	Targets in FY 2024
	Total training hours		18,608	26,023	25,018	24,502	22,182
Human resource development	Trainees		1,442	1,971	1,390	1,116	1,116
	Average training hours per year		12.9	13.2	18.1	22	20
	Ratio of female employees (%)		14	15	16	15	_
	Male managers		273	289	286	285	_
	Female managers		9	13	13	13	_
Promoting diversity	Ratio of female managers (%)		3.2	4.3	4.3	4.4	_
	Employees with disabilities		28	28	30	41	_
	Ratio of persons with disabilities employed	(%)	2.3	2.4	2.5	2.21	_
		Total	11	9	5	17	_
	Individuals who took childcare leave	Male	1	4	0	11	_
Creating an amployee friendly	April 1, 2023 through March 31, 2024	Female	10	5	5	6	_
workplace	Ratio of leave taken to care for children, including childcare leave (%)		_	_	89.6	75.8	-
	Ratio of paid vacation taken (%)		52.9	64.2	70.6	68.4	50% or more
Average monthly hours of overtime wor * April 1, 2023 through March 31, 2024		er person ^{*1}	19.5	19.7	18.6	17.5	-
Membership status of labor union	Members of labor union, including member	s of quasi union	1,491	1,481	1,486	1,460	-
	Total occurrences of employee occupational accidents (Japan)		25	22	20	17	12
	Total occurrences of employee occupational accidents (Overseas)		13	16	21	23	12
	Incident rate of occupational accidents (Japan)		2.15	1.68	1.53	1.27	0.92
	Lost-worktime accident frequency rate ⁻² (Japan)		0.44	0.76	0.46	0.52	0.31
	Severe employee occupational accidents (Japan)		0	0	0	0	0
	Severe employee occupational accidents (Overseas)		0	0	0	0	0
Occupational safety & health	Fires at business locations (Japan)		0	0	1	0	0
	Fires at business locations (Overseas)		0	0	0	0	0
	Workplace environments spotlighted (eliminating all administrative classification III work environments)		2	6	12	6	0
	Near-miss & hazard prediction cases subm	itted ⁻³	0.17	0.26	0.40	0.62	0.70
	Health checkup screening rate (%)		100	100	100	99.4	100
	Stress check screening rate (%)		93.9	94.6	97	96.2	98
Contributing to society	Social contributions ^{*4}		6	6	14	32	32

*1 Overtime pay + work on days off + legally mandated days off worked Excluding months with 0 workdays Applies to general employees (ST through AM), actual number of overtime hours worked by sales & engineers

*2 Number of lost-time occupational accidents \div hours actually worked x 1,000,000

*3 Submissions per month, per person

*4 Contributions involving donations by INOAC Corporation non-consolidated

Data & Statistics



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ESG statistics

Governance						(Non-consolidated)
		2020	2021	2022	2023	Targets in FY 2024
Board of Directors	Members of Board of Directors	9	8	8	8	-
Compliance	Compliance training participants	271	361	650	271	900
Information security	Information security training participants	57	1,034	53	1,100	*1,087
	Severe incidents	0	0	0	0	0
Patents	Domestic patent applications per year	162	236	257	301	275
	Domestic patents	1,033	1,047	1,052	1,159	1,260

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* Indicates actual participants as of October 15, 2024, not a target for 2024

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	1,874 (as of April 1, 2024)
Sales	197.8 billion yen (as of December 2023)



Main Businesses

INOAC Materials, 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 segment 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.





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