

December 27, 2007

Re: incidence of improper transactions

(This document is English translation of the statement by President Katsutaro Inabata)

We at Inabata & Co., Ltd. recently detected an extremely regrettable incidence of improper transactions. Specifically, in order to provide funds to a transaction partner, the former sales manager of our Plastics Division II posted excessive inventory assets in the accounts on the basis of a fictional purchase of stock, and then posted fictional sales to reduce these assets.

In response, we disclosed basic information on the incident at the Tokyo and Osaka stock exchanges on December 17. At the same time, we instituted an investigative committee whose membership included some people from outside the company, and have conducted an in-depth investigation. We disclosed detailed information based on the report submitted by this committee at the same two stock exchanges on December 26.

In addition to taking strict disciplinary action in relation to the concerned parties, we are going to conduct a rigorous examination to identify any shortcomings in our internal control and business management, which were unable to prevent the improper transactions, and to formulate effective measures for improvement.

Our company has for a long time endeavored to enhance corporate governance as one of the management tasks of the highest priority, and I deeply regret that we were nevertheless unable to keep such improprieties from occurring. I would like to express my earnest apologies for the serious concern and negative effects this incident has caused among our transaction partners as well as among our shareholders and all other parties with a stake in our company.

With firm resolution to prevent the recurrence of any such problems, we are setting about the construction of a new internal system through a concerted effort by all of our employees, and ask for your continued understanding and support.

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