

December 18, 2007
Inabata & Co., Ltd.

Re: Our December 17 Release on “Incidence of Improper Transactions”

We regret to inform that our Plastics Division II has been involved in improper transactions. Accordingly, we have reported in our news release dated December 17 all of the facts and the extent of the impact on our earnings that have been confirmed thus far.

As building a sound corporate governance framework has been one of the management priorities of the Inabata Group, we deeply regret the fact that we have created a stir among the society, and we sincerely apologize.

At present, our investigative committee is conducting a thorough investigation into this matter. We will publish more details on our website as soon as they become clear.

Again, please accept our most heartfelt apologies for any inconvenience or anxieties that this might cause our business partners, shareholders, and all parties concerned. We are determined to create our business management system anew with every staff member, from the president on down working as one, so that such incidents will not happen again. Your kind understanding and support on this matter would be highly appreciated.

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