

Implementation of Evaluation (self-evaluation) for the Board of Directors
and Future Measures

With the aim of increasing corporate value through enhancing the effectiveness and transparency of the Board of Directors, Inabata & Co., Ltd. (“the Company”) has implemented evaluation measures (self-evaluation) for the Board of Directors.

1. Evaluation methodology

- ✓ An outside consultant was appointed and the direction of the self-evaluation measures was confirmed in interviews with the President and one outside director.
- ✓ The content of questions was determined based on the above. A questionnaire (Note 1) was distributed to all directors and corporate auditors and responses were obtained.
- ✓ The outside consultant collected and analyzed the responses and made a report to the Board of Directors of the Company.
- ✓ After sufficient verification by the Board of Directors of the content of the outside consultant’s report, the direction of future measures was decided, as described in 3. below.

2. Regarding the analysis and evaluation

It was confirmed that the size and composition of the Board of Directors (6 internal directors and 3 outside directors), which is the key to corporate governance, are generally appropriate. It was further established that, due to a culture of respecting open discussion and appropriate management by the chairperson, lively discussions are conducted at meetings of the Board of Directors. It was confirmed that the contribution of the outside directors and corporate auditors to discussions was also significant.

However, with regard to the content of the discussions it was recognized that, because the total number of topics is large, discussion of medium and long-term themes has been insufficient.

With regard to dialog with the capital markets, the President and the responsible director have been actively communicating with investors, but it was recognized that feedback to the Board of Directors has been insufficient regarding medium and long-term investors’ assessment of the Company.

3. Future measures

The following initiatives will be taken to deal with the themes recognized from the results of the above-mentioned analysis and evaluation.

(1) Fuller discussion of medium and long-term topics by the Board of Directors

The function and role of the Board of Directors will be reviewed, a system that allows the Board of Directors to focus on important matters will be put in place, and there will be deeper discussion of medium and long-term management issues. As a first step, in order to allocate sufficient time for more strategic discussions such as medium to long-term themes, a revision of standards for submissions to the Board of Directors has been implemented.

(2) Feedback of dialog with capital markets to the Board of Directors

By providing regular feedback to the Board of Directors regarding the information obtained from ongoing conversations with medium and long-term investors and shareholders, the capital markets' evaluation of the Company will be shared among the Board of Directors.

End

(Note 1)

Major topics from the Board of Directors evaluation questionnaire

1. Operational status of the Board of Directors
2. Composition of the Board of Directors
3. Composition and role of committees (Nominating and Remuneration Committee)
4. Support system for outside directors
5. Role of and expectations toward corporate auditors
6. Relationship with investors and shareholders