

[Translation: Please note that this is an English translation of the Japanese original Notice of the 12th Ordinary General Meeting of Shareholders of KH Neochem Co., Ltd. prepared for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.]

Securities code: 4189

March 2, 2022

To our shareholders,

Michio Takahashi
Representative Director
President & Chief Executive Officer

KH Neochem Co., Ltd.

2-3-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo

Notice of the 12th Ordinary General Meeting of Shareholders

We are pleased to announce the 12th Ordinary General Meeting of Shareholders (the “Meeting”) of KH Neochem Co., Ltd. (the “Company”), which will be held as indicated below.

The Company requests that shareholders consider exercising their voting rights in writing or via the Internet, if at all possible, and refrain from attending the Meeting in person regardless of physical condition of shareholders from the perspective of preventing the spread of COVID-19. We ask that you check the attached “Instructions for Exercising Voting Rights” on pages 3-4 for guidance on exercising your voting rights.

- 1. Date and Time:** Thursday, March 24, 2022, at 10:00 a.m. (JST) (Reception will open at 9:00 a.m.)
- 2. Venue:** Nihonbashi Mitsui Hall, (Reception: 4F), COREDO Muromachi 1, 2-2-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo
- 3. Proposes:**

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 12th term (from January 1, 2021 to December 31, 2021), as well as the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Financial Statements for the 12th term (from January 1, 2021 to December 31, 2021)

Items to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Partial Amendments to the Articles of Incorporation
Proposal No. 3: Election of Eight Directors
Proposal No. 4: Election of One Substitute Audit & Supervisory Board Member
Proposal No. 5: Revisions of the Remuneration Amount for Monetary Remuneration for Directors
Proposal No. 6: Revisions of Performance-linked Share-based Remuneration Plan for Directors

<Internet Disclosure>

Pursuant to relevant laws and regulations and Article 16 of the Articles of Incorporation of the Company, the following documents are posted on the Company's website and are therefore not included in the documents accompanying this notice.

- Consolidated statement of changes in equity and Notes to the consolidated financial statements in the Consolidated Financial Statements
- Statement of changes in equity and Notes to the financial statements in the Financial Statements

The documents attached to this notice constitute a part of the documents that were audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing the audit reports. Any corrections in the Reference Documents for the Meeting, Business Report, Consolidated Financial Statements or Financial Statements will be reported on the Company's website.

The Company's website : <https://www.khneochem.co.jp>

Instructions for Exercising Voting Rights

You may exercise your voting rights by using any of the following three methods:

[Mailing the Voting Card]

Complete the enclosed Voting Card by indicating your approval or disapproval of the proposals and return it without affixing a stamp.

Votes to be received by: 5:40 p.m. on Wednesday, March 23, 2022 (JST)

[Exercising Voting Rights via the Internet or by other means]

Scan the QR code with smartphone or access the Voting Website (for PC) (<https://soukai.mizuho-tb.co.jp/>) through a computer, enter the “voting rights exercise code” and “password,” which are provided on the enclosed Voting Card, and follow the instructions on the screen to exercise your voting rights.

Votes to be given by: 5:40 p.m. on Wednesday, March 23, 2022 (JST)

<Electronic Voting Platform>

Institutional investors may use the platform for institutional investors operated by ICJ, Inc. to electronically exercise the voting rights.

[Attending the Meeting]

Submit the Voting Card at the venue’s reception.

Date/Time: Thursday, March 24, 2022, at 10:00 a.m. (JST) (Reception will open at 9:00 a.m.)

**Venue: Nihonbashi Mitsui Hall, (Reception: 4F), COREDO Muromachi 1,
2-2-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo**

- To prevent the spread of COVID-19, the Company asks for your understanding and cooperation in exercising your voting rights prior to the Meeting in writing or via the Internet, or by other means, if at all possible, and refrain from attending the Meeting in person regardless of physical condition.
- We will take shareholders’ temperatures at the reception of the venue. Those who appear to have a fever or to be unwell may be asked to refrain from entering the venue.
- When entering the venue, please wear a mask and sanitize your hands with alcohol.
- The venue will be arranged with a substantially reduced number of chairs for shareholders at this Meeting to ensure ample distance is maintained between shareholders. Therefore, please understand that entry may be refused even if you come to the venue on the day.

<Exercising Voting Rights by Proxy>

You may exercise your voting rights by a proxy who is also a shareholder with voting rights.

Please be aware that a written statement attesting to the right of proxy must be submitted.

How to scan QR code, “Smart voting”

You can log in to the voting website for exercising voting rights without having to enter your “voting rights exercise code” and “password.”

1. Scan the QR code printed on the right side of Voting Card.
2. Then indicate your approval or disapproval for each of the proposals by following the instructions on the screen.

“Smart voting” can only be used once to exercise your voting rights.

In the event that you wish to modify the details of your vote after exercising your voting rights, please access the Voting Website (for PC) below from a PC or any other means, enter the voting rights exercise code printed on the Voting Card together with your password, log in, and exercise your voting rights once again.

* If the QR code is read a second time, you will be transferred to the Voting Website (for PC).

How to enter the “voting rights exercise code” and “password”

Voting Website (for PC): <https://soukai.mizuho-tb.co.jp/>

1. Please access the Voting Website (for PC) and click “次へすすむ (Next).”
2. Enter the voting rights exercise code printed on Voting Card and click “次へ (Next).”
3. Enter the password printed on Voting Card, set the new password that you actually use, and click “登録 (Register).”
4. Then indicate your approval or disapproval for each of the proposals by following the instructions on the screen.

Please contact the following if you have questions about the operation of your computer or smartphone regarding the exercise of voting rights via the Internet.

Inquiries: Mizuho Trust & Banking Co., Ltd.
Securities Agent Department, Web Support Desk
Telephone: 0120-768-524 (available only in Japan)
(Business hours: 9:00 a.m. to 9:00 p.m. excluding the New Year holidays)

Cautions regarding exercising voting rights via the Internet

- (1) Please be aware that, in order to prevent illegal online access by third parties who are non-shareholders (spoofing) and unauthorized changing of voting details, you will be asked to change your password when you log in to the voting website for the first time.
- (2) If you enter your password incorrectly for a certain number of times, the password will be locked and you will no longer be able to use it. If this occurs, please complete the procedures indicated in the guidance on the screen.
- (3) If you exercise your voting rights in duplicate both in writing and via the Internet, your voting via the Internet shall prevail.
- (4) If you exercise your voting rights multiple times via the Internet, only your last voting instructions will be valid.
- (5) Your password (including the password after you have changed it) shall be effective only for this Meeting.
- (6) Voting rights exercised via the Internet are accepted until 5:40 p.m. on Wednesday, March 23, 2022; however, we kindly ask that you vote as early as possible.
- (7) We conducted operation checks of the voting website using common Internet access devices. However, you may not be able to use the website on some devices.
- (8) Please note that shareholders bear any costs incurred when accessing the Voting Website.

Reference Documents for the Meeting

Proposal No. 1: Appropriation of Surplus

The Company's basic policy regarding the return of profits to our shareholders is to strive to provide continuous and stable dividends in consideration of the balance between investments for future growth areas and retained earnings.

Based on the above policy, the Company proposes to pay ¥45.00 per share as the year-end dividend for the 12th term (fiscal year under review), in comprehensive consideration of factors such as the consolidated financial results and financial condition for the fiscal year under review. As a result, the annual dividend including the interim dividend (¥30.00 per share) will be ¥75.00 per share.

Year-end dividends

1	Type of dividend property	Cash
2	Allotment of dividend property and aggregate amount thereof	Dividends per common share of the Company: ¥45 Total dividends: ¥1,671,704,820
3	Effective date of dividends of surplus	March 25, 2022

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendments

The revised provisions concerning providing information materials for the general meeting of shareholders in electronic format provided for in a proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022. Companies issuing book-entry transfer shares (listed companies) are obligated to introduce such a system for provision in electronic format, and accordingly, the Company proposes to make the following changes to its Articles of Incorporation.

- (1) The proposed revision to Article 16, paragraph 1 will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (2) The proposed revision to Article 16, paragraph 2 will establish provisions to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 16 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) Accompanying the aforementioned new establishment and deletion, a supplementary provision regarding the effective date, etc. will be established.

2. Details of the Amendments

The details of the proposed amendments are as follows:

(Amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="212 1115 804 1196"><u>Article 16 Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.</u></p> <p data-bbox="228 1205 804 1424"><u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u></p> <p data-bbox="411 1433 611 1458">(Newly established)</p> <p data-bbox="440 1841 580 1865">(Text omitted)</p> <p data-bbox="384 1901 639 1962">Supplementary Provisions (Text omitted)</p>	<p data-bbox="1070 1115 1166 1140">(Deleted)</p> <p data-bbox="820 1433 1318 1487"><u>Article 16 Measures for Providing Information in Electronic Format, Etc.</u></p> <p data-bbox="836 1496 1414 1632">1. <u>When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p data-bbox="836 1641 1414 1832">2. <u>Among the items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p data-bbox="1046 1841 1187 1865">(Text omitted)</p> <p data-bbox="991 1901 1246 1962">Supplementary Provisions (Text omitted)</p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p data-bbox="820 235 1412 315"><u>Article 2 Transitional Measures Regarding Provision of Informational Materials for General Meeting of Shareholders in Electronic Format</u></p> <ol data-bbox="836 324 1412 1077" style="list-style-type: none"> <li data-bbox="836 324 1412 792">1. <u>The deletion of Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the Articles of Incorporation before amendment by resolution of the Ordinary General Meeting of Shareholders as of March 24, 2022 (hereinafter in this article, the “Articles of Incorporation before Amendment”), and the new establishment of Article 16 (Measures for Providing Information in Electronic Format, Etc.) of the Articles of Incorporation after amendment by resolution of the same Ordinary General Meeting of Shareholders shall be effective from September 1, 2022, the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u> <li data-bbox="836 801 1412 936">2. <u>Notwithstanding the provisions of the preceding paragraph, Article 16 of the Articles of Incorporation before Amendment shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u> <li data-bbox="836 945 1412 1077">3. <u>This Article shall be deleted automatically on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u>

Proposal No. 3: Election of Eight Directors

At the conclusion of this Meeting, the terms of office of all eight current Directors will expire. Accordingly, the Company proposes the election of eight Directors, including three Outside Directors.

The Board of Directors passed a resolution to submit this proposal after deliberations at the Company's voluntary Audit & Supervisory Board (the majority of whose members are Outside Directors).

The candidates for Director are as follows:

No.	Name		Position and responsibility in the Company (Significant concurrent positions outside the Company)	Attendance at Board of Directors meetings (fiscal year under review)
1	Michio Takahashi	Reelection	Representative Director President & Chief Executive Officer	100% (16 of 16 meetings)
2	Toshihiro Matsuoka	Reelection	Board Director and Senior Corporate Officer (In charge of Procurement, Production Planning and Engineering, and Environment, Safety, and Quality Assurance)	100% (16 of 16 meetings)
3	Tatsuro Niiya	Reelection	Board Director and Senior Corporate Officer (In charge of Corporate Planning, Business Development, Sales & Marketing, and Business Services and Logistics)	100% (16 of 16 meetings)
4	Masaya Hamamoto	Reelection	Board Director and Senior Corporate Officer & Chief Financial Officer (In charge of Accounting and Finance, Investor Relations, Public Relations, General Affairs, Legal and Compliance, Internal Audit Risk Management, and Promotion of ESG)	100% (16 of 16 meetings)
5	Yukihiro Isogai	Reelection	Board Director and Corporate Officer (In charge of HR, IT Strategy, R&D, Intellectual Property, and Information Security)	100% (16 of 16 meetings)
6	Sayoko Miyairi	Reelection Outside Director Independent Director	Outside Director (Independent Director) Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation	100% (16 of 16 meetings)
7	Jun Tsuchiya	Reelection Outside Director Independent Director	Outside Director (Independent Director) CEO of Tsuchiya International Consulting Corp Outside Director of Soken Chemical & Engineering Co., Ltd.	100% (16 of 16 meetings)
8	Yuji Kikuchi	Reelection Outside Director Independent Director	Outside Director (Independent Director) Partner and attorney at law of Tokyo Hatchobori Law Office Outside Corporate Auditor of NEC Networks & System Integration Corporation	100% (16 of 16 meetings)

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
1	<Reelection> Michio Takahashi (February 15, 1965)	<p>Apr. 1987 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>Jul. 2011 President of Basic Chemicals Division of Kyowa Hakko Chemical Co., Ltd. (now the Company)</p> <p>Mar. 2013 Director and Corporate Officer of the Company</p> <p>Mar. 2016 Managing Director and Corporate Officer of the Company</p> <p>Mar. 2017 Director, Executive Vice President and Corporate Officer of the Company</p> <p>Mar. 2019 Representative Director, President and Chief Corporate Officer of the Company</p> <p>Mar. 2020 Representative Director, President & Chief Executive Officer of the Company (to present)</p> <hr/> <p>[Reason for nomination as candidate for Director] Mr. Michio Takahashi exercises strong leadership as President in order to realize VISON 2030. The Company deems that Mr. Takahashi is a skilled individual that is appropriate for the sustained improvement of the Company's corporate value because he has extensive experience, achievements, and insight related to management of the Group. Accordingly, the Company proposes the election of Mr. Michio Takahashi as a Director.</p>	<p>12,717 shares (7,717 shares)</p> <hr/> <p>Attendance at Board of Directors meeting during the fiscal year</p> <p>100% (16 of 16 meetings)</p>
2	<Reelection> Toshihiro Matsuoka (May 9, 1962)	<p>Apr. 1987 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>Apr. 2008 General Manager of Production Administration Division of Kyowa Hakko Chemical Co., Ltd. (now the Company)</p> <p>Jun. 2011 General Manager of Yokkaichi Plant of the Company</p> <p>Apr. 2013 Corporate Officer of the Company</p> <p>Mar. 2014 Director and Corporate Officer of the Company</p> <p>Mar. 2018 Managing Director and Corporate Officer of the Company</p> <p>Mar. 2020 Board Director and Senior Corporate Officer of the Company (to present)</p> <hr/> <p>[Current responsibility] In charge of Procurement, Production Planning and Engineering, and Environment, Safety, and Quality Assurance</p> <hr/> <p>[Reason for nomination as candidate for Director] Mr. Toshihiro Matsuoka is a Board Director and Senior Corporate Officer, who is in charge of Procurement, Production Planning and Engineering, Environment, Safety, and Quality Assurance, and while working to promote safe and stable operations, strengthen the production technology platform, among other duties, he fulfills his responsibilities appropriately. The Company deems that Mr. Matsuoka is a skilled individual who is appropriate for the sustained improvement of the Company's corporate value because he has extensive experience, achievements, and insight related to management of the Group. Accordingly, the Company proposes the election of Mr. Toshihiro Matsuoka as a Director.</p>	<p>6,835 shares (3,735 shares)</p> <hr/> <p>Attendance at Board of Directors meeting during the fiscal year</p> <p>100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
3	<p data-bbox="293 725 432 752"><Reelection></p> <p data-bbox="293 781 432 837">Tatsuro Niiya (June 1, 1964)</p>	<p data-bbox="496 387 1034 414">Apr. 1988 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p data-bbox="496 430 1206 490">Jul. 2013 General Manager of Chemical Sales & Marketing Division, Business Headquarters Office of the Company</p> <p data-bbox="496 506 995 533">Jan. 2016 Corporate Officer of the Company</p> <p data-bbox="496 548 1121 575">Mar. 2017 Director and Corporate Officer of the Company</p> <p data-bbox="496 591 1126 651">Mar. 2019 Managing Director and Corporate Officer of the Company</p> <p data-bbox="496 667 1155 728">Mar. 2020 Board Director and Senior Corporate Officer of the Company (to present)</p> <p data-bbox="496 743 724 770">[Current responsibility]</p> <p data-bbox="496 786 1129 846">In charge of Corporate Planning, Business Development, Sales & Marketing, and Business Services and Logistics)</p> <hr/> <p data-bbox="496 862 979 889">[Reason for nomination as candidate for Director]</p> <p data-bbox="496 904 1217 1173">Mr. Tatsuro Niiya is a Board Director and Senior Corporate Officer, who is in charge of Corporate Planning, Business Development, Sales & Marketing, and Business Services and Logistics, and he appropriately fulfills such responsibilities as contributing to the expansion of earnings and strengthening of fundamental businesses. The Company deems that Mr. Niiya is an individual with the appropriate skills for the sustained improvement of the Company's corporate value because he has extensive experience, achievements, and insight related to the Group's business. Accordingly, the Company proposes the election of Mr. Tatsuro Niiya as a Director.</p>	<p data-bbox="1350 584 1490 645">6,115 shares (3,515 shares)</p> <hr/> <p data-bbox="1243 862 1490 958">Attendance at Board of Directors meeting during the fiscal year</p> <p data-bbox="1295 1043 1490 1104">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
4	<p align="center"><Reelection></p> <p>Masaya Hamamoto (June 20, 1960)</p>	<p>Apr. 1985 Joined The Industrial Bank of Japan, Limited. (now Mizuho Bank, Ltd.)</p> <p>Apr. 2011 General Manager of Osaka Corporate Banking Division No. 1 of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)</p> <p>Apr. 2014 Executive Officer and General Manager of Corporate Banking Division No. 5 of Mizuho Bank, Ltd. (retired in March 2015)</p> <p>Apr. 2015 Executive Officer of IBJ Leasing Company, Limited. (now Mizuho Leasing Company, Limited)</p> <p>Jun. 2015 Director, Executive Officer and General Manager of Corporate Planning Department of IBJ Leasing Company, Limited.</p> <p>Apr. 2016 Managing Director, Managing Executive Officer and General Manager of Corporate Planning Department of IBJ Leasing Company, Limited. (retired in May 2019)</p> <p>Jun. 2019 Joined the Company</p> <p>Sep. 2019 Senior Corporate Officer of the Company</p> <p>Mar. 2020 Board Director and Senior Corporate Officer of the Company (to present)</p> <p>[Current responsibility] In charge of Accounting and Finance, Investor Relations, Public Relations, General Affairs, Legal and Compliance, Internal Audit, Risk Management, and Promotion of ESG</p> <hr/> <p>[Reason for nomination as candidate for Director] Mr. Masaya Hamamoto is a Board Director and Senior Corporate Officer, who is in charge of Accounting and Finance, Investor Relations, Legal and Compliance, Internal Audit and Risk Management, and he appropriately fulfills such responsibilities as improving management efficiency and enhancing transparency, and strengthening risk management. The Company deems that Mr. Hamamoto has served in important roles in the financial industry, and has extensive experience, achievements and insight regarding the finance and accounting field, and as a manager, and is a skilled individual who is appropriate for the sustained improvement of the Company's corporate value. Accordingly, the Company proposes the election of Mr. Masaya Hamamoto as a Director.</p>	<p align="center">4,670 shares (1,970 shares)</p> <hr/> <p align="center">Attendance at Board of Directors meetings during the fiscal year</p> <p align="center">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
5	<p data-bbox="295 750 427 779"><Reelection></p> <p data-bbox="272 801 450 860">Yukihiro Isogai (October 11, 1963)</p>	<p data-bbox="496 387 938 416">Apr. 1987 Joined Toaboshoku Co., Ltd.</p> <p data-bbox="496 427 863 456">Aug. 2000 Joined YIC Co., Ltd.</p> <p data-bbox="496 472 1034 501">Oct. 2001 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p data-bbox="496 517 1187 577">Jan. 2016 General Manager of Yokkaichi Research Laboratories, R&D Office of the Company</p> <p data-bbox="496 593 1198 689">Dec. 2017 General Manager of R&D Office and General Manager of Yokkaichi Research Laboratories, R&D Office of the Company</p> <p data-bbox="496 705 995 734">Jan. 2018 Corporate Officer of the Company</p> <p data-bbox="496 750 1187 810">Mar. 2019 Board Director and Corporate Officer of the Company (to present)</p> <p data-bbox="496 826 724 855">[Current responsibility]</p> <p data-bbox="496 871 1214 931">In charge of HR, IT Strategy, R&D, Intellectual Property, and Information Security</p> <hr/> <p data-bbox="496 947 979 976">[Reason for nomination as candidate for Director]</p> <p data-bbox="496 992 1219 1229">Mr. Yukihiro Isogai is a Board Director and Corporate Officer, who is in charge of HR, IT Strategy, R&D, Intellectual Property and Information Security, and he appropriately fulfills such responsibilities as creating new business, and promoting open innovation with other companies and universities. The Company deems that Mr. Isogai has extensive experience, achievement, and insight and is a skilled individual that is appropriate for the sustained improvement of the Company's corporate value. Accordingly, the Company proposes the election of Mr. Yukihiro Isogai as a Director.</p>	<p data-bbox="1353 629 1490 687">5,892 shares (2,292 shares)</p> <hr/> <p data-bbox="1246 947 1490 1043">Attendance at Board of Directors meeting during the fiscal year</p> <p data-bbox="1299 1115 1490 1173">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
6	<p data-bbox="295 857 427 882"><Reelection></p> <p data-bbox="280 913 442 938">Outside Director</p> <p data-bbox="256 969 466 994">Independent Director</p> <p data-bbox="256 1025 466 1077">Sayoko Miyairi (November 12, 1956)</p>	<p data-bbox="496 387 1212 898"> Apr. 1979 Joined Hitachi, Ltd. Jul. 1982 Joined Bank of America, N.A., Asia Headquarters Mar. 1986 Joined Pasona Inc. and seconded and then transferred to Edu Consult Co., Ltd. (now Scholar Consult Co., Ltd.) Apr. 2000 Partner of Scholar Consult Co., Ltd. (to present) Apr. 2000 Assistant Professor of Nihonbashi Gakkan University (now Kaichi International University) Jan. 2005 Director of Scholar Consult Co., Ltd. Apr. 2008 Professor of Nihonbashi Gakkan University (now Kaichi International University) (to present) Mar. 2019 Outside Director of the Company (to present) Aug. 2020 Outside Director of Toyo Engineering Corporation (to present) </p> <p data-bbox="496 920 1034 945">[Significant concurrent positions outside the Company]</p> <p data-bbox="496 958 1206 1072"> Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation </p> <hr/> <p data-bbox="496 1095 1190 1155">[Reason for nomination as candidate for Outside Director and overview of expected role]</p> <p data-bbox="496 1169 1217 1413"> Ms. Sayoko Miyairi appropriately fulfills such roles as providing opinions and recommendations, particularly in the areas of human resource development, and improving human resource training and employee engagement in order to ensure that decision making is suitable and appropriate. In addition, as a member of the voluntary Audit & Supervisory Board, she attended all six meetings held during the current fiscal year and fulfilled a supervisory function for the decision process for the nomination of officer candidates and determination of remuneration, etc. from an objective and neutral standpoint. </p> <p data-bbox="496 1426 1217 1554"> The Company deems that Ms. Miyairi is a skilled individual who can contribute to the sustained improvement of the Company's corporate value through provision of advice to management and appropriate supervision of the execution of duties. Accordingly, the Company proposes the election of Ms. Sayoko Miyairi as an Outside Director. </p>	<p data-bbox="1366 714 1487 739">2,500 shares</p> <hr/> <p data-bbox="1257 1095 1481 1184">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1297 1350 1487 1411">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
7	<p data-bbox="295 922 427 949"><Reelection></p> <p data-bbox="280 981 442 1003">Outside Director</p> <p data-bbox="256 1034 466 1057">Independent Director</p> <p data-bbox="268 1088 454 1144">Jun Tsuchiya (October 23, 1952)</p>	<p data-bbox="496 387 1091 409">Apr. 1981 Joined Argonne National Laboratory, U.S.A.</p> <p data-bbox="496 430 1198 452">May 1983 Joined Lawrence Berkeley National Laboratory, U.S.A.</p> <p data-bbox="496 472 1171 528">Feb. 1984 Joined Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation)</p> <p data-bbox="496 548 1198 645">Jan. 1999 Seconded as President to Verbatim Corporation, U.S.A. subsidiary of Mitsubishi Chemical Limited (now Mitsubishi Chemical Corporation) as a secondment</p> <p data-bbox="496 665 1214 759">Apr. 2001 General Manager of Corporate Planning Office of Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation) (retired in January 2002)</p> <p data-bbox="496 779 1174 835">Feb. 2002 Director of Rohm & Haas Japan K.K. (now Dow Chemical Japan Limited) (retired in December 2006)</p> <p data-bbox="496 855 1190 911">Jan. 2007 Representative Director and President of Heraeus K.K. (retired in September 2018)</p> <p data-bbox="496 931 1158 987">Oct. 2018 CEO of Tsuchiya International Consulting Corp (to present)</p> <p data-bbox="496 1008 1209 1064">Jun. 2019 Outside Director of Soken Chemical & Engineering Co., Ltd. (to present)</p> <p data-bbox="496 1084 1102 1106">Mar. 2020 Outside Director of the Company (to present)</p> <p data-bbox="496 1126 1034 1149">[Significant concurrent positions outside the Company]</p> <p data-bbox="496 1169 962 1191">CEO of Tsuchiya International Consulting Corp</p> <p data-bbox="496 1200 1091 1223">Outside Director of Soken Chemical & Engineering Co., Ltd.</p> <hr/> <p data-bbox="496 1243 1190 1299">[Reason for nomination as candidate for Outside Director and overview of expected role]</p> <p data-bbox="496 1319 1219 1541">Mr. Jun Tsuchiya appropriately fulfills such roles as providing opinions and recommendations concerning the Company's business, particularly in the areas of management and technology in order to ensure that decision making is suitable and appropriate. In addition, as a member of the voluntary Audit & Supervisory Board, he attended all six meetings held during the current fiscal year and fulfilled a supervisory function for the decision process for the nomination of officer candidates and determination of remuneration, etc. from an objective and neutral standpoint.</p> <p data-bbox="496 1550 1219 1682">The Company deems that Mr. Tsuchiya is a skilled individual that can contribute to the sustained improvement of the Company's corporate value through provision of advice to management and appropriate supervision of the execution of duties. Accordingly, the Company proposes the election of Mr. Jun Tsuchiya as an Outside Director.</p>	<p data-bbox="1385 790 1490 813">300 shares</p> <hr/> <p data-bbox="1257 1243 1481 1339">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1297 1489 1490 1545">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
8	<p data-bbox="295 869 427 891"><Reelection></p> <p data-bbox="280 925 442 947">Outside Director</p> <p data-bbox="260 981 462 1003">Independent Director</p> <p data-bbox="264 1037 458 1088">Yuji Kikuchi (February 15, 1964)</p>	<p data-bbox="496 387 1166 483">Apr. 1992 Registered as an attorney at law Entered Sakano, Seo & Hashimoto Law Office (now Tokyo Hatchobori Law Office)</p> <p data-bbox="496 501 1054 524">Apr. 2002 Partner of Tokyo Hatchobori Law Office</p> <p data-bbox="496 542 1166 638">Mar. 2003 Joined the Securities and Exchange Surveillance Commission (Coordination and Inspection Division, Executive Bureau)</p> <p data-bbox="496 656 1206 714">Mar. 2005 Returned to Partner of Tokyo Hatchobori Law Office (to present)</p> <p data-bbox="496 732 1193 790">Jun. 2010 Outside Corporate Auditor of Inui Warehouse Co., Ltd. (now Inui Global Logistics Co., Ltd.)</p> <p data-bbox="496 808 1201 866">Jun. 2014 Outside Corporate Auditor of NEC Networks & System Integration Corporation (to present)</p> <p data-bbox="496 884 1099 907">Mar. 2020 Outside Director of the Company (to present)</p> <p data-bbox="496 925 1031 947">[Significant concurrent positions outside the Company]</p> <p data-bbox="496 965 1150 1061">Partner and attorney at law of Tokyo Hatchobori Law Office Outside Corporate Auditor of NEC Networks & System Integration Corporation</p> <hr/> <p data-bbox="496 1079 1190 1137">[Reason for nomination as candidate for Outside Director and overview of expected role]</p> <p data-bbox="496 1155 1217 1397">Mr. Yuji Kikuchi appropriately fulfills such roles as providing opinions and recommendations concerning risk management and strengthening corporate governance, particularly from his professional perspective as an attorney in the areas of management and technology in order to ensure that decision making is suitable and appropriate. In addition, as the chairperson of the voluntary Audit & Supervisory Board, he attended all six meetings held during the current fiscal year and led the supervisory function for the decision process for the nomination of officer candidates and determination of remuneration, etc. from an objective and neutral standpoint.</p> <p data-bbox="496 1415 1217 1565">The Company deems that Mr. Kikuchi is a skilled individual that, based on his expertise, can contribute to the sustained improvement of the Company's corporate value through provision of advice to management and appropriate supervision of the execution of duties from an objective standpoint. Accordingly, the Company proposes the election of Mr. Yuji Kikuchi as an Outside Director.</p>	<p data-bbox="1385 707 1489 730">200 shares</p> <hr/> <p data-bbox="1257 1079 1481 1176">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1297 1350 1489 1408">100% (16 of 16 meetings)</p>

Notes:

- The number of the Company's shares owned by the respective candidates (excluding candidates for Outside Director) as stated includes the number of shares to be granted subsequent to retirement, pursuant to the performance-linked share-based remuneration plan as stated in parentheses (number of shares equivalent to the points already granted under the performance-linked share-based remuneration plan). Please refer to pages 44 to 48 of the Business Report for an overview of the Company's remuneration plan for Directors.
- Ms. Sayoko Miyairi's name as recorded in her family register is Sayoko Ibaraki.
- There is no special interest between any of the candidates for Director and the Company.
- At the conclusion of this Meeting, Ms. Sayoko Miyairi's term of office as Outside Director will have been three years. At the conclusion of this Meeting, term of office of Messrs. Jun Tsuchiya and Yuji Kikuchi as Outside Directors will have been two years.
- The Company has entered into a liability limitation agreement with Ms. Sayoko Miyairi and Messrs. Jun Tsuchiya and Yuji Kikuchi in accordance with Article 427, paragraph (1) of the Companies Act and the provisions of the

Company's Articles of Incorporation to limit the liability for damages as provided for in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under the said agreement shall be the amount stipulated by laws and regulations. If they are elected, the Company plans to renew the aforementioned agreement with each of them.

6. The Company has concluded a Directors and Officers liability insurance agreement with an insurance company in accordance with Article 430-3, paragraph (1) of the Companies Act, and the agreement covers legally required compensation for damages and lawsuit costs borne by the insured person. The respective candidates are included as insured persons in the agreement as the Company's Directors, and if reappointed under this proposal, continue to be insured persons in the agreement. The Company plans to renew the aforementioned agreement during the term of office of Directors reappointed under this proposal.
7. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ms. Sayoko Miyairi and Messrs. Jun Tsuchiya and Yuji Kikuchi have been designated as Independent Directors as provided for by the aforementioned stock exchange. If this proposal is approved and adopted, the Company will notify the aforementioned stock exchange of the designation of them as Independent Directors in the same way as indicated above.

(Reference) Policy on nominating candidates for Director

The Company nominates candidates for Director from the perspective of putting the right person in the right place, and of finding an individual who is competent and can contribute to precise and rapid decision-making based on the skills required of a Director, etc. After also taking into account diversity issues such as gender, the voluntary Audit & Supervisory Board responds to inquiries from the Board of Directors by conducting a comprehensive consideration, and the Board of Directors decides the nomination.

The Company has created a matrix for the skills required of a Director, and that it expects will contribute to management. These include Corporate management; Industry knowledge; Manufacturing, R&D and innovation; Finance and accounting; Sales and marketing; Governance, compliance, and risk management; HR development and diversity. Care is taken to ensure that these items are covered by the Board of Directors as a whole, and that the composition of the Board maintains a balance in its diversity of experience and specialization.

In addition, when selecting candidates for independent Outside Director, in addition to meeting the Tokyo Stock Exchange’s criteria for independence, the Company includes candidates who have management experience at other companies.

Furthermore, the Company has created skill matrices not only for Directors and Audit & Supervisory Board Members, but also for Corporate Officers, and is working to develop and promote the next generation of human resources. In addition to the skill matrix for the Directors who will be appointed in the event that this Proposal is approved as originally submitted at this Ordinary General Meeting of Shareholders, skill matrices for the Audit & Supervisory Board Members and the Corporate Officers, who are scheduled to assume office after this Ordinary General Meeting of Shareholders has concluded, are as shown in the table below.

<p>(Audit & Supervisory Board)</p> <p>With the aim of ensuring the independence, objectivity and transparency of the Board of Directors functions related to nomination and remuneration of Directors and Corporate Officers, the Company has established a voluntary Audit & Supervisory Board as an advisory body to the Board of Directors. The Chair of the Committee is an independent Outside Director, and independent Outside Directors constitute a majority of the members (including one female). During FY 2021, the fiscal year under review, the Audit & Supervisory Board met six times, and the details of the proposals put before this Ordinary General Meeting of Shareholders related to nomination of Directors and Officer remuneration have been deliberated by the Audit & Supervisory Board, which reported the details to the Board of Directors, where the final decision was taken.</p>

Skill matrices for Directors, Audit & Supervisory Board Members and Corporate Officers (as of March 24, 2022)

	Name	Corporate management	Industry insight	Manufacturing /R&D /innovation	Finance /accounting	Sales /marketing	Governance /compliance /risk management	Human resource development /diversity
Director	Michio Takahashi	•	•		•	•	•	
	Toshihiro Matsuoka	•	•	•				
	Tatsuro Niiya	•	•			•		
	Masaya Hamamoto	•			•		•	
	Yukihiro Isogai	•	•	•				•
	Sayoko Miyairi Outside Director Independent Director	•						•
	Jun Tsuchiya Outside Director Independent Director	•	•	•		•		
	Yuji Kikuchi Outside Director Independent Director						•	
Audit & Supervisory Board Member	Tokuo Oodo				•		•	
	Kazuhiro Kawai Outside Audit & Supervisory Board Member Independent Audit & Supervisory Board Member	•			•		•	
	Keiko Tamura Outside Audit & Supervisory Board Member Independent Audit & Supervisory Board Member						•	
Corporate Officer	Seiji Saito		•	•				
	Toshiaki Ogata	•	•	•				
	Akio Nakahashi		•	•				
	Yoshiaki Kondo		•	•				
	Hideki Shimizu		•			•		
	Isao Takahashi						•	•
	Akira Kamimura				•			
	Atsushi Tokumitsu		•			•		
	Katsunori Sato		•			•		
Hideo Kurokawa		•	•					

Proposal No. 4: Election of One Substitute Audit & Supervisory Board Member

While one substitute Outside Audit & Supervisory Board Member was elected at the 11th Ordinary General Meeting of Shareholders held on March 23, 2021 to prepare for a contingency in which the number of Audit & Supervisory Board Members falls below the minimum stipulated by laws and regulations, the Company proposes additional election of one substitute Audit & Supervisory Board Member out of consideration for a possible lack of the full-time Audit & Supervisory Board Member.

Up until the time the elected substitute Audit & Supervisory Board Member assumes office, the validity of election of the substitute Audit & Supervisory Board Member may be cancelled by a resolution of the Board of Directors with the consent from the Audit & Supervisory Board.

The Audit & Supervisory Board has given prior approval for this proposal.

The candidate for substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and position in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
Masao Mori (April 27, 1957)	Apr. 1981 Joined The Industrial Bank of Japan, Limited. (now Mizuho Bank, Ltd.)	0 shares
	Apr. 2007 Head of Audit & Supervisory Board Member Office of Mizuho Financial Group, Inc. (retired in Dec. 2010)	
	Jan. 2011 General Manager of Corporate Administration Division, Administrative Headquarters of Kyowa Hakko Chemical Co., Ltd. (now the Company)	
	Mar. 2012 Director and General Manager of Planning Administrative Division of the Company	
	Mar. 2014 Managing Director and Corporate Officer, and General Manager of Business Headquarters Office and General Manager of Operating Promotion Division the Company	
	Jan. 2015 Managing Director and Corporate Officer and General Manager of Administrative Office of the Company (retired in Jun. 2015)	
	Jul. 2015 Joined Kurogane Kasei Co., Ltd.	
	Mar. 2016 Managing Director of Kurogane Kasei Co., Ltd. (to present)	
	Reason for nomination as candidate for substitute Audit & Supervisory Board Member Mr. Masao Mori has long years of business experience in financial institutions as well as extensive knowledge of accounting and auditing. He has also held positions as a person responsible for the business, planning, and administrative divisions of the Company and its group companies, and has sufficient experience as a manager, and accordingly the Company deems him capable to monitor the overall management and provide effective advice, for which reasons it proposes the election of Mr. Masao Mori as Substitute Audit & Supervisory Board Member.	

Notes:

1. There is no special interest between Mr. Masao Mori and the Company.
2. Mr. Masao Mori plans to retire from Managing Director of Kurogane Kasei Co., Ltd. at the conclusion of its Ordinary General Meeting of Shareholders to be held on March 18, 2022.
3. As for the priority of the substitute Audit & Supervisory Board Members assuming office as Audit & Supervisory Board Members, Ms. Junko Imura will be the first priority in case of retirement by Mr. Kazuhiro Kawai or Ms. Keiko

Tamura from Audit & Supervisory Board Member, and Mr. Masao Mori will be the first priority in case of retirement by the other Audit & Supervisory Board Members.

4. If this proposal is approved and adopted and Mr. Masao Mori assumes office as an Audit & Supervisory Board Member, the Company will enter into a limited liability agreement with him in accordance with Article 427, paragraph (1) of the Companies Act and the provisions of the Company's Articles of Incorporation to limit the liability for damages as provided for in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under the said agreement shall be the amount stipulated by laws and regulations.
5. The Company has concluded a Directors and Officers liability insurance agreement with an insurance company in accordance with Article 430-3, paragraph (1) of the Companies Act, and the agreement covers legally required compensation for damages and lawsuit costs borne by the insured person. The Company plans to renew the aforementioned agreement during the period that Mr. Masao Mori's appointment as substitute Outside Audit & Supervisory Board Member under this proposal is valid.
 - Mr. Masao Mori is included in this insurance agreement as an Officer of a Company subsidiary until retiring from Managing Director of Kurogane Kasei Co., Ltd.
 - If this proposal is approved and adopted and Mr. Masao Mori assumes office as an Audit & Supervisory Board Member, he will be once again included as an insured person under said insurance agreement.
6. The appointment of Masao Mori shall be conditional upon the number of Audit & Supervisory Board Members falling below the minimum stipulated by laws and regulations, and his term of office shall be the remaining term of office of the retired Audit & Supervisory Board Member. The validity of his appointment as substitute Audit & Supervisory Board Member shall, in accordance with the Company's Articles of Incorporation, expire at the commencement of the Ordinary General Meeting of Shareholders for the last business year which ends within four (4) years from the time of his election.

Explanation Context of the review of remuneration for Directors (Proposal No. 5 and No. 6)

With regard to remuneration, etc. for Directors of the Company, the maximum amount of monetary remuneration was approved at the Extraordinary General Meeting of Shareholders as of March 31, 2011 and the Company abolished the Retirement Benefit Plan and revised the remuneration system by introducing a performance-linked share-based remuneration plan in March 2018. Thereby the Company has developed the remuneration structure up to the present date. Meanwhile, according to an external research organization, amid the increasing roles and responsibilities of Directors, our competitors are reviewing their remuneration systems as movements to increase remuneration levels have been accelerating, and strengthening the competitiveness of the Company's remuneration levels has become an extremely important issue.

Accordingly, the voluntary Company's Audit & Supervisory Board (the majority of whose members are Independent Outside Directors) has deliberated the remuneration, etc. for Directors since 2019, and based on reports received from the Committee in 2021, the following has been adopted by resolution of the Board of Directors.

Basic policies on remuneration, etc. of the Directors (excluding Outside Directors) of the Company are as follows.

- Director remuneration is to serve as sufficient incentive for Directors to improve business performance and increase corporate value over the medium to long term.
- Director remuneration is to give rise to competitive strengths that facilitate capacity to gain diverse and outstanding talent.
- Director remuneration is to cause Directors to have common interests with shareholders and other stakeholders.

The remuneration system for Directors (excluding Outside Directors) specifically consists of monetary compensation in the form of fixed remuneration and performance-based remuneration, as well as performance-linked share-based remuneration, and overall remuneration is basically structured such that the higher a Director's position, the higher the performance-linked and share-based remuneration weightings. In the specific design, remuneration, etc. is to be set at appropriate levels enlisting third-party surveys on compensation of business managers in Japan. The overview of performance-based remuneration of monetary remuneration and performance-linked share-based remuneration is as described in "2.(4)(ii) Amount of remuneration, etc. for Directors and Audit & Supervisory Board Members" on page 44 to page 48 of the Business Report. In addition, remuneration of the Outside Directors is limited to the fixed remuneration component of monetary remuneration which is set in view of such Directors' roles and independence, and is paid out monthly on a prorated basis over each of the twelve months of the year.

The details of the revised remuneration, etc. for Directors in Proposal No. 5 and Proposal No. 6 are judged to be in line with the above basic policies following deliberations by the voluntary Audit & Supervisory Board, to be for the purpose of allowing flexible raising of the remuneration, to levels that are competitive with our competitors and, even when compared to levels of competitors, to be sufficient for maintaining appropriate remuneration levels for the Company to secure outstanding talent.

<Overview of the revision of remuneration, etc. in Proposal No. 5 and Proposal No. 6>

Proposal	Type of remuneration, etc.	Current maximum amount of remuneration, etc.	Revised maximum amount of remuneration, etc.
Proposal No. 5:	Monetary remuneration	No more than ¥200 million per year (including the amount of Outside Director's portion) * Excluding the employee's salary portion in the case of Directors who concurrently serve as employees	No more than ¥350 million per year (of which the amount of Outside Director's portion is no more than ¥50 million per year) * Excluding the employee's salary portion in the case of Directors who concurrently serve as employees
Proposal No. 6:	Share-based remuneration	<ul style="list-style-type: none"> • Maximum amount of monies contributed to the trust every three fiscal years: ¥110 million • Maximum number of points (number of shares) to be granted per fiscal year: 35,000 points (35,000 shares) 	<ul style="list-style-type: none"> • Maximum amount of monies contributed to the trust every three fiscal years: ¥200 million • Maximum number of points (number of shares) to be granted per fiscal year: 60,000 points (60,000 shares)

Proposal No. 5: Revision of the Remuneration Amount for Monetary Remuneration for Directors

The Company obtained approval to set the remuneration amount for monetary remuneration for Directors at no more than ¥200 million per year (including the amount of Outside Director's portion but excluding employee's salary portion for Directors who concurrently serve as employees) concerning the revision of the amount of remuneration, etc. paid to Directors at the Extraordinary General Meeting of Shareholders as of March 31, 2011. However, in response to the rapidly changing business environment, the Company requests approval to revise the remuneration amount for monetary remuneration for Directors to no more than ¥350 million per year (of which Outside Director's portion is no more than ¥50 million per year), after comprehensively taking into account the possible change in the number of Directors going forward, the need to maintain a remuneration level appropriate to secure talented human resources and other factors, in view of increased roles and responsibilities of Directors and in order to further strengthen corporate governance.

The purpose of this revision is to allow flexible raising of the remuneration level to a competitive level comparable to competitors in response to changing environment, and the amount is considered to also be a reasonable level to maintain a remuneration level appropriate for the Company to secure talented human resources in light of levels of competitors. Moreover, at the Board of Directors meeting held at January 27, 2021, the Company established a policy for determining remuneration for individual Directors, and its outline is given on pages 46 to 47 of the Business Report. Since the Company considers details of the policy to also remain appropriate as the determining policy if this proposal is approved, the Company does not plan to change the policy. This proposal underwent deliberations by the voluntary Audit & Supervisory Board whose majority is composed of Independent Outside Directors. Therefore, the Company considers this proposal to be appropriate.

The remuneration amount for monetary remuneration for Directors does not include employee's salary portion for Directors who concurrently serve as employees as before.

The number of Directors of the Company is currently eight (including three Outside Directors), and the number will be also eight (including three Outside Directors) after the conclusion of this Ordinary General Meeting of Shareholders if Proposal No. 3 is approved as proposed.

Proposal No. 6: Revision of Performance-linked Share-based Remuneration Plan for Directors

1. Reasons for the Proposal

The Company gained approval for introduction, as well as subsequent continuation in periods of three fiscal years, of its performance-linked share-based remuneration plan (hereinafter referred to as the “Plan”) for Directors (excluding Outside Directors; the same shall apply hereinafter throughout this proposal) at its 8th Ordinary General Meeting of Shareholders held on March 27, 2018, and then obtained re-approval to continue the Plan at its 11th Ordinary General Meeting of Shareholders held on March 23, 2021. In this proposal, the Company requests approval to revise the maximum amount of contributions to be made every three fiscal years and the maximum number of points (number of shares) to be granted during one fiscal year in view of the need to respond to a rapidly changing business environment and maintain appropriate remuneration levels for securing outstanding talent due to the increasing roles and responsibilities of Directors and in order to further strengthen corporate governance.

This proposal is a request for approval on revision of the amount of remuneration, etc. and its content to provide share-based remuneration to Directors of the Company, separately from the remuneration amount for monetary remuneration for Directors (no more than ¥350 million per year; of which Outside Director’s portion is no more than ¥50 million per year; excluding employee’s salary portion for Directors who concurrently serve as employees) for which approval is requested as “Proposal No. 5 Revision of the Remuneration Amount for Monetary Remuneration for Directors.” The Company requests that details of the revised Plan be left to the Board of Directors within the framework provided below in 3 (excluding the above-mentioned issue of the maximum contribution amount to be made every three fiscal years and the maximum number of points (number of shares) to be granted during one fiscal year, there is virtually no change from the content approved at the 11th Ordinary General Meeting of Shareholders held on March 23, 2021).

The number of Directors subject to the Plan is currently five, and the number will be also five if Proposal No. 3 is approved as proposed.

On a related note, beginning with the fiscal year ending December 31, 2021, the Company will extend eligibility for the Plan to Corporate Officers who do not concurrently serve as Directors, in addition to Directors.

2. Reasons for Revision of the Plan

The purpose of the Plan is to further increase the linkage between remuneration for Directors and corporate performance, and clarify the linkage between remuneration for Directors and the stock value of the Company at the same time, having the Directors share with our shareholders not only the merits of the increase in the stock price, but also the risk of the decrease in the stock price, thereby increasing awareness of the Directors to contribute to the medium- to long-term improvement in the business performance and to the enhancement of corporate value. Moreover, at the Board of Directors meeting held on January 27, 2021, the Company established a policy for determining remuneration for individual Directors, and its outline is given on pages 46 to 47 of the Business Report. The revised Plan aligns with such policy, which the Company does not plan to change even if this proposal gains approval.

In addition, the maximum contribution amount after the revision and the maximum number of points (number of shares) granted in each fiscal year were also determined comprehensively taking into consideration changes in the Company’s stock price in the market, standards for payment of remuneration for currently serving Directors and other officers, anticipated developments with respect to the number of Directors, and other such factors. Hence, the Company deems such maximum amount appropriate.

This proposal underwent deliberations by the voluntary Audit & Supervisory Board whose majority is composed of Independent Outside Directors.

Therefore, the Company considers this proposal to be appropriate.

3. Amount of Remuneration and Specific Details of the Plan after the Revision

(1) Outline of the Plan

The Plan is a performance-linked share-based remuneration plan under which the Company's shares are acquired through a trust using funds contributed by the Company (hereinafter the trust established based on the Plan is referred to as the "Trust"). Through the Trust, Directors are provided with the Company's shares and the money equivalent to the market value of the Company's shares (hereinafter referred to as the "Company's Shares, etc.") according to the position and degree of achievements in performance in accordance with the "Rules for Delivery of Shares to Officers" stipulated by the Company. The Directors shall receive the Company's Shares, etc. upon their retirement as Directors and Corporate Officers in principle.

(2) Persons eligible to benefit from the Plan

Directors (excluding Outside Directors)

(3) Period and amount of the Trust

The Company introduced the Plan for three fiscal years from the fiscal year ended December 31, 2018 until the fiscal year ended December 31, 2020 (hereinafter, such period of three fiscal years, and respective periods of three fiscal years commencing subsequent to such period of three fiscal years having elapsed, referred to, respectively, as the "Target Period") as well as for the subsequent Target Periods. The Company has established the Trust, designating Directors who meet the beneficiary requirements as its beneficiaries and contributing ¥79 million to serve as funds for acquiring shares that are to be granted to the Directors under the Plan for the initial Target Period, and ¥20 million to serve as funds for acquiring shares that are to be granted to the Directors under the Plan for the current Target Period which began on January 1, 2021. The Trust has acquired 31,500 shares of the Company's stock for the initial Target Period and 6,900 shares of the Company's stock for the current Target Period, using as the funds the money entrusted by the Company.

Now, the maximum amount that the Company may contribute to the Trust is to be changed to ¥200 million for each of future Target Periods including the current Target Period. This maximum amount was determined comprehensively taking into consideration changes in the Company's stock price in the market, standards for payment of remuneration for currently serving Directors and other officers, anticipated developments with respect to the number of Directors, and other such factors. Hence, the Company deems such maximum amount appropriate.

However, in the event of making additional contributions after the lapse of the initial Target Period, if the Company's shares (excluding the Company's shares equivalent to the number of points that have been granted to Directors, and have not yet been delivered to them) and money remain in the trust assets at the end of the Target Period immediately preceding the Target Period for which such additional contribution is to be made (hereinafter such remaining shares and money are collectively referred to as the "Remaining Shares, etc."), the total sum of the amount of the Remaining Shares, etc. (for the Company's shares, the book value at the end of the immediately preceding Target Period) and the additional contribution shall be no more than the aforementioned maximum amount. During each Target Period, the Company may contribute funds to the Trust multiple times to the extent that the cumulative amount of the contributions does not exceed the aforementioned maximum amount, and shall furthermore make timely and appropriate disclosure upon having made decisions regarding additional contributions.

(4) Method of acquisition of the Company's shares by the Trust and number of shares to be acquired

The Trust shall acquire the Company's shares through the stock market or by underwriting the disposition of the Company's treasury stock, using as the funds the money contributed in accordance with (3) above, and new shares shall not be issued.

For reference, based on the assumption of acquisition at the closing price of the Company's stock on February 15, 2022 (¥2,884 per share), which is the day before the date when resolution of the Company's

Board of Directors on submission of this proposal was adopted, the number of shares to be acquired with ¥200 million, which is the maximum amount of funds contributed as funds for acquiring shares that are to be granted by the Company to the Directors for each Target Period, is up to 69,300 shares, and the ratio of this number of shares to the total number of issued shares (as of December 31, 2021; after deduction of treasury shares) is approximately 0.2%.

(5) Maximum number of the Company's Shares, etc. to be provided to the Directors

For each fiscal year, Directors will be granted the number of points determined by taking into consideration the position and degree of achievements in performance in accordance with the "Rules for Delivery of Shares to Officers." Now, the maximum number of points to be granted to the Directors per fiscal year will be revised to be no more than 60,000 points. The Company deems this upper limit appropriate upon having made its decision comprehensively taking into consideration the trends in the Company's market share price, standards for payment of remuneration for currently serving Directors and other officers, anticipated developments with respect to the number of Directors, and other such factors.

Each point granted to Directors shall be converted into one share of the Company's common shares at the time of the provision of the Company Shares, etc. as described in (6) below (provided, however, that if a share split, allotment of shares without contribution, or consolidation of shares, etc. is carried out regarding the Company's shares subsequent to approval of this proposal, then adjustment shall be made with respect to the maximum number of points and the number of points granted, or otherwise with respect to conversion ratios, in a reasonable manner in proportion to the relevant ratio, etc. for the share split, allotment of shares without contribution, or consolidation of shares, etc.).

Accordingly, the number of shares corresponding to the maximum number of points granted to Directors per fiscal year shall be 60,000 shares (provided, however, that the Company makes the aforementioned adjustments), which amounts to approximately 0.2% of the total number of issued shares as of December 31, 2021 (after deduction of treasury stock).

The number of points for the Directors which become the bases for the provision of the Company's Shares, etc. in (6) below shall be defined, in principle, as the number of the points granted to the Directors by the time of their retirement (hereinafter, points calculated in the manner are referred to as the "Defined Number of Points").

(6) Provision of the Company's Shares, etc.

When Directors retire and meet the requirements for the beneficiary stipulated in the "Rules for Delivery of Shares to Officers," the said Directors may, in principle, receive the number of the Company's shares from the Trust in accordance with the "Defined Number of Points" as determined in (5) above after their retirement by taking the procedures to define the beneficiary stipulated in the said rules. However, if the requirements stipulated in the "Rules for Delivery of Shares to Officers" are fulfilled, the said Directors receive, in respect of a certain portion of the points, an amount of cash equivalent to the market price of the Company's shares in lieu of the provision of Company's shares. The Trust may sell the Company's shares in order to make the monetary provisions.

Note that even if a Director has been granted points, such Director may not be able to obtain the right to receive such benefit in cases such as retiring due to certain illegal conduct while in office or inappropriate conduct that causes damage to the Company while in office.

(7) Exercise of voting rights

Voting rights pertaining to the Company's shares held by the Trust account, at the instruction of the trust administrator, shall not be exercised at all. By doing so, the Company intend to ensure the neutrality in the management of the Company with regard to the exercise of voting rights pertaining to the Company's shares held by the Trust account.

(8) Treatment of dividends

Dividends on the Company's shares in the Trust account will be received by the Trust, and mainly used for the acquisition of the Company shares and fees payable to the trustee of the Trust. If the Trust is terminated, the dividends remaining in the Trust will be provided to the Directors incumbent in proportion to the number of points that each of them holds in accordance with the "Rules for Delivery of Shares to Officers."

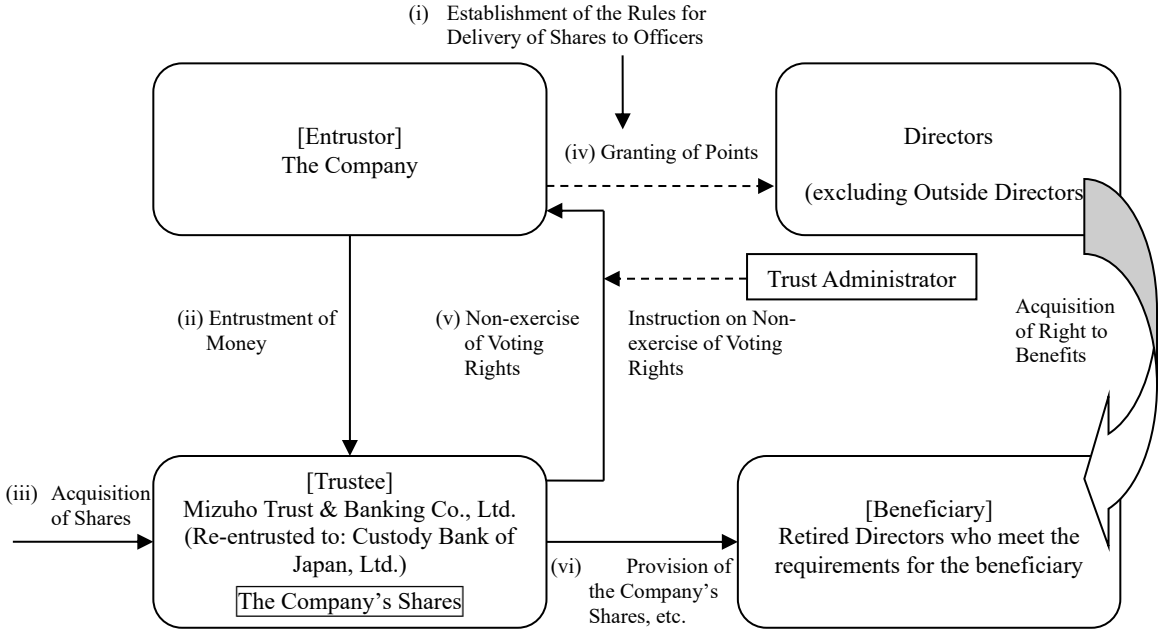
(9) Treatment upon the termination of the Trust

No specific date of termination of the Trust has been set, and the Trust will remain in place as long as the Plan is maintained. The Trust may be terminated for reasons including delisting of the Company's shares or abolition of the "Rules for Delivery of Shares to Officers."

Of the remaining assets of the Trust at the time of the termination of the Trust, all the Company's shares will be acquired by the Company without any compensation and cancelled by a Board of Directors resolution. Of the remaining assets of the Trust at the time of the termination of the Trust, the balance of the cash excluding that provided on a prorated basis in accordance with (8) above shall be provided to the Company.

Note: Beginning with the fiscal year ending December 31, 2021, the Company has extended eligibility for the Plan to corporate officers who do not concurrently serve as Directors (hereinafter simply referred to as Corporate Officers) in addition to Directors. Accordingly, in a practical sense, the contribution amount for the Corporate Officers' portion shall be added to the amount contributed by the Company to the Trust noted in (3) above, and the shares for the Corporate Officers' portion shall be added to the shares of the Company to be acquired, as noted in (4) above. In addition, regarding the treatment of dividends remaining in the Trust if the Trust is terminated noted in (8) above, Corporate Officers in office at such time shall also be included in the aforementioned pro-rata treatment.

Reference: Structure of the Plan



- (i) The Company shall stipulate the “Rules for Delivery of Shares to Officers” within the framework approved in the General Meeting of Shareholders.
- (ii) The Company shall entrust the money within the limit approved in the General Meeting of Shareholders.
- (iii) The Trust shall acquire the Company’s shares through the stock market or by underwriting the disposition of the Company’s treasury stock, using as the funds the money entrusted in the manner set forth in (ii).
- (iv) The Company shall grant points to the Directors in accordance with the “Rules for Delivery of Shares to Officers.”
- (v) In accordance with the instructions from the trust administrator independent of the Company, the Trust shall not exercise the voting rights pertaining to the Company’s shares under the Trust account.
- (vi) The Trust shall provide the Company’s shares to the retired Directors who meet the requirements stipulated in the “Rules for Delivery of Shares to Officers” (hereinafter referred to as the “Beneficiaries”), in proportion to the points granted to the said Beneficiaries. However, if the Directors meet the requirements stipulated in the “Rules for Delivery of Shares to Officers,” they may receive, in respect of a certain portion of the points, an amount of cash equivalent to the market price of the Company’s shares.

(Document to be provided)

Business Report

(January 1, 2021 to December 31, 2021)

1. Current Status of the Corporate Group

(1) Status of business operations for the current fiscal year

(i) Business progress and results

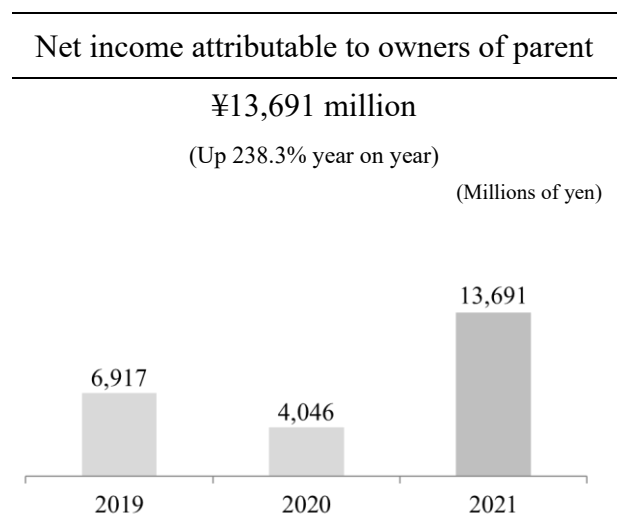
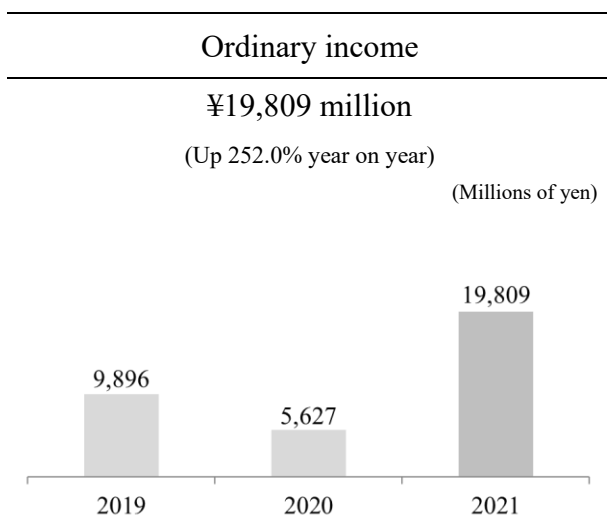
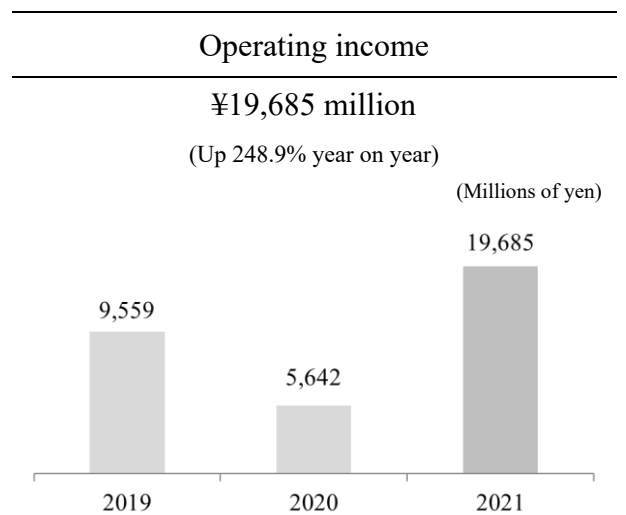
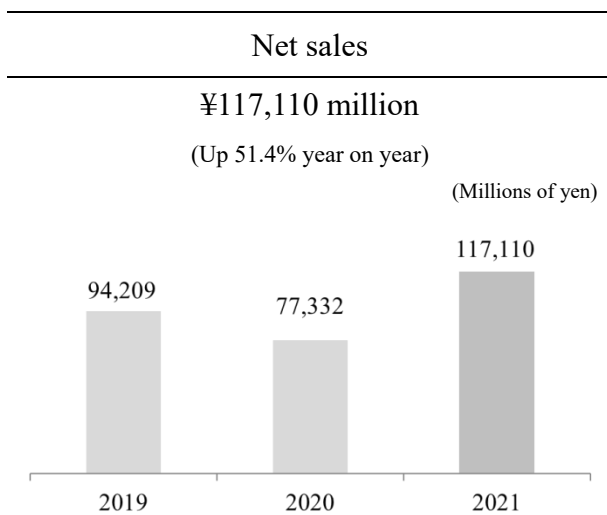
During the fiscal year under review, the Japanese economy was characterized by the prolongation of constraints on economic activity in response to the continued spread of COVID-19, such as people refraining from going out and reductions in opening times for restaurants and other establishments, which resulted in weak personal spending. On the other hand, following progress made in vaccination, restrictions on behavior were gradually lifted and economic activity began to normalize, while new demand was generated by advances in technology and quality in cutting-edge areas making use of 5G, AI and so on, as well as by the emergence of products and services to address changes and diversification in both work styles and lifestyles.

In the manufacturing industry, a demand recovery centered on automobiles, semiconductors, and electronic components had been observable since the start of the year, but mainly due to the impact of semiconductor shortages, soaring commodity prices, and supply chain tightness, supply remained insufficient to meet strong demand.

Under these circumstances, the Group has stably managed to sustain its business activities at its plant and other operations, while also implementing exhaustive infection control measures. The Group has been taking further steps to secure earnings, such as ensuring that production and inventory levels are appropriate and aligned with demand by reinforcing cooperation with suppliers regarding raw material procurement. It has also involved revising prices in accordance with volatility in crude oil and naphtha prices and the balance of supply and demand for products.

In terms of initiatives pursued under the strategies of its 3rd Medium-Term Business Plan, the Group has made steady progress in capturing growth in demand, such as by opening new facilities for refrigeration lubricant raw materials and next generation semiconductor materials, and worked to expand earnings. The Group also made the decision of approximately ¥9.5 billion capital investments to increase production capacity for refrigeration lubricant raw materials and other products at the Chiba Plant. In addition, we established an “Open Lab” at the KH i-Lab open innovation hub, and are accelerating initiatives for creating new businesses through such measures as promoting joint testing in other fields. Moreover, as well as taking steps to reduce environmental impacts, including installing new in-house power generation equipment that is expected to reduce CO₂ emissions at our Chiba Plant, we have been steadily promoting measures aimed at improving the business framework, such as by enhancing disclosure of non-financial information through the publication of our integrated report.

Accordingly, the Group’s results for the fiscal year under review included increases in both revenue and income, with net sales of ¥117,110 million (up 51.4% year on year). Operating income was ¥19,685 million (up 248.9%), ordinary income was ¥19,809 million (up 252.0%), and net income attributable to owners of parent was ¥13,691 million (up 238.3%), all of which represented new records.



(ii) Capital investments

Total capital investments during the fiscal year under review came to ¥3,639 million (including leased assets), due to a new establishment for in-house power generation equipment at Chiba Plant, etc.

(iii) Financing

The Group raises funds through loans from financial institutions, issuance of commercial papers and straight bonds.

(2) Trends in operating results and assets

Item	9th Fiscal Year (Year ended December 31, 2018)	10th Fiscal Year (Year ended December 31, 2019)	11th Fiscal Year (Year ended December 31, 2020)	12th Fiscal Year (Current fiscal year) (Year ended December 31, 2021)
Net sales (Millions of yen)	101,199	94,209	77,332	117,110
Ordinary income (Millions of yen)	11,197	9,896	5,627	19,809
Net income attributable to owners of parent (Millions of yen)	6,737	6,917	4,046	13,691
Basic earnings per share (Yen)	182.77	187.09	109.12	368.95
Total assets (Millions of yen)	94,035	102,261	95,508	122,069
Net assets (Millions of yen)	38,304	43,522	45,884	57,505

Notes: The Group has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting and relevant guidance from the beginning of the 10th fiscal year (fiscal year ended December 31, 2019), and the amount of total assets for the 9th fiscal year (year ended December 31, 2018) represents the amount after the retrospective application of this accounting standard and relevant guidance.

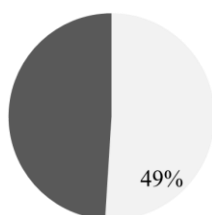
Note: For the amounts shown in this business report, figures less than one unit of display are rounded down.

Results by business field

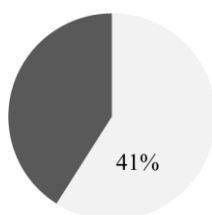
The Group is primarily engaged in the development, manufacture and sale of petrochemical products. As the business of the Group consists of a single segment, the chemical business, segment information is not provided. Furthermore, the overview of business and main products are current as of December 31, 2021.

Basic Chemicals

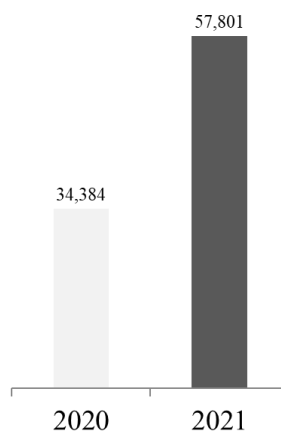
Basic Chemicals
proportion of total net
sales



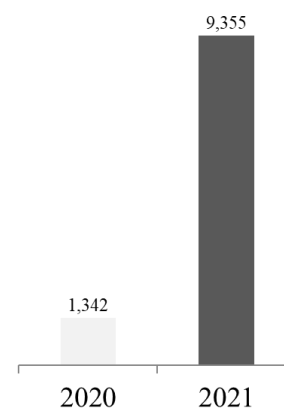
Basic Chemicals
proportion of total
operating income



Net sales
(Millions of yen)



Operating income
(Millions of yen)



Overview of business

This field manufactures and sells solvents, plasticizer raw materials and resin raw materials for use in various industrial fields, utilizing the Company's core technology.

Main products

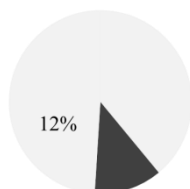
Butyl alcohol
2-ethyl hexyl alcohol
Isononyl alcohol (INA)
Butyl acetate

Key points of results

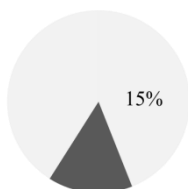
Strong demand for both solvents and plasticizer raw materials continued throughout the fiscal year under review. The tightening of supply relative to demand led to soaring prices in the overseas market and a significant improvement in the profitability of exports, in addition to which there was a contribution from price revisions in the domestic market. As a result, net sales came to ¥57,801 million (up 68.1% year on year), and operating income of ¥9,355 million (up 597.1%).

Electronic Materials

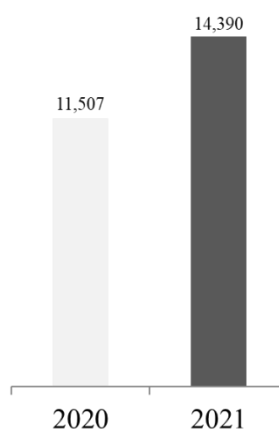
Electronic Materials
proportion of total net
sales



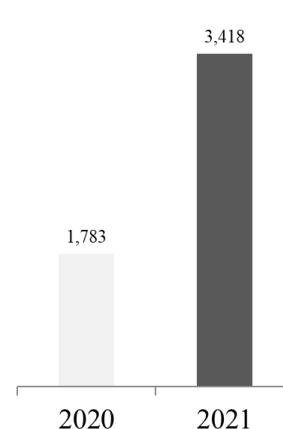
Electronic Materials
proportion of total
operating income



Net sales
(Millions of yen)



Operating income
(Millions of yen)



Overview of business

This field manufactures and sells high-purity solvents, etc. for use in production processes for semiconductor and LCD substrates, utilizing a fusion between the Company's high-purity technology and its quality control technology.

Main products

Propylene glycol monomethyl ether-P (PM-P)

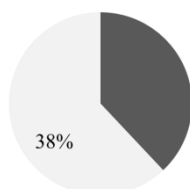
Propylene glycol monomethyl ether acetate-P (PMA-P)

Key points of results

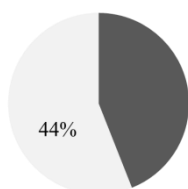
Strong demand from the previous fiscal year, primarily related to semiconductors, continued during the fiscal year under review. Rising prices caused by the tightening of supply relative to demand, soaring of raw material prices and growing needs for high quality, as a result of which net sales came to ¥14,390 million (up 25.1% year on year), and operating income of ¥3,418 million (up 91.7%).

Performance Materials

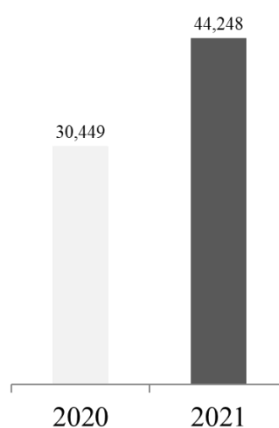
Performance Materials
proportion of total net
sales



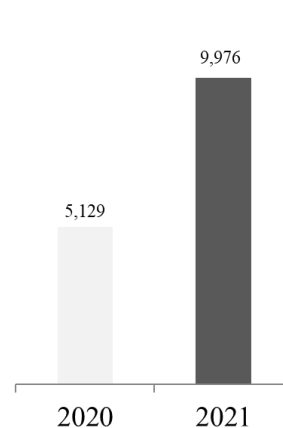
Performance Materials
proportion of total
operating income



Net sales
(Millions of yen)



Operating income
(Millions of yen)



Overview of business

This business field was pioneered based on the synthesis technology cultivated in the Basic Chemicals field, and manufactures and sells refrigeration lubricant raw materials for air conditioners and refrigerators etc., cosmetic ingredients and so on.

Main products

Isononanoic acid

2-ethyl hexanoic acid

Tridecanol (tridecyl alcohol)

1,3-butylene glycol

Diacetone acrylamide (DAAM)

Key points of results

Sales of the Company's refrigeration lubricant raw materials were strong throughout the fiscal year under review, driven by increases in production and sales of environmentally friendly air conditioners in China and elsewhere. In cosmetic ingredients, domestic demand was weak due to demand related to inbound tourism did not recover, but certain overseas markets saw a recovery in demand. As a result, net sales was ¥44,248 million (up 45.3% year on year) and operating income was ¥9,976 million (up 94.5%).

Others

Key points of results

In the Other field, net sales was ¥669 million (down 32.5% year on year) and operating income was ¥108 million (down 50.1%).

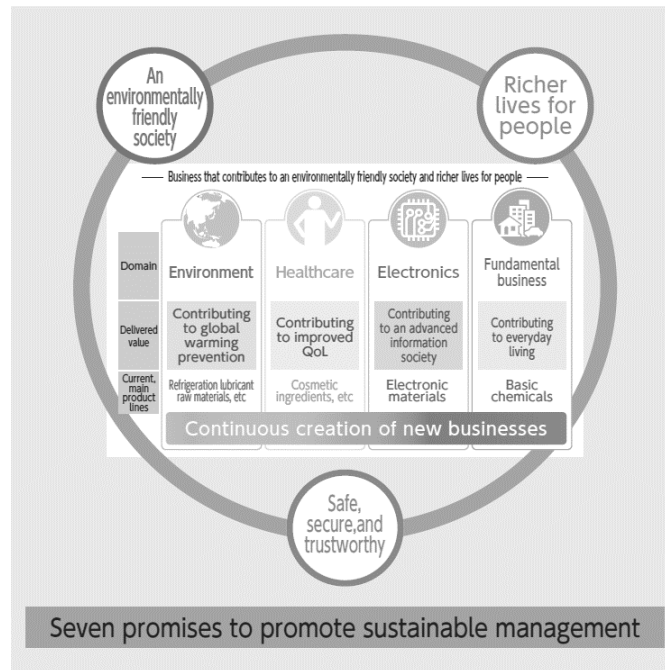
Note: When calculating "operating income" in results by business field, administrative expenses, etc., which are common to the entire company, are not allocated.

(3) Issues to be addressed

Toward the achievement of our VISION 2030, the Group set the 3rd Medium-Term Business Plan (MTBP) started in FY2019 “Taking on New Challenges” as a step towards a new stage of growth and we have forged ahead with various measures to this end. During the period, the Group experienced in FY2020 a considerable but temporary decline in earnings and some challenging situations under the influence of the spread of COVID-19. Nevertheless, the business environment rapidly ameliorated in FY2021 with the highest consolidated operating income in the past. That enabled the Group to significantly exceed management’s numerical targets in the final year of the 3rd MTBP. Moreover, the Group successfully bolstered the financial base by executing strategies towards growth in the medium and long term and by accumulating shareholders’ equity through steady earnings growth.

On the other hand, with the accelerated global efforts to implement the sustainable development goals (SDGs), corporate social responsibility is increasingly more important. The Group has thus far contributed to resolving social issues by providing products that are beneficial both to the environment and to people’s lives. We will accelerate this trend going forwards by delivering value in various forms through our businesses to help achieve a sustainable society. We hope to achieve sustainable growth of the Group together with society. Specifically, we declared to stakeholders our “Seven Promises” to drive sustainable management in accordance with which we have determined “Materiality” (material issues) for the Group. In addressing them, the Group will work in good faith by ensuring continuous monitoring.

Sustainable management of the KH Neochem Group



“Seven Promises” and “Materiality” to Drive Sustainable Management

	Seven Promises	Materiality
1	We will develop businesses that help resolve social issues	(i) Expansion of social problem-solving businesses centered on strategic domains (ii) Promotion of innovation (iii) Strengthening of intellectual property strategies to strengthen the foundation for growth
2	We will conduct business conscious of reducing our impact on the environment	(iv) Improvement of energy efficiency and reduction and management of CO ₂ and other emissions (v) Proper management of chemical substances
3	We will strive to secure trust through safe and stable operations	(vi) Safety and disaster prevention at plants with consideration of the local region (vii) Responsible and stable supply to customers
4	We will practice management transparency with high ethical standards	(viii) Strengthening of corporate governance and risk management (ix) Compliance (x) Transparent and responsible communication with stakeholders
5	We will provide a lively work environment that motivates and rewards diverse human resources.	(xi) Health and safety of employees (xii) Human Resource Development and Recruitment to support sustainable management (xiii) Improvement of employee engagement and creation of comfortable workplaces to improve productivity
6	We will promote responsible supply chain management	(xiv) Promotion of Corporate Social Responsibility (CSR) procurement
7	We will strengthen our earning power	(xv) Optimization of business portfolio for stable profit generation (xiv) Pursuit of higher productivity and efficiency at plants

In the 4th MTBP to start in FY2022, we will further develop the strategy formulated under the 3rd MTBP and will execute the following Basic Strategy:

Strategy I: We will promote various measures to achieve further growth in the strategic domains set in our VISION 2030 (Environment, Electronics, Healthcare). For example, we plan to steadily implement large-scale capital investment projects for refrigeration lubricant raw materials and other resources. We also plan to expand our sales in cutting-edge areas by utilizing facilities for next-generation semiconductor materials.

Strategy II: We will seek to achieve carbon neutrality by 2050 as one of our initiatives to resolve social issues in the medium and long term. We will implement a range of initiatives for our milestone to achieve in 2030 a 30% reduction in greenhouse gas emissions from 2017 levels. In addition, we will make a significant contribution to global warming prevention by expanding our supply of refrigeration lubricant raw materials suitable for environmentally friendly refrigerants.

Strategy III: To improve the business framework that supports these activities, we are striving to enhance safety and productivity by promoting “smart security” and to improve workplace environments. On April 4, 2022, the Company will transfer our listing to the Prime Market, a newly created segment at the Tokyo Stock Exchange. As a Prime-listed company, we aim to achieve sustainable growth and enhance our corporate value. To this end, we are actively working to strengthen corporate governance even further by ensuring sufficient diversity and by releasing information in accordance with the Task Force on Climate-related Financial Disclosures (TCFD).

In terms of numerical targets for management, we aim to achieve Accumulated consolidated operating income of ¥48.6 billion, Accumulated consolidated EBITDA of ¥63.5 billion, and ROE of at least 15% over the period of the 4th MTBP.

<Basic Strategy>	<Numerical Targets for Management> (Billions of yen)	
Strategy I <u>Further Growth in Strategic Domains</u>	Accumulated consolidated operating income	Accumulated consolidated EBITDA
Strategy II <u>Medium- to Long-term Initiatives to Resolve Social Issues</u>		
Strategy III <u>Improvement of Business Framework</u>	The 3rd MTBP The 4th MTBP	The 3rd MTBP The 4th MTBP

In FY2022, the first year of the 4th MTBP, we will steadily implement a variety of measures in accordance with the basic strategy. At the same time, we will manage potential risks appropriately so as to control the impact on the Group's businesses, while paying attention to the COVID-19 and maintaining strict infection prevention measures.

We ask all our shareholders for your continued support.

(4) Major parent company and subsidiaries

(i) Parent company

There is no relevant information.

(ii) Major subsidiaries

Company name	Capital	The Company's voting rights ratio	Principal business
Kurogane Kasei Co., Ltd.	¥90 million	70.9%	Contracted manufacture of High-performance organic materials for the fields of electronics & information technology
Kurogane Fines Inc.	¥10 million	71.0% (61.0%)	Sale of products including raw materials for health foods and pharmaceuticals, and industrial chemical products
KH Neochem Americas, Inc.	US\$870 thousand	100.0%	Import, export and sale of chemicals

Notes:

- Values in the parentheses under "The Company's voting rights ratio" regarding Kurogane Fines Inc. are the portion of indirect holdings that is included in the values outside the parentheses.
- In regard to "The Company's voting rights ratio" figures less than one unit of display are rounded to the nearest unit.

(5) Principal offices, plants, etc. (As of December 31, 2021)

(i) The Company

Category	Location, etc.
Head Office	Chuo-ku, Tokyo
Plant	Yokkaichi Plant (Yokkaichi-city, Mie) Chiba Plant (Ichihara-city, Chiba)
Laboratory	R&D Center (Yokkaichi-city, Mie) KH i-Lab (Kawasaki-city, Kanagawa)
Branch Office	Osaka Branch Office (Osaka-city, Osaka)

(ii) Subsidiaries

Category	Company name	Location of head office
Japan	Kurogane Kasei Co., Ltd.	Nagoya-city, Aichi
	Kurogane Fines Inc.	Nagoya-city, Aichi
Overseas	KH Neochem Americas, Inc.	Illinois, U.S.A.

(6) Employees (As of December 31, 2021)

Employees of the corporate group

Number of employees (Year-on-year change)	Average age	Average years of service
809 (Decrease of 20)	39.6	15.1 years

Notes:

1. The number of employees includes employees on secondment from outside of the corporate group but does not include employees on secondment to outside of the corporate group.
2. The number of temporary employees such as part-time employees is not included.

(7) Principal lenders (As of December 31, 2021)

(Millions of yen)

Lender	Balance of borrowing
Mizuho Bank, Ltd.	4,405
Mizuho Trust & Banking Co., Ltd.	3,985
Sumitomo Mitsui Trust Bank, Limited	2,286
Resona Bank, Limited	1,866

(8) Other significant matters concerning current status of the corporate group

There is no relevant information.

2. Current Status of the Company

(1) Shares (As of December 31, 2021)

- (i) Total number of shares authorized to be issued 136,200,000 shares
- (ii) Total number of issued shares 37,149,400 shares
(including 404 shares of treasury stock)
- (iii) Number of shareholders 5,285
- (iv) Major shareholders

Name of shareholders	Number of shares held	Holding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	5,630,800	15.16
Custody Bank of Japan, Ltd. (Trust account)	2,833,600	7.63
Tosoh Corporation	1,852,000	4.99
TAIYO FUND, L.P.	1,741,400	4.69
STATE STREET BANK AND TRUST COMPANY 505227	1,193,000	3.21
Custody Bank of Japan, Ltd. (Trust account 9)	1,105,700	2.98
NORTHERN TRUST CO.(AVFC) RE UKUC UCITS CLIENTS NON LENDING 10PCT TREATY ACCOUNT	955,200	2.57
Northern Trust Co.(AVFC)Sub a/c USL Non-Treaty	919,080	2.47
THE BANK OF NEW YORK MELLON 140051	895,300	2.41
TAIYO HANEI FUND, L.P.	870,100	2.34

Note: The holding ratio is calculated based on the total number of issued shares, from which shares of treasury stock have been subtracted, and with fractions less than one unit of display rounded to the nearest unit.

(2) Share acquisition rights, etc.

- (i) Share acquisition rights held by the Company's Officers at the end of the current fiscal year which were delivered as compensation for their performance of duties
There is no relevant information.
- (ii) Share acquisition rights granted to employees, etc. as compensation for their performance of duties during the current fiscal year
There is no relevant information.

(3) Cross-shareholding shares held by the Company

- (i) Status of cross-shareholding shares held

The Company holds the shares of companies with which it deems it important to maintain transactions and create synergies over the medium to long term, based on mutual understanding of management policies, the nature of the businesses, and the value of sales and purchasing transactions (hereinafter referred to as the "cross-shareholding shares"). It does this for the purpose of enhancing corporate value. As of December 31, 2021, the total value of cross-shareholdings recorded in assets on the balance sheet was ¥6,645 million, accounting for 13.0% of total net assets. Of these, approximately 50% consists of shareholdings in unlisted companies. Of this 50%, approximately 90% consists of shares in key raw material manufacturers and joint facility management companies established through joint investments with affiliates for the purpose of ensuring stable supply of key raw materials and improving the efficient business operations of the industrial complex as a whole. In that sense, it is precisely as part of a business investment that these shares are held.

For shares in listed companies, the Company views the rationale for each cross-shareholding, including appraisal losses and gains, shareholder returns, the financial condition of the issuing company, the status of transactions with the Company, and whether there have been any infringements of compliance. Decisions on whether to continue holding the shares are based on a comprehensive medium- to long-term perspective that includes the contribution to the Company's earnings mainly through product sales, comparisons to the cost of capital, access to market information, and R&D initiatives. These are

discussed and verified by the Board of Directors every year. In cases where, as a result, the appropriateness of the holding cannot be confirmed, or is not expected to be confirmed in the future, the shares will not be held.

Around 10% of the value recorded in the balance sheet representing listed shares held as of December 31, 2021 is scheduled to be cut in 2022.

(ii) Exercising voting rights for cross-shareholding shares

When exercising voting rights, before coming to a judgment as to whether or not to support the resolution, the Company takes into account the condition of the issuer's management and finances, and verifies whether there have been any infringements of compliance. These are verified separately by the division in charge of finance, the division in charge of legal affairs, and the division in charge of trading, and when necessary a comprehensive decision will be taken after dialogue with the issuing company.

(4) Directors and Audit & Supervisory Board Members

(i) Directors and Audit & Supervisory Board Members (As of December 31, 2021)

Position in the Company	Name	Responsibility in the Company and significant concurrent positions outside the Company
Representative Director President & Chief Executive Officer	Michio Takahashi	
Board Director and Senior Corporate Officer	Toshihiro Matsuoka	In charge of Purchasing, Production Planning and Engineering, Plants and Environment, Safety, and Quality Assurance
Board Director and Senior Corporate Officer	Tatsuro Niiya	In charge of Corporate Planning, Business Development, Sales & Marketing, Business Services, and Logistics
Board Director and Senior Corporate Officer	Masaya Hamamoto	In charge of Accounting and Finance, Investor Relations, Public Relations, General Affairs, Legal and Compliance, Internal Audit, Risk Management, and Promotion of ESG
Board Director and Corporate Officer	Yukihiro Isogai	In charge of HR, IT Strategy, R&D, Intellectual Property, and Information Security
Outside Director (Independent Director)	Sayoko Miyairi	Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation
Outside Director (Independent Director)	Jun Tsuchiya	CEO of Tsuchiya International Consulting Corp Outside Director of Soken Chemical & Engineering Co., Ltd.
Outside Director (Independent Director)	Yuji Kikuchi	Partner and attorney at law of Tokyo Hatchobori Law Office Outside Corporate Auditor of NEC Networks & System Integration Corporation
Full-time Audit & Supervisory Board Member	Tokuo Oodo	
Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Kazuhiro Kawai	Outside Corporate Auditor of Kiraboshi Bank, Ltd.
Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Keiko Tamura	Partner attorney at law of Asahi Law Offices Outside Director (Audit and Supervisory Committee Member) of ODELIC CO., LTD. Outside Audit & Supervisory Board Member of The Norinchukin Trust & Banking Co., Ltd.

Notes:

1. Ms. Sayoko Miyairi's name as recorded in her family register is Sayoko Ibaraki.
2. There are no important transactional or other particular relationships between the Company and the companies at which Outside Directors and Outside Audit & Supervisory Board Member hold significant concurrent positions.

3. Changes in position and responsibility in the Company and significant concurrent positions outside the Company during the current fiscal year were as follows.

Name	Before changes	After changes	Date of changes
Toshihiro Matsuoka	Board Director Senior Corporate Officer General Manager of Production & Technology Office	Board Director Senior Corporate Officer In charge of Purchasing, Production Planning and Engineering, Plants and Environment, Safety, and Quality Assurance	April 1, 2021
Tatsuro Niiya	Board Director Senior Corporate Officer General Manager of Business Headquarters Office	Board Director Senior Corporate Officer In charge of Corporate Planning, Business Development, Sales & Marketing, Business Services, and Logistics	April 1, 2021
Masaya Hamamoto	Board Director Senior Corporate Officer In charge of Corporate Functions (Accounting and Risk Management)	Board Director Senior Corporate Officer In charge of Accounting and Finance, Investor Relations, Public Relations, General Affairs, Legal and Compliance, Internal Audit, Risk Management, and Promotion of ESG	April 1, 2021
Yukihiro Isogai	Board Director Corporate Officer General Manager of R&D Office and Head of Innovation Strategies Office	Board Director Corporate Officer In charge of HR, IT Strategy, R&D, Intellectual Property, and Information Security	April 1, 2021
Kazuhiro Kawai	Outside Corporate Auditor of Kiraboshi Bank, Ltd. Corporate Auditor of Japan Management Systems, Inc.	Outside Corporate Auditor of Kiraboshi Bank, Ltd.	June 4, 2021

4. Messrs. Tokuo Oodo, Kazuhiro Kawai, and Ms. Keiko Tamura possess considerable knowledge of finance and accounting as Audit & Supervisory Board Members of the Company as described below.

- (i) Mr. Tokuo Oodo had been serving in the Accounting Division of the Company for many years, and has experience of accounting and financial operations.
- (ii) Mr. Kazuhiro Kawai has many years of work experience and experience as an audit & supervisory board member mainly at financial institutions.
- (iii) Ms. Keiko Tamura possesses broad expertise in the financial field and corporate legal affairs as an attorney at law, and experience as an audit & supervisory board member mainly at financial institutions.

5. Overview of content of limited liability agreement

Under Article 427, paragraph (1) of the Companies Act and the provisions of the Company's Articles of Incorporation, the Company has entered into agreements with three Outside Directors and three Audit & Supervisory Board Members to limit their liability for damages as provided for in Article 423, paragraph (1) of the Companies Act.

The maximum amount of liability for damages under the said agreement shall be the amount stipulated by laws and regulations.

6. Overview of Directors and Officers liability insurance agreement

The Company has concluded a Directors and Officers liability insurance agreement with an insurance company in accordance with Article 430-3, paragraph (1) of the Companies Act, and the agreement covers legally required compensation for damages and lawsuit costs borne by the insured person.

The insureds in this agreement are all Directors, Audit & Supervisory Board Members and others (including those of subsidiaries) and the Company bears the premiums.

7. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ms. Sayoko Miyairi, Messrs. Jun Tsuchiya, Yuji Kikuchi, Kazuhiro Kawai and Ms. Keiko Tamura have been designated as Independent Directors and Audit & Supervisory Board Members as provided for by the aforementioned stock exchange.

(Reference) Corporate Officers (As of December 31, 2021)

Position in the Company	Name	Responsibility in the Company
Corporate Officer	Seiji Saito	General Manager of Yokkaichi Plant
Corporate Officer	Toshiaki Ogata	Seconded to Kurogane Kasei Co., Ltd. (President & Chief Executive Officer)
Corporate Officer	Akio Nakahashi	General Manager of Chiba Plant
Corporate Officer	Yoshiaki Kondo	Head of Environment, Safety and Quality Assurance
Corporate Officer	Hideki Shimizu	Head of Corporate Planning
Corporate Officer	Isao Takahashi	Head of Corporate Administration, Public Relations, Legal and Compliance
Corporate Officer	Akira Kamimura	Head of Accounting, FP&A, Finance and IR
Corporate Officer	Atsushi Tokumitsu	Head of Procurement
Corporate Officer	Katsunori Sato	Head of Sales & Marketing

(ii) Amount of remuneration, etc. for Directors and Audit & Supervisory Board Members

Total amount of remuneration, etc. for the current fiscal year

	Number of Directors and Audit & Supervisory Board Members	Total amount of remuneration, etc. by type (Millions of yen)			Total amount of remuneration, etc. (Millions of yen)
		Monetary remuneration		Share-based remuneration	
		Fixed remuneration	Performance-linked remuneration	Performance-linked remuneration	
Director	8	129	29	34	193
(of which, Outside Director)	(3)	(25)	(-)	(-)	(25)
Audit & Supervisory Board Member	3	35	-	-	35
(of which, Outside Audit & Supervisory Board Member)	(2)	(14)	(-)	(-)	(14)
Total	11	165	29	34	229
(of which, Outside Director and Outside Audit & Supervisory Board Member)	(5)	(39)	(-)	(-)	(39)

Notes

- Remunerations, etc. for Directors do not include the employee salaries paid to the Directors who concurrently serve as employees.
- The share-based remuneration shows the amount recorded as expenses during the fiscal year under review in accordance with the Board Benefit Trust (BBT) performance-linked share-based remuneration plan, which was continued by resolution at the 11th Ordinary General Meeting of Shareholders held on March 23, 2021.

a. Matters concerning performance-linked remuneration, etc.

- Performance indicators and reasons for their selection

The Company strives to enhance its growth potential and efficiency with the aim of sustainably increasing corporate value. To such ends, the Company uses consolidated EBITDA (=Operating income + depreciation + amortization of goodwill) as a performance indicator with respect to the Company's performance-linked remuneration for its Directors (excluding Outside directors), considering the characteristics of the Company's business and other factors.

- **Method for calculating performance-linked remuneration amounts and quantitative values**

The Company has incorporated monetary remuneration and share-based remuneration into its performance-linked remuneration for Directors (excluding Outside Directors). The monetary remuneration component of the performance-linked remuneration is calculated using the percentage of progress made toward achieving the yearly budget with respect to consolidated EBITDA combined with the average proportion of progress made over the last five years. When it comes to payment, the total annual amount of performance-linked remuneration and fixed remuneration is paid out monthly on a prorated basis over each of the twelve months.

For share-based remuneration as performance-linked remuneration, based on a resolution at the 8th Ordinary General Meeting of Shareholders held on March 27, 2018, the Company introduced a Board Benefit Trust (“BBT”) as its performance-linked share remuneration system, which it has continued based on a resolution at the 11th Ordinary General Meeting of Shareholders held on March 23, 2021. The purpose of this Plan is to further increase the linkage with corporate performance, and clarify the linkage between remuneration for Directors and the stock value of the Company at the same time, having the Directors share with our shareholders not only the merits of the increase in the stock price, but also the risk of the decrease in the stock price, thereby increasing awareness of the Directors to contribute to the medium- to long-term improvement in the business performance and to the enhancement of corporate value. Under the Plan, upon retirement those eligible receive payment of remuneration, etc. equivalent to points they have accumulated under the Plan. Calculated using the percentage of progress made toward achieving the yearly budget with respect to consolidated EBITDA, points are granted every March on the condition that the Company has generated a positive consolidated Operating income. As for payment, the Company provides the Company’s shares on a “one point per one share” basis with respect to 70% of points accumulated, and pays a monetary amount calculated by multiplying the market value of the shares on the date of retirement with respect to 30% of the points accumulated.

Specific details regarding such arrangements are stipulated in the “Rules for Delivery of Shares to Officers” as determined by the Board of Directors.

- **Results in relation to the performance indicators**

Consolidated EBITDA trends including that of the fiscal year under review are shown below.

	6th Fiscal Year–10th Fiscal Year average value (Fiscal Year ended December 31, 2015 to Fiscal Year ended December 31, 2019)	11th Fiscal Year (Fiscal Year ended December 31, 2020)	12th Fiscal Year (fiscal year under review) (Fiscal Year ended December 31, 2021)
Consolidated EBITDA (Millions of yen)	12,915	9,514	24,189

b. **Share-based remuneration (non-monetary remuneration, etc.)**

The performance-linked share-based remuneration plan introduced by the Company has been described under the heading “method for calculating performance-linked remuneration amounts and quantitative values” above. The total number of the points above to be granted to the Directors (excluding Outside Directors) as remuneration, etc. for the fiscal year under review is 12,437 points.

c. Matters concerning decisions on the amount of remuneration, etc. for Directors and Audit & Supervisory Board Members per resolution at the General Meeting of Shareholders

The maximum amount of remuneration, etc. for the Company's Directors and Audit & Supervisory Board Members was resolved as follows.

Eligible persons	Type of remuneration, etc.	Maximum value and number of points (number of shares)	Resolution at the General Meeting of Shareholders	No. of eligible persons upon conclusion of said meeting
Directors (including Outside Directors)	Monetary remuneration	No more than ¥200 million per year (however, this does not include the employee salary portion for Directors who concurrently serve as employees)	Extraordinary General Meeting of Shareholders as of March 31, 2011	8
Director (excluding Outside Director)	Share-based remuneration	<ul style="list-style-type: none"> • Contribute monies to the trust, up to ¥110 million every three fiscal years • Maximum number of points (number of shares) to be granted each fiscal year: 35,000 points (35,000 shares) 	11th Ordinary General Meeting of Shareholders held on March 23, 2021	5
Audit & Supervisory Board Member	Monetary remuneration	No more than ¥50 million per year	Extraordinary General Meeting of Shareholders on March 31, 2011	3

d. Policy on decisions pertaining to remuneration, etc. for individual Directors

• Method of determining policy for decisions

The Company's Board of Directors is to consult with the Company's voluntary Audit & Supervisory Board, which has consisted of all Outside Directors and the Representative Director, the President & Chief Executive Officer since fiscal 2019, requesting the Committee to review remuneration, etc. of the Company's Directors. Accordingly, The Board of Directors adopted a resolution on policy regarding making decisions on remuneration, etc. for individual Directors (hereinafter referred to as the "Decision-making Policy") at its meeting held on January 27, 2021, in view of the reports received from the Audit & Supervisory Board.

• Overview of the Decision-making Policy

Basic policies on remuneration of the Directors (excluding Outside Directors) are as follows.

- Director remuneration is to serve as sufficient incentive for Directors to improve business performance and increase corporate value over the medium to long term.
- Director remuneration is to give rise to competitive strengths that facilitate capacity to gain diverse and outstanding talent.
- Director remuneration is to cause Directors to have common interests with shareholders and other stakeholders.

Director remuneration (excluding Outside Directors) specifically consists of monetary remuneration in the form of fixed remuneration and performance-linked remuneration, as well as performance-linked share-based remuneration involving a trust. Decisions on remuneration, etc. are to be made within a remuneration range resolved at the General Meeting of Shareholders, and remuneration, etc. is to be set at appropriate levels enlisting third-party surveys on compensation of business managers in Japan (hereinafter referred to as, “Managerial Compensation Surveys”).

The fixed remuneration component of monetary remuneration consists of an annual amount in alignment with a Director’s roles, position and other factors, and is paid out monthly on a prorated basis over each of the twelve months of the year. Moreover, policy regarding the monetary performance-linked remuneration and performance-linked share-based remuneration are described under the headings “a. Matters concerning performance-linked remuneration, etc.” and “b. Share-based remuneration (non-monetary remuneration, etc.)” above.

Remuneration of the Outside Directors is limited to the fixed remuneration component of monetary remuneration which is set in view of such Directors’ roles and independence, and is paid out monthly on a prorated basis over each of the twelve months of the year.

e. Ratio of remunerations, etc. for Directors by type

When it comes to the proportional mix of remuneration, etc. for Directors (excluding Outside Directors) by component type, overall remuneration is structured such that the higher a Director’s position, the higher the performance-linked and share-based remuneration weightings, upon referring to remuneration, etc. at listed enterprises comparable to the Company cited in Managerial Compensation Surveys.

The Company’s voluntary Audit & Supervisory Board reports specific details in this regard to the Board of Directors upon having conducted a review. The Board of Directors then determines the proportional mix of remuneration types while accordingly respecting details that have been reported by the Audit & Supervisory Board.

f. Matters concerning third-party delegation

When it comes to the monetary remuneration component of the remuneration, etc. for Directors, the task of making specific decisions on an individual basis in that regard is delegated to the Representative Director, the President & Chief Executive Officer. When the Board of Directors delegates the task of making decisions on amounts of individual remuneration, etc. to the Representative Director, the President & Chief Executive Officer, the Board of Directors consults with the Audit & Supervisory Board with regard to formulation of a draft thereof, in order to ensure appropriateness of remuneration levels and transparency of performance evaluations, adhering to the resolution of the General Meeting of Shareholders. Then the Representative Director, the President & Chief Executive Officer must make such decisions in accordance with reports made by the Committee.

g. Reasons the Board of Directors has deemed that remuneration, etc. for individual Directors pertaining to the fiscal year under review aligns with the Decision-making Policy

When it comes to making decisions on remuneration, etc. for individual Directors, the Audit & Supervisory Board comprehensively examines the draft thereof, including its consistency with the Decision-making Policy, and the

Board of Directors respects the report from the Committee and deems the decisions align with the Decision-making Policy.

h. Matters concerning delegation of decisions on remuneration, etc. for individual Directors

The Representative Director, the President & Chief Executive Officer has made decisions on monetary remuneration for Directors during the current year under review, per resolution on delegating to the Representative Director, the President & Chief Executive Officer Michio Takahashi the task of making specific decisions regarding individual remuneration, etc. for Directors, approved at the Board of Directors meeting held on March 23, 2021.

The reason for delegating such decisions to the Representative Director, the President & Chief Executive Officer is that the Representative Director, the President & Chief Executive Officer is best suited to the task of assessing areas of responsibility and professional duties assumed by each Director, while taking an overhead view of business performance across the entire Company. However, when the Board of Directors delegates the task of making decisions on amounts of individual remuneration, etc. to the Representative Director, the President & Chief Executive Officer, the Board of Directors consults with the Audit & Supervisory Board with regard to formulation of a draft thereof, in order to ensure appropriateness of remuneration levels and transparency of performance evaluations, adhering to the resolution of the General Meeting of Shareholders. Then the Representative Director & the President & Chief Executive Officer must make such decisions in accordance with reports made by the Committee.

(iii) Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

Name	Position	Attendance	Status of main statements made
Sayoko Miyairi	Outside Director	Board of Directors meetings: 16 of 16 meetings	She has appropriately fulfilled her role as an Outside Director of the Company in ensuring the correctness and reasonableness of decision-making, primarily by using her standpoint as an expert in organizational and human resource development to provide opinions and recommendations on human resource development and on improving employee engagement. In addition, as a member of the Audit & Supervisory Board, she attended all six of its meetings during the fiscal year under review, supervising the process for the selection of candidates and the determination of remuneration for Directors and Audit & Supervisory Board Members of the Company from an objective and independent viewpoint.
Jun Tsuchiya	Outside Director	Board of Directors meetings: 16 of 16 meetings	He has appropriately fulfilled his role as an Outside Director of the Company in ensuring the correctness and reasonableness of decision-making, primarily by using his standpoint as an expert in management and technology to provide opinions and recommendations on the business of the Company as a whole. In addition, as a member of the Audit & Supervisory Board, he attended all six of its meetings during the fiscal year under review, supervising the process for the selection of candidates and the determination of remuneration for Directors and Audit & Supervisory Board Members of the Company from an objective and independent viewpoint.
Yuji Kikuchi	Outside Director	Board of Directors meetings: 16 of 16 meetings	He has appropriately fulfilled his role as an Outside Director of the Company in ensuring the correctness and reasonableness of decision-making primarily by using his expert standpoint as an attorney to provide opinions and recommendations on risk management and strengthening corporate governance. In addition, as a member of the Audit & Supervisory Board, he attended all six of its meetings during the fiscal year under review, supervising the process for the selection of candidates and the determination of remuneration for Directors and Audit & Supervisory Board Members of the Company from an objective and independent viewpoint.
Kazuhiro Kawai	Outside Audit & Supervisory Board Member	Board of Directors meetings: 16 of 16 meetings Audit & Supervisory Board meetings: 12 of 12 meetings	At meetings of the Board of Directors he has made statements aimed at ensuring the correctness and reasonableness of decision-making, by using his standpoint as an expert in financial accounting. Also, at meetings of the Audit & Supervisory Board, he has made timely and necessary statements, particularly in relation to internal audits.
Keiko Tamura	Outside Audit & Supervisory Board Member	Board of Directors meetings: 16 of 16 meetings Audit & Supervisory Board meetings: 12 of 12 meetings	At meetings of the Board of Directors she has made statements aimed at ensuring the correctness and reasonableness of decision-making, by using her expert standpoint as an attorney. Also, at meetings of the Audit & Supervisory Board, she has made timely and necessary statements, particularly in relation to the corporate governance system.

(5) Accounting Auditor

(i) Name Deloitte Touche Tohmatsu LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc.
Amount of remuneration, etc. to Accounting Auditor for the current fiscal year	¥35 million
Total amount of money and other financial interests to be paid by the Company and its subsidiaries	¥39 million

Notes:

1. The Audit & Supervisory Board, after considering the appropriateness of elements such as the details of the Accounting Auditor's audit plan, the status of execution of audits and the grounds for calculation of remuneration, determined said elements to be suitable and approved the Accounting Auditor's remuneration, etc.
2. The audit agreement between the Company and its Accounting Auditor does not distinguish remuneration, etc. paid for audit work performed in conformity with the Companies Act and remuneration, etc. paid for audit work performed in conformity with the Financial Instruments and Exchange Act, and it is effectively impossible to do so. Therefore, the total amount of these remuneration types is presented above.
3. The Company entrusts its Accounting Auditor with the provision of services other than the (non-auditing) services specified in Article 2, paragraph (1) of the Certified Public Accountant Act, which involve advice on investigating accounting policies related to the application of the "Accounting Standard for Revenue Recognition," and pays consideration in this regard.
4. Among the Company's major subsidiaries, Kurogane Kasei Co., Ltd., and KH Neochem Americas, Inc. are audited by audit firms other than the Accounting Auditor of the Company.

(iii) Policy for decisions on dismissal or non-reappointment of Accounting Auditor

The Audit & Supervisory Board comprehensively considers factors such as the Accounting Auditor's independence, reliability and the status of the execution of their duties, and decides the details of proposals regarding the dismissal or non-reappointment of the Accounting Auditor that will be submitted to the General Meeting of Shareholders, in the event that such a proposal is deemed necessary. In such case, the Board of Directors will submit to the General Meeting of Shareholders the proposal regarding the dismissal or non-reappointment of the Accounting Auditor based on the relevant decision made by the Audit & Supervisory Board.

The Audit & Supervisory Board, with the unanimous consent of the Audit & Supervisory Board Members, shall dismiss the Accounting Auditor in the event that said Accounting Auditor is recognized as falling under any of the items provided for in Article 340, paragraph (1) of the Companies Act. In such case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the dismissal and the reasons thereof at the first General Meeting of Shareholders held following the dismissal.

3. System to Ensure Appropriateness of Operations and Operational Status of Said System

The Company, pursuant to the Companies Act and the Regulation for Enforcement of the Companies Act, has established, by a resolution of the Board of Directors, its policy regarding the establishment of a system to ensure the appropriateness of operations (so-called “internal control system”).

A summary of the content and operational status of said system is as follows.

- (1) System to ensure that the Directors and employees perform their duties in conformance with relevant laws and regulations and the Articles of Incorporation
 - (i) Believing compliance with laws and regulations and the Articles of Incorporation to be fundamental to management, the Company shall strive for thorough compliance in all business activities and implements programs including corporate ethics education and compliance awareness activities.
 - (ii) The Company shall strive to prevent acts in violation of laws, regulations and internal rules in advance by establishing a whistleblowing system and an audit body.

[Operational Status]

- We consider compliance to be the foundation of all our positions and actions in our corporate activities. We have established and released a “Compliance Code” as shared principles of behavior for the Group and are building a system to ensure compliance that includes our subsidiaries.
 - We strive to ensure compliance by establishing various compliance “Policies” offering greater clarity to supplement the “Compliance Code,” and shall implement such principles of behavior.
 - We have assigned an Officer in charge of compliance to the task of promptly addressing instances of non-compliance with a certain degree of independence.
 - We hold meetings of the Compliance Committee twice a year, whose membership includes Full-time Directors, Corporate Officers, General Managers, etc., discuss Company-wide compliance issues and measures for improvement. We furthermore strive to educate and enlighten by embracing such initiatives at the workplace level.
 - To ensure awareness among our employees (hereinafter, including Corporate Officers) of relevant laws and regulations and internal and external rules, etc., in addition to setting up various types of training and putting in place systems to confirm legal compliance, we established Legal and Compliance Week as a period to strengthen compliance and focus on implementing policies, working to increase awareness of compliance.
 - Internal controls related to financial reporting are evaluated, and reports confirming their effectiveness were submitted.
 - We have established various hotlines including external hotlines as a whistleblowing system, and in addition to preventing problems before they occur, in the case of violations, we collect information, take a strict response and make improvements as necessary. We have also established a whistleblowing hotline for receiving reports from business partners and others. In addition, we have made the existence of the whistleblowing system widely known through providing various types of training, displaying information on posters and the intranet, and other means.
 - The Auditing Division draws up the audit plan from an independent viewpoint, and performs internal audits based on that plan. Moreover, we work to maintain and operate an effective internal audit system, such as by establishing a cycle whereby each department must submit an improvements report promptly in response to issues raised by the Auditing Division.
- (2) System concerning preservation and management of information relating to execution of duties by Directors

In regard to the preservation and management of information relating to execution of duties by Directors, the Company shall clarify the information that is to be managed and the management organization, and shall carry out appropriate preservation and management in accordance with the provisions of regulations, etc.

[Operational Status]

- As well as establishing a system whereby Directors and Audit & Supervisory Board Members (hereinafter, “Officers”) can access important documents and information required for the performance of their duties at any time, based on the Information Security Policy and internal rules, we implement appropriate storage and management measures.

- We hold meetings of the Information Security Committee twice a year, whose membership includes Full-time Directors, Corporate Officers, General Managers, etc., and discuss Company-wide measures for improvement of information security. We furthermore strive to educate and enlighten by embracing such initiatives at the workplace level.
- Regarding material non-public information, we have established procedures for the control system of that information and for the trading of shares by officers and employees, in accordance with related laws and regulations and internal rules. In addition to properly handling information, we will take a strict response in the event of violations.
- In the fiscal year under review, we shifted to electronic procedures for authorization and other matters with the aim of improving the speed of decision-making and visualizing progress, and strengthened management of viewing permissions. We also enhanced searching and viewing functionality by digitizing data.

(3) Rules and other systems for managing risk of loss

- In regard to the management of risk of loss, the Board of Directors shall identify and assess the overall potential business risks of the Company.
- Each department shall identify, analyze, assess and respond to the risks that it is with jurisdiction.

[Operational Status]

- In accordance with internal rules, we collect, analyze, and evaluate risks associated with the operations of each division, updating our risk register annually. In addition, we work to reduce risks and prevent the materialization of such risks by taking appropriate measures.
- Departments with jurisdiction for risks for the Company conduct monitoring of the risks listed in the risk register, and report risks that exceed a certain level to the Board of Directors once a year.
- In order to minimize damage and strive for business continuity and recovery in the event of an emergency situation, we have set basic policies for business continuity management (BCM), and each business place has put in place a business continuity plan (BCP) based on these policies. We also implemented BCP training at business places in the fiscal year under review.
- For pension assets, we, as an asset owner, have monitored stewardship activities of organizations entrusted with asset management.
- For the cross-shareholding of listed shares, the division in charge of trading and the division in charge of finance make reports to the Board of Directors based not only on an evaluation of financial and compliance conditions, but also based on a comparison of capital costs from a quantitative perspective and the benefits of continued holding as well as ownership history from a qualitative perspective, and the Board of Directors discusses and evaluates the report yearly.
- The Company is working to formulate action guidelines related to COVID-19 and disseminate them to all officers and employees, and is continuing with its business while implementing appropriate measures to prevent infection.

(4) System to ensure the efficient execution of Directors' duties

- The Company shall set business goals with clear assignment of authority of duties and implements various measures to ensure that the Directors efficiently execute their duties.
- The Company shall regularly carry out reviews on their progress status and results.

[Operational Status]

- Having established VISION 2030 and the Medium-Term Business Plan, we implement various measures and have the Board of Directors monitor execution of duties performed by Directors in relation to such measures.
- The yearly budget and progress of measures are reported and considered from multiple angles at the Board of Directors meetings held every month in principle, and any necessary measures are adopted.
- In accordance with internal rules, resolutions and authority of the Board of Directors are determined, and operations are conducted in accordance with these rules.
- In the fiscal year under review, we introduced a system of supervising officers and delegated more authority for execution of duties with the objective of separating supervision and execution, and

speeding up decision-making. We also switched Corporate Officers from employment contracts to service agreements to clarify their responsibility.

- In order to improve the effectiveness of the Board of Directors, the Members of the Board conduct analysis, discussion and evaluation using a third-party organization, and specific measures for improvement undertaken.

- (5) System to ensure the appropriateness of operations by the corporate group comprised of the Company and its subsidiaries

To ensure the appropriateness of business operations in the corporate group, the Company shall formulate internal rules for the management of subsidiaries and associates, and shall set forth in regulations the responsibilities and authority of business execution. In addition, auditing shall be conducted by the Internal Audit Department.

[Operational Status]

- In accordance with internal rules, the role of the departments with jurisdiction over subsidiaries has been clarified, and we work to achieve a suitable understanding of material information such as the management situation through reporting in a timely manner from subsidiaries.
- Rules for important subsidiaries are maintained and revised as necessary in accordance with the enactment and revision of laws and regulations.
- Compliance infringements at key subsidiaries are reported to the Board of Directors, and measures for improvement are formulated after discussion by the Compliance Committee and at debriefing sessions with the subsidiary. In addition, the Company cooperates with key subsidiaries to hold various workshops to increase awareness of compliance.
- Appropriate management and administration of the corporate group is promoted by the dispatch or secondment of executives or employees to important subsidiaries as officers, in roles such as the President & Chief Executive Officer, to facilitate the provision of suitable guidance and supervision, in addition to which the Auditing Division conducts internal audits.

- (6) System regarding employees to assist duties of Audit & Supervisory Board Members when the Audit & Supervisory Board Members request to assign such employees, and matters regarding the independence of such employees from the Directors

When the Audit & Supervisory Board Members require support personnel to fulfill their duties, a small number of employees of the Company shall be assigned to perform a role of supporting the Audit & Supervisory Board Members' duties. If such personnel are required, the individual who directs and supervises those personnel's performance of duties shall be the relevant Audit & Supervisory Board Member and not a Director.

[Operational Status]

- In the event of a request from an Audit & Supervisory Board Member to assign employees to assist with their duties, the request shall be complied with promptly.

- (7) System that enables Directors and employees of the Company and its subsidiaries to report to Audit & Supervisory Board Members, and other systems related to reporting to Audit & Supervisory Board Members

The Directors and employees of the Company and its subsidiaries shall carry out the necessary reporting and information provision as requested by the Audit & Supervisory Board Members. In particular, they shall report to the Audit & Supervisory Board Members without delay about any discovery of actions that violate laws and regulations or the Articles of Incorporation, facts with the potential to cause significant loss to the Company, or the risk of the aforementioned occurring.

[Operational Status]

- Information on agenda items and on matters to be reported at the Board of Directors meetings is provided and explained to Audit & Supervisory Board Members beforehand.
- For cases of compliance and other infringements, Audit & Supervisory Board Members receive reports and explanations for each occurrence.
- Full-time Audit & Supervisory Board Members attend important meetings including those of the Management Committee, the Compliance Committee and the Information Security Committee.

- Directors and employees of the Company and its subsidiaries collect information of subsidiaries over which they have jurisdiction and provide appropriate and necessary information to the Full-time Audit & Supervisory Board Members.
 - Full-time Audit & Supervisory Board Members appropriately share necessary information with Outside Audit & Supervisory Board Members.
- (8) System to ensure that persons reporting to Audit & Supervisory Board Members, as outlined above in (7), are not subject to disadvantageous treatment due to having reported
- Regarding the reports given to the Audit & Supervisory Board Members from Directors and employees of the Company and its subsidiaries, the Company shall keep the details of the reports as confidential information in accordance with laws and regulations, and shall prohibit any disadvantageous treatment of persons making such reports.
- [Operational Status]
- A “Full-time Auditor hotline” has been established as a whistleblowing system. Also, in addition to making it and other hotlines known, the Company is working on a thorough policy whereby confidentiality will be strictly maintained and that unfair treatment of persons making such reports will be forbidden during the course of responses to whistleblowing.
- (9) Matters regarding the policy for handling expenses and debts incurred by the execution of duties by Audit & Supervisory Board Members
- Regarding expenses that the Audit & Supervisory Board Members recognize as necessary for the execution of their duties, when payment in advance or reimbursements or the like are requested, the Company shall swiftly handle the relevant expenses or debts.
- [Operational Status]
- When an Audit & Supervisory Board Member requests payment in advance or reimbursement or the like, the Company swiftly handles the relevant expenses or debts.
- (10) Other systems to ensure effective auditing by Audit & Supervisory Board Members
- (i) To ensure that the auditing of Audit & Supervisory Board Members is conducted effectively, Audit & Supervisory Board Members may conduct audits jointly with internal audit organizations, etc.
- (ii) Directors and employees shall provide Audit & Supervisory Board Members with information as necessary to comply with requests from Audit & Supervisory Board Members.

[Operational Status]

- Audit & Supervisory Board Members and the Auditing Division hold a communications meeting every month, with information provided on such matters as audit activity plans and retrospective analysis of audit activity. In addition, in order to achieve more effective audits, Audit & Supervisory Board Members, as necessary, cooperate with the Auditing Division and the division in charge of accounting to conduct audits.
- Reports on the result of internal audit were submitted by the Auditing Division to Audit & Supervisory Board Members.
- Directors and employees shall, in response to requests from Audit & Supervisory Board Members, work to provide appropriate and necessary information.

Furthermore, to strengthen corporate governance further and to ensure that this reflects recent changes in the social environment, the above-mentioned policy was changed by a resolution of the Board of Directors at a meeting held on January 28, 2022, and has been made available on the Company website.
(The Company’s website: <https://www.khneochem.co.jp>).

Consolidated balance sheet
(As of December 31, 2021)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets	70,291	Current liabilities	53,276
Cash and deposits	16,934	Notes and accounts payable - trade	25,640
Notes and accounts receivable - trade	33,186	Short-term borrowings	10,210
Merchandise and finished products	14,562	Current portion of long-term borrowings	3,250
Work in process	413	Lease obligations	91
Raw materials and supplies	2,909	Accounts payable - other	4,716
Other	2,288	Income taxes payable	6,214
Allowance for doubtful accounts	(4)	Provision for repairs	2,302
Non-current assets	51,778	Other	850
Property, plant and equipment	39,170	Non-current liabilities	11,288
Buildings and structures	5,881	Corporate bonds	5,000
Machinery, equipment and vehicles	10,523	Lease obligations	1,606
Land	17,549	Deferred tax liabilities	1,922
Leased assets	1,484	Retirement benefit liability	2,526
Construction in progress	1,960	Other	232
Other	1,772	Total liabilities	64,564
Intangible assets	1,825	Net assets	
Goodwill	1,243	Shareholders' equity	53,751
Other	581	Common stock	8,855
Investments and other assets	10,782	Capital surplus	6,186
Investment securities	8,176	Retained earnings	38,841
Retirement benefit asset	1,929	Treasury stock	(132)
Deferred tax assets	185	Accumulated other comprehensive income	1,166
Other	493	Unrealized gain on available-for-sale securities	1,022
Allowance for doubtful accounts	(1)	Deferred gains or losses on hedges	(0)
		Foreign currency translation adjustment	42
		Remeasurements of defined benefit plans	102
		Non-controlling interests	2,587
		Total net assets	57,505
Total assets	122,069	Total liabilities and net assets	122,069

Note: For the amounts shown, fractional numbers are rounded down to the whole unit.

Consolidated statement of income
(January 1, 2021 to December 31, 2021)

(Millions of yen)

Description	Amount	
Net sales		117,110
Cost of sales		84,876
Gross profit		32,233
Selling, general and administrative expenses		12,547
Operating income		19,685
Non-operating income		
Interest and dividend income	136	
Share of profit of entities accounted for using equity method	258	
Subsidy income	77	
Other	213	686
Non-operating expenses		
Interest expenses	102	
Loss on disposal of non-current assets	385	
Other	74	562
Ordinary income		19,809
Extraordinary income		
Gain on reversal of foreign currency translation adjustment resulting from liquidation of a foreign subsidiary	89	89
Extraordinary losses		
Impairment losses	111	111
Income before income taxes		19,788
Income taxes - current	6,523	
Income taxes - deferred	(599)	5,924
Net income		13,864
Net income attributable to non-controlling interests		173
Net income attributable to owners of parent		13,691

Note: For the amounts shown, fractional numbers are rounded down to the whole unit.

Balance sheet
(As of December 31, 2021)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets	66,335	Current liabilities	53,816
Cash and deposits	15,073	Accounts payable - trade	24,469
Accounts receivable - trade	32,896	Short-term borrowings	12,710
Merchandise and finished products	13,268	Current portion of long-term borrowings	3,250
Work in process	331	Lease obligations	91
Raw materials and supplies	2,490	Accounts payable - other	4,381
Accounts receivable - other	2,074	Income taxes payable	5,912
Other	200	Deposits received	287
Non-current assets	49,460	Provision for repairs	2,302
Property, plant and equipment	34,822	Other	411
Buildings	1,465	Non-current liabilities	10,681
Structures	2,512	Corporate bonds	5,000
Machinery and equipment	9,218	Lease obligations	1,606
Vehicles	1	Deferred tax liabilities	1,962
Tools, furniture and fixtures	364	Provision for retirement benefits	2,001
Land	16,628	Asset retirement obligations	29
Leased assets	1,484	Other	80
Construction in progress	1,923	Total liabilities	64,497
Other	1,223	Net assets	
Intangible assets	1,790	Shareholders' equity	50,277
Goodwill	1,243	Common stock	8,855
Software	544	Capital surplus	5,355
Other	2	Legal capital surplus	5,355
Investments and other assets	12,847	Retained earnings	36,198
Investment securities	6,645	Other retained earnings	36,198
Shares of subsidiaries and associates	4,291	Retained earnings brought forward	36,198
Prepaid pension costs	1,648	Treasury stock	(132)
Other	261	Valuation and translation adjustments	1,021
		Unrealized gain on available-for-sale securities	1,022
		Deferred gains or losses on hedges	(0)
		Total net assets	51,298
Total assets	115,796	Total liabilities and net assets	115,796

Note: For the amounts shown, fractional numbers are rounded down to the whole unit.

Statement of income
(January 1, 2021 to December 31, 2021)

(Millions of yen)

Description	Amount	
Net sales		109,410
Cost of sales		79,259
Gross profit		30,151
Selling, general and administrative expenses		11,381
Operating income		18,769
Non-operating income		
Interest and dividend income	419	
Other	156	576
Non-operating expenses		
Interest expenses	105	
Loss on disposal of non-current assets	382	
Other	74	563
Ordinary income		18,783
Income before income taxes		18,783
Income taxes - current	6,076	
Income taxes - deferred	(483)	5,592
Net income		13,190

Note: For the amounts shown, fractional numbers are rounded down to the whole unit.

**Independent Auditor's Audit Report concerning Consolidated Financial Statements
(TRANSLATION)**

INDEPENDENT AUDITOR'S REPORT

February 10, 2022

To the Board of Directors of KH Neochem Co., Ltd.

Deloitte Touche Tohmatsu LLC
Tokyo office
Yoshiki Okutsu [Seal]
Designated Unlimited Liability Partner
Engagement Partner
Certified Public Accountant
Kenji Uta [Seal]
Designated Unlimited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of KH Neochem Co., Ltd. ("the Company") for the fiscal year from January 1, 2021 through December 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group comprised of KH Neochem Co., Ltd. and its consolidated subsidiaries, applicable to the fiscal year ended December 31, 2021, in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and

maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the consolidated financial statements to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest

Our firm and the engagement partners do not have any interest in the Group for which disclosure is required under the provisions of the Certified Public Accountants Act.

Independent Auditor's Audit Report concerning Financial Statements (Non-consolidated)
(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 10, 2022

To the Board of Directors of KH Neochem Co., Ltd.

Deloitte Touche Tohmatsu LLC
Tokyo office
Yoshiki Okutsu [Seal]
Designated Unlimited Liability Partner
Engagement Partner
Certified Public Accountant
Kenji Uta [Seal]
Designated Unlimited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the financial statements, namely, the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the accompanying supplemental schedules (collectively, "non-consolidated financial statements, etc.") of KH Neochem Co., Ltd. ("the Company") for the 12th fiscal year from January 1, 2021 through December 31, 2021.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position of the Company and the results of its operations for the fiscal year ended December 31, 2021 in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in conformity with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of the Company's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and

maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the non-consolidated financial statements to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, etc., including the notes thereto, and whether the non-consolidated financial statements, etc. represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Audit Report of the Audit & Supervisory Board
(TRANSLATION)

AUDIT REPORT

In respect of the execution of duties of the Directors during the 12th fiscal year from January 1, 2021 through December 31, 2021, the Audit & Supervisory Board (hereinafter “we”), following the discussion among us, has prepared this audit report based on the audit report prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

1. Methods and details of audits by Audit & Supervisory Board Members and the Audit & Supervisory Board
 - (1) We have formulated an audit policy, assignment of duties among Audit & Supervisory Board Members, and other audit-related items. We have received reports from each Audit & Supervisory Board Member on the implementation and results of audits, and received reports from the Directors, etc. of KH Neochem Co., Ltd., the Accounting Auditor on their execution of duties, and requested explanations from them when necessary.
 - (2) In conformity with the auditing standards stipulated by the Audit & Supervisory Board, and in accordance with the audit policy and the assignment of duties, all Audit & Supervisory Board Members strived to achieve effective communication with the Directors, the Audit Department and other employees, worked to collect information and to improve the audit environment, while conducting the audit by the following methods.
 - i) All Audit & Supervisory Board Members attended the meetings of the Board of Directors and other important meetings, received reports from Directors and employees about the status of the performance of their duties, obtained explanations as necessary, reviewed important approval documents, and conducted investigations on the status of the business operations and assets of the Company at its head office and other principal business offices. Furthermore, the Audit & Supervisory Board Members also worked to facilitate communication and information exchange with the directors, the audit & supervisory board members and others of the subsidiaries of the Company, and received reports on the business conditions of subsidiaries as necessary.
 - ii) The Audit & Supervisory Board Members received reports periodically from the Directors and employees on the construction and status of operation of the internal control system, i.e. a system developed based on resolutions made by the Board of Directors concerning systems prescribed in Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act as necessary for ensuring that the performance of duties by the Directors conforms with laws and regulations and the Company’s Articles of Incorporation and for ensuring proper business conduct by the corporate group comprised of a stock company and its subsidiaries, as described in the Company’s business report. As necessary, Audit & Supervisory Board Members also asked for explanations from Directors and employees and expressed opinions.
 - iii) We monitored and verified whether the Accounting Auditor made appropriate audits while maintaining their independence. We received reports from the Accounting Auditor on their operations, and requested them for explanations when necessary. The Accounting Auditor notified us and we requested their explanations when necessary, concerning their establishment of a “System for Ensuring the Appropriate Execution of Duties” (matters set forth in items of Article 131 of the Regulation on Accounting of Companies) in accordance with the “Quality Control Standards for Audits” (issued by the Business Accounting Council on October 28, 2005).

Through these methods, we reviewed the business report and the accompanying supplemental schedules, financial statements (balance sheet, statement of income, statement of changes in equity and notes to the financial statements) and the accompanying supplemental schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements) for the current fiscal year.

2. Results of the Audit:

(1) Results of the audit for the business report

- (i) We have found that the business report and the accompanying supplementary schedules present fairly the current financial position of KH Neochem Co., Ltd. in conformity with applicable laws and regulations and the Articles of Incorporation.
- (ii) With respect to the execution of duties of the Directors, we have found neither improper conduct nor any material breach of applicable laws and regulations and the Articles of Incorporation.
- (iii) We have found that the resolutions of the Board of Directors regarding the internal control system are proper and correct. We have found nothing that needs to be pointed out concerning the content of the business report and the Directors' performance of their duties.

(2) Results of the audit of the non-consolidated financial statements and the accompanying supplementary schedules

We have found that the auditing methods employed by Deloitte Touche Tohmatsu LLC, Accounting Auditor, and the results thereof are appropriate and sufficient.

(3) Results of the audit of the consolidated financial statements

We have found that the auditing methods employed by Deloitte Touche Tohmatsu LLC, Accounting Auditor, and the results thereof are appropriate and sufficient.

February 15, 2022

The Audit & Supervisory Board,
KH Neochem Co., Ltd.

Full-time Audit & Supervisory Board Member

Tokuo Oodo [Seal]

Outside Audit & Supervisory Board Member

Kazuhiro Kawai [Seal]

Outside Audit & Supervisory Board Member

Keiko Tamura [Seal]