

17 December 2007

### **Re: Incidence of improper transactions**

We regret to inform you that a sales manager in our Plastics Division II has been found to have engaged in improper transactions. We hereby offer our deepest apologies for the substantial negative impact of this incident on our shareholders and other investors as well as on others involved in the market.

We are currently conducting an in-depth investigation to ascertain the facts of the incident and its effect on our business result, both consolidated and non-consolidated. The following is a description of the prospective influence of the transactions in monetary terms based on the facts we have determined so far.

1. Period of incidence of improper transactions ascertained so far

From July to October 2007

2. Nature of the improper transactions ascertained so far and the related amount of money involved

(1) Events leading up to detection of the improper transactions

We discovered a pronounced trend of increase in credit obligations toward and inventories from a certain transaction partner in our Plastic Division II. As a result, at an in-house credit conference held in October 2007, we concluded that an in-depth investigation of the facts of transactions with said partner was needed as a condition for recognition of the increased amount of credit. In response, our Risk Management Division and other units launched an investigation of the financial situation of the partner. As the investigations progressed, they unearthed various other points of suspicion, and we consequently conducted interviews with and collected documents from the partner and the sales manager. In the process, the partner and the manager decided to make a confession and divulge the facts of the transactions to our executive officer on 11 December 2007, in the thought that it would be hard for them to continue any longer.

(2) Nature of the improper transactions

To provide financing for the transaction partner, the sales manager in our Plastics Division II devised a fictional supply from the partner and posted corresponding excessive inventories in our accounts. Furthermore, in order to reduce the inventories, he posted fictional sales.

### (3) Monetary amount involved in the improper transactions

#### 1) Excessive amount of inventories posted

- As of 30 September 2007: about 400 million yen

#### 2) Amount of fictional sales posted

- The first half of fiscal 2007 (ending on 31 March 2008): about 250 million yen

- Following the first half of fiscal 2007: about 30 million yen

The posting of these fictional sales resulted in a fictional sales profit of about 10 million yen. In addition, the sales were reflected in the posting of accounts receivable on our books. Payments for these accounts were received thereafter, and totaled about 30 million yen as of 30 September 2007. We have not yet ascertained the means of fund procurement for these payments, and are still investigating them.

#### 3. Monetary impact on our result

We are currently making a careful examination to ascertain the monetary impact of the incident on our business result. Besides revising profit/loss figures based on the fictional sales, we are meticulously reexamining the possibilities for recovery of the accounts receivable from the partner and accounting procedure for revision of the excess inventories posted on our books. We expect to incur an extraordinary loss in addition to that already disclosed in our consolidated and non-consolidated financial statements for first half of fiscal 2007(April 1 to September 30, 2007). We intend to disclose the specific monetary impact on our result as soon as we have determined it.

#### 4. Preliminary statement scheduled for revision

At present, we anticipate a revision of the preliminary financial statement for the first half of fiscal 2007 (April 1 to September 30, 2007), but other disclosed documents could possibly undergo revision as well, depending on the findings of subsequent investigations. We plan to submit the report for the first half of fiscal 2007 on 27 December 2007, instead of on 19 December 2007, which we were scheduled to submit.

#### 5. Measures for the future

We instituted an investigative committee chaired by the President on 17 December 2007, and are implementing an in-depth investigation in close coordination with a corporate lawyer. As we are taking this incident very seriously, we don't limit the investigation to this case and are going to make a detailed study of the facts that extends to the preceding financial years, just to make sure there was no such impropriety in it. The

investigation results will provide the basis for clear identification of the locus of responsibility among the concerned parties and further studies to devise measures for prevention of any recurrence. We plan to divulge the details of these matters at a later date.

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