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**NOTICE OF THE 122ND ANNUAL GENERAL
MEETING OF SHAREHOLDERS**

VALQUA, LTD.

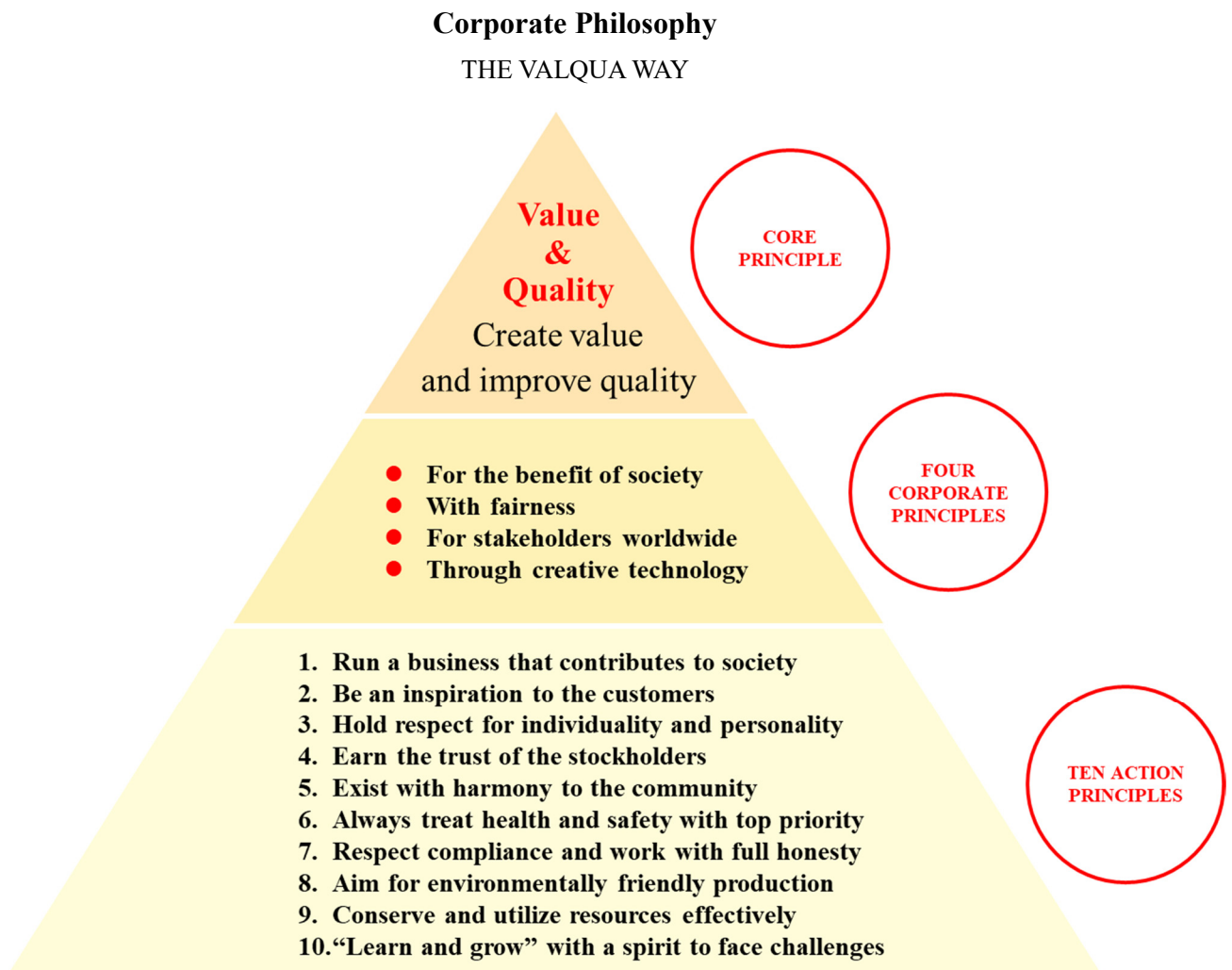
Securities code: 7995

Corporate Image we aim to become in the coming 100th anniversary

A Challenging Company that Challenges the Future and the Unknown

- To contribute to the richness of human race and global environment -

1. Endless pursuit and monitoring of growth strategy
2. Strengthening management foundation that will solidify company growth
3. Active engagement in “environment, society, and corporate governance” in becoming a better global citizen



Greetings

We thank our shareholders for their continuous patronage.

The Company has decided to hold the 122nd Annual General Meeting of Shareholders on Wednesday, June 22, 2022. You are cordially invited to attend the meeting.

In the current fiscal year, heightened global tensions brought the emergence of geopolitical risks, and the international community faced an unprecedented crisis. We are living in an era that will be characterized as a major historical turning point when we look back in the future, and we believe that we will have to continue dealing with dramatic changes as we move forward.

Despite such dramatic changes in the global situation, we have been working to strengthen our product competitiveness and supply capacity for growth markets and to reform the structure of our business in line with the strategies described in “New Frontier 2022” (NF2022), the Company’s medium-term management plan. As a result of these efforts, we have been able to achieve all-time high consolidated business performance while also completing NF2022 a year ahead of schedule, and we will launch NF2023 in the 123rd term.

Under NF2023, we will take on the challenge of laying the foundations for new growth ahead of the 100th anniversary of our founding through a “change of mindset” and “bold corporate transformation,” with the aim of being a company that continues to create new value through both Hardware and Services (H&S) to earn the trust of our customers based on “THE VALQUA WAY.”

We would like to ask our shareholders for further support.

June 2022

Toshikazu Takisawa

Representative Director, Chairman and CEO

Yoshihiro Hombo

Representative Director, President and COO

June 3, 2022

To our shareholders:

Yoshihiro Hombo
 Representative Director and President
VALQUA, LTD.
 1-1, Osaki 2-chome, Shinagawa-ku,
 Tokyo

Notice of the 122nd Annual General Meeting of Shareholders

We hereby notify you that the 122nd Annual General Meeting of Shareholders of VALQUA, LTD. (the “Company”) will be held as indicated below.

Institutional investors can utilize the electronic voting platform operated by ICJ, Inc.

1. Date and time	Wednesday, June 22, 2022, at 10:00 a.m. (JST)
2. Venue	Large Conference Room, Head Office of VALQUA, LTD. 24th Floor, ThinkPark Tower, 1-1, Osaki 2-chome, Shinagawa-ku, Tokyo
3. Purpose of the meeting	<p>Matters to be reported</p> <ol style="list-style-type: none"> The Business Report and the Consolidated Financial Statements for the 122nd fiscal year (from April 1, 2021 to March 31, 2022), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Board of Corporate Auditors The Non-consolidated Financial Statements for the 122nd fiscal year (from April 1, 2021 to March 31, 2022) <p>Matters to be resolved</p> <p>Proposal No. 1: Appropriation of Surplus Proposal No. 2: Partial Amendment to the Articles of Incorporation Proposal No. 3: Election of One Auditor</p>
4. Matters regarding the exercise of voting rights	<ol style="list-style-type: none"> In the event that the exercise of voting rights document does not indicate approval or disapproval of the proposals, it shall be treated as indicating the intention to approve the proposals. In the event that voting rights are exercised in duplicate, in writing and via the internet, etc., the vote via the internet, etc. shall be treated as valid. In the event that voting rights are exercised multiple times via the internet, etc. only the last vote exercised shall be treated as valid. In the event that voting rights are exercised by proxy on the appointed date, they may be delegated to one other shareholder who possesses voting rights. In such a case, please submit documentation which certifies the proxy rights.

5. Guide to internet-based disclosure

- (1) This notice is also posted on the Company's website (<https://www.valqua.co.jp>).
 - (2) Regarding the documents which should be attached to this notice, the "Consolidated Statement of Changes in Net Assets" and "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements as well as the "Non-consolidated Statement of Changes in Net Assets" and "Notes to the Non-consolidated Financial Statements" of the Non-consolidated Financial Statements are posted on the Company's website (<https://www.valqua.co.jp>) as stipulated by the laws and regulations and the provisions of Article 16 of the Company's Articles of Incorporation, so they are not listed in the attached documents of this notice. Accordingly, the documents attached to this notice are part of the Consolidated Financial Statements and the Non-consolidated Financial Statements that were audited by the Auditors and the Financial Auditors when preparing the audit report or the financial audit report.
 - (3) In the event that corrections are made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements, and the Consolidated Financial Statements, the edited corrections shall be posted on the Company's website (<https://www.valqua.co.jp>).
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[Attached document]

Business Report (from April 1, 2021 to March 31, 2022)

1. Status of the corporate group

(1) Progress and results of operations

1) Business overview

In the fiscal year under review, although the spread of COVID-19 was curbed to some extent, the Japanese economy faced a limited recovery in private consumption due to the impact of restrictions on activities and concerns over re-spread of infection by mutant strains of the virus, in addition to heightened caution about rising prices.

In the manufacturing industry, to which the Company belongs, although production trends were favorable, especially for capital goods, production in some industries was hampered by shortages of semiconductors and other components and the stagnation of logistics, and higher prices for raw materials and other items put pressure on corporate earnings.

Meanwhile, in overseas economies, private consumption and corporate production activities began to improve, especially in developed countries. However, the momentum of recovery slowed toward the end of the fiscal year under review, weighed down by rising distribution costs and resource prices and the re-spread of infections by mutant strains of the virus, as well as the emergence of geopolitical risks, such as Russia's invasion of Ukraine.

Under such a business environment, the Group has been working to strengthen our product competitiveness and supply capacity for growth markets such as semiconductors and to reform corporate and business structure in line with the strategies described in "New Frontier 2022" (NF2022), the three-year medium-term management plan that was in its second year in the fiscal year under review.

As a consequence, the Group reports the following consolidated results for the fiscal year under review: net sales of ¥53,167 million (18.9% increase year on year), operating profit of ¥6,972 million (100.6% increase year on year), ordinary profit of ¥7,193 million (95.8% increase year on year), and profit attributable to owners of parent of ¥4,841 million (56.7% increase year on year).

Consolidated operating profit and profit attributable to owners of parent in the fiscal year under review exceeded the management targets set under medium-term management plan NF2022, which had next fiscal year as its final year.

2) Overview of business by segment

Net sales by segment of the Group were as follows:

Category	Net sales			
	Current fiscal year	Previous fiscal year	Changes	Changes (%)
	Millions of yen	Millions of yen	Millions of yen	%
Seal Products Business	34,995	31,349	3,645	11.6
High Performance Plastics Products Business	15,088	10,742	4,346	40.5
Silicon Wafer Reclaim and Other Businesses	3,082	2,625	457	17.4
Total	53,167	44,717	8,449	18.9

(Note) Figures are rounded down to the nearest million.

(2) Capital expenditures

Capital expenditures during the fiscal year ended March 31, 2022 reached ¥4,200 million based on completed construction work. The Group primarily invested in enhancing production capacity, streamlining, doing research and development and renewing a new ERP system.

(3) Financing activities

During the fiscal year under review, the Group raised ¥1,072 million from long-term borrowings for business operations such as making capital investment.

(4) Business transfers, absorption-type company split, or incorporation-type company split

Not applicable.

(5) Transfer of business from other companies

Not applicable.

(6) Succession of rights and obligations regarding the business of another corporation, etc. due to absorption-type merger or absorption-type company split

Not applicable.

(7) Acquisition or disposal of another company's shares or other equity or share acquisition rights, etc.

Not applicable.

(8) Issues to be addressed

As we begin the fiscal year ending March 31, 2023, we have noted many uncertainties in the business environment surrounding the Company that could have an impact on the global economic recovery, such as the COVID-19 pandemic and the situation in Ukraine.

Given these business conditions, the Company formulated a two-year medium-term management plan, "New Frontier 2023" (NF2023), which started in the fiscal year ending March 31, 2023.

The plan expresses our commitment in the following basic policy:

In a rapidly changing global situation, we will uphold our customers' trust according to "THE VALQUA WAY," aiming to become a company that continues to create new value through both Hardware and Services (H&S).

1. Adopt new materials and enter new markets and businesses by accelerating a bold strategy for M&As and business alliances
2. Decisively move forward with supply chain reforms in response to increasing geopolitical risks
3. Establish an AI/IT solutions business that can continuously create value for our customers
4. Accelerate R&D and human resource development in order to expand into new business areas
5. Further strengthen existing businesses by increasing capital investment and enhancing sales channels

With this policy, we have made it more certain that we will achieve our long-term management targets of consolidated net sales of ¥80.0 billion and ROE of 15% or higher by the fiscal year ending March 31, 2027, in which we will celebrate the 100th anniversary of the Company's founding. We will also steadily accelerate these strategies while maintaining our firm commitment to further expansion of the range of our business activities.

<Business deployment>

With respect to the Seal Products Business, we will work to enhance profitability based on the selection and focus of our existing core areas while strengthening cooperation between manufacturing, sales, and engineering in new and high growth areas, further improve QCDS (Quality, Cost, Delivery and Service) from a customer perspective, and provide the Company's original seal engineering services. In the advanced industries market, where the Company expects continued growth in the future, the Company aims to expand dramatically by working diligently to enhance a global solution deployment, development and manufacturing organization for high-performance seal products.

With respect to the High Performance Plastics Business, the Company plans to increase the scale of the business and enhance profitability by actively developing new materials and creating high value-added for the business.

With respect to the Silicon Wafer Reclaim and Other Businesses, we will steadily execute investment tied to growth and improving earning capacity based on “Establish an AI/IT solutions business that can continuously create value for our customers,” which will be one of the basic policies of NF2023.

Moreover, we will apply the “core technologies” cultivated to date in new product development and existing businesses, and aggressively invest in R&D and strengthen our development system to expand into new growth areas.

With respect to the deployment of business overseas, we will further enhance our risk management system, including decisive implementation of supply chain reforms to address geopolitical risks, execute a differentiation strategy centered on the H&S Business, and expand business into new markets.

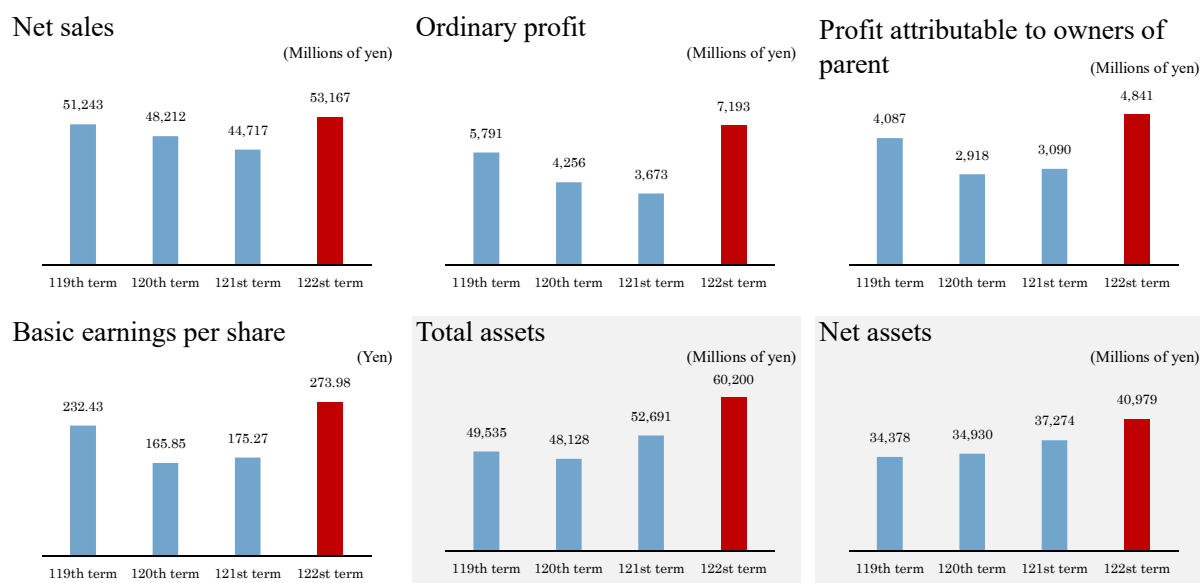
<Promotion of sustainability activities and strengthening of human resources development>

Sustainability within the Group consists of achieving sound and sustainable growth and a sustainable society based on the corporate philosophy known as “THE VALQUA WAY.” We believe we will contribute to our stakeholders around the world by promoting sustainability activities through our business activities.

Regarding human resource development, in an environment where the world faces an unprecedented crisis, we will go back to strengthening visionary management and work actively to develop core human resources who will continue to create new value by instilling “THE VALQUA WAY” into worksites.

In conjunction with the promotion of NF2023, we will take on the challenge of laying the foundations for new growth ahead of the 100th anniversary of our founding through a change of mindset and bold corporate transformation. Moreover, the entire Group will boldly take on the challenge of successfully executing the strategy together while flexibly adapting to dramatic social changes in addition to strengthening the creation of a Group system for risk management and adhering to compliance.

(9) Summary of assets and profit or loss



Category		119th term (Fiscal year ended March 31, 2019)	120th term (Fiscal year ended March 31, 2020)	121st term (Fiscal year ended March 31, 2021)	Current fiscal year (Fiscal year ended March 31, 2022)
Net sales	(Millions of yen)	51,243	48,212	44,717	53,167
Ordinary profit	(Millions of yen)	5,791	4,256	3,673	7,193
Profit attributable to owners of parent	(Millions of yen)	4,087	2,918	3,090	4,841
Basic earnings per share	(Yen)	232.43	165.85	175.27	273.98
Total assets	(Millions of yen)	49,535	48,128	52,691	60,200
Net assets	(Millions of yen)	34,378	34,930	37,274	40,979
Net assets per share	(Yen)	1,867.57	1,893.45	2,019.94	2,246.76

- (Notes)
- Figures are rounded down to the nearest million.
 - Basic earnings per share are calculated based on the average total number of issued shares, excluding treasury shares, during the term.
 - Net assets per share are calculated based on the total number of issued shares excluding treasury shares at the end of the term.
 - In the 120th term, our corporate production activities were significantly affected by the global spread of COVID-19. However, the Group worked to develop and reinforce the corporate foundation to realize “sound and sustainable growth” by executing the strategies described in the “New Valqua Stage Eight” (NV·S8) eighth medium-term management plan.
 - In the 121st term, we were strongly affected by the spread of COVID-19 infections. However, the Group promoted strategies for further expansion in the future by executing the strategies described in the “New Valqua Stage Eight” (NV·S8) eighth medium-term management plan.
 - The situation in the current fiscal year is as described in “Progress and results of operations” in section (1) above.
 - The Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review. Figures for the fiscal year under review are after the adoption of the accounting standard and relevant ASBJ regulations.

(10) Parent company and major subsidiaries

1) Relationship with the parent company

Not applicable.

2) Major subsidiaries

Company name	Share capital	Company's shareholding ratio	Major businesses
VALQUA TECHNO CO., LTD.	¥30 million	100%	Product sales within each business
VALQUA SES CO., LTD.	¥30 million	100%	Product sales within each business
VALQUA SEAL SOLUTIONS CO., LTD.	¥90 million	100%	Manufacturing of seal products
KYUSHU VALQUA CO., LTD.	¥30 million	100%	Manufacturing of seal products, and solar power generation business
VALQUA FFT INC.	¥472 million	83.6%	Silicon wafer reclaiming and sales
VALQUA METAL TECHNOLOGY CO., LTD.	¥33 million	67.0%	Manufacturing of seal products and high performance plastic products
VALQUA NGC, INC.	US\$2,437 thousand	100%	Manufacturing and sales of high performance plastic products
VALQUA AMERICA, INC.	US\$1,260 thousand	100%	Product sales within each business
VALQUA SEAL PRODUCTS (SHANGHAI) CO., LTD.	¥1,150 million	100%	Manufacturing of seal products and high performance plastic products and product sales within each business
VALQUA (SHANGHAI) TRADING CO., LTD.	RMB1,655 thousand	100%	Product sales within each business
SHANGHAI VALQUA FLUOROCARBON PRODUCTS CO., LTD.	RMB65,550 thousand	100%	Manufacturing and sales of high performance plastic products
VALQUA KOREA CO., LTD.	KRW10,859 million	100%	Manufacturing of seal products and product sales within each business
TAIWAN VALQUA ENGINEERING INTERNATIONAL, LTD.	NT\$100 million	100%	Manufacturing of seal products and high performance plastic products and product sales within each business
VALQUA VIETNAM CO., LTD.	US\$3,000 thousand	100%	Manufacturing of seal products and product sales within each business
VALQUA INDUSTRIES (THAILAND), LTD.	126 million of Thai Baht	95.3%	Manufacturing of seal products and product sales within each business
VALQUA INDUSTRIES SINGAPORE PTE. LTD.	US\$2,500 thousand	100%	Product sales within each business

(Notes) 1. As of March 31, 2022, the Company has 18 consolidated subsidiaries including the companies listed above.

(11) Major businesses (as of March 31, 2022)

Business division	Main products and businesses
Seal Products Business	Plant, equipment, and piping gaskets Equipment gland packing Various rubber products (O-rings, etc.) for industrial and transportation equipment Rubber molded products for semiconductor manufacturing equipment Automobile parts
High Performance Plastics Products Business	Fluorocarbon materials (sheets, rods, etc.) Fluorocarbon molded products Fluorocarbon film and tape products Fluorocarbon lining products and related services
Silicon Wafer Reclaim and Other Businesses	Silicon wafer reclaiming LED lighting Solar power generation H&S Business

(12) Major sales office and plants (as of March 31, 2022)

Domestic

Company name	Name	Location
VALQUA, LTD.	Head office MRT Center Osaka Sales Office Nagoya Sales Office Kitakyusyu Sales Office	Shinagawa-ku, Tokyo Machida-shi, Tokyo Osaka-shi, Osaka Nagoya-shi, Aichi Kitakyushu-shi, Fukuoka
VALQUA TECHNO CO., LTD.	Head office	Shinagawa-ku, Tokyo
VALQUA SES CO., LTD.	Head office	Ichihara-shi, Chiba
VALQUA SEAL SOLUTIONS CO., LTD.	Head office	Gojo-shi, Nara
KYUSHU VALQUA CO., LTD.	Head office	Iizuka-shi, Fukuoka
VALQUA FFT INC.	Head office	Shinagawa-ku, Tokyo
VALQUA METAL TECHNOLOGY CO., LTD.	Head office	Shinshiro-shi, Aichi

Overseas

Company name	Country name	Location
VALQUA NGC, INC.	United States	Houston, Texas
VALQUA AMERICA, INC.	United States	Sunnyvale, California
VALQUA SEAL PRODUCTS (SHANGHAI) CO., LTD.	China	Shanghai
VALQUA (SHANGHAI) TRADING CO., LTD.	China	Shanghai
SHANGHAI VALQUA FLUOROCARBON PRODUCTS CO., LTD.	China	Shanghai
VALQUA KOREA CO., LTD.	South Korea	Seoul
TAIWAN VALQUA ENGINEERING INTERNATIONAL, LTD.	Taiwan	Kaohsiung
VALQUA VIETNAM CO., LTD.	Vietnam	Hai Duong Province
VALQUA INDUSTRIES (THAILAND), LTD.	Thailand	Samut Prakan
VALQUA INDUSTRIES SINGAPORE PTE. LTD.	Singapore	Singapore

(13) Employees (as of March 31, 2022)

1) Employees of the Group

Number of employees	Change from the end of previous fiscal year
1,772 (171)	Decrease of 28 (increase of 10)

(Note) The number of employees excludes employees transferred from a Group company to an outside Group company, and includes employees transferred from an outside Group company to a Group company, and the number of temporary employees is indicated in parentheses as the average number of employed persons during the year.

2) Employees of the Company

Number of employees	Change from the end of previous fiscal year	Average age	Average length of service
410 (110)	Decrease of 23 (increase of 5)	47.1 years old	18.3 years

(Note) The number of employees excludes employees transferred from the Company to an outside company, and includes employees transferred from an outside company to the Company, and the number of temporary employees is indicated in parentheses as the average number of employed persons during the year.

(14) Major lenders (as of March 31, 2022)

Lender	Outstanding borrowings
	Millions of yen
Sumitomo Mitsui Banking Corporation	2,471
Mizuho Bank, Ltd.	1,830
Sumitomo Mitsui Trust Bank, Limited	500
Sumitomo Mitsui Banking Corporation (China) Limited	181

(Notes) 1. Figures are rounded down to the nearest million.

2. The Company entered into a commitment line agreement for a total amount of ¥3.0 billion with the main bank to efficiently and stably acquire operating funds.

2. Shares of the Company (as of March 31, 2022)

- (1) Total number of authorized shares: 68,000,000 shares
(2) Total number of issued shares: 18,688,733 shares
(3) Number of shareholders: 30,691
(4) Major shareholders (top 10)

Shareholder name	Number of shares held	Ratio of shares held
	Thousands of shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,450	13.86
Custody Bank of Japan, Ltd. (Trust Account)	1,095	6.19
JPMorgan Chase Bank, N.A. 385174	579	3.27
Sumitomo Mitsui Banking Corporation	537	3.04
Valqua Tokyo Kyoeikai	515	2.92
The Sumitomo Mitsui Trust Bank, Limited	400	2.26
Toshikazu Takisawa	376	2.13
Daikin Industries, Ltd.	285	1.61
MSIP CLIENT SECURITIES	258	1.46
Shiiko Takisawa	243	1.38

(Note) The Company holds 1,000 thousand treasury shares but is not included in the list of major shareholders shown above.

The ratio of shares held is calculated by deducting treasury shares.

- (5) Status of the shares granted to the Company's officers as consideration for the execution of duties during the fiscal year ended March 31, 2022

	Number of shares	Number of grantees
Directors (excluding outside Directors)	21,000 shares	4
Outside Directors	0 shares	0
Auditors	0 shares	0

(Note) The content of share-based remuneration of the Company is described in "4. (4) Remuneration, etc. for Directors and Auditors."

3. Share acquisition rights, etc. of the Company

Not applicable.

4. Officers

(1) Directors and Auditors (as of March 31, 2022)

Position in the Company	Name	Responsibility in the Company and significant concurrent positions outside the Company
Representative Director and Chairman	Toshikazu Takisawa	CEO
Representative Director and President	Yoshihiro Hombo	COO Outside Director of Tosoh Corporation
Director	Mutsuo Aoki	Managing Executive Officer CTO, CQO
Director	Gota Nakazawa	Managing Executive Officer CDO, Corporate Transformation Division Director of TORANOTEC Ltd.
Director	Tadayuki Seki	Advisory Member of ITOCHU Corporation Director of PARCO CO., LTD. Outside Director of JSR Corporation Outside Auditor of Asahi Mutual Life Insurance Company Outside Director of J. FRONT RETAILING Co., Ltd.
Director	Chikako Sekine	Representative Director of B-mind Co., Ltd. Outside Director of TAKARA & COMPANY LTD. Outside Director of TOLI Corporation
Director	Mikiko Saito	Representative Director and CEO of SMO Inc.
Standing Auditor	Akio Ko	
Auditor	Takahiko Hachinohe	Attorney at law Senior Partner of Hachinohe Law Office
Auditor	Hidenori Takahashi	Certified Public Accountant Outside Director of PENTA-OCEAN CONSTRUCTION CO., LTD.

- (Notes)
1. Directors Tadayuki Seki, Chikako Sekine, and Mikiko Saito are outside Directors. Moreover, Auditors Takahiko Hachinohe and Hidenori Takahashi are outside Auditors.
 2. Auditor Akio Ko was previously involved in the operations of the Company's finance division for many years and possesses considerable knowledge about corporate finance and accounting.
 3. Auditor Takahiko Hachinohe is a licensed attorney at law and possesses considerable knowledge about corporate legal affairs.
 4. Auditor Hidenori Takahashi is a licensed Certified Public Accountant and possesses considerable knowledge about corporate finance and accounting.
 5. The Company has submitted notification to the Tokyo Stock Exchange that Directors Tadayuki Seki, Chikako Sekine, and Mikiko Saito as well as Auditors Takahiko Hachinohe and Hidenori Takahashi have been designated as independent officers as provided for by the aforementioned exchange.
 6. Director Tadayuki Seki will resign as the Director of PARCO CO., Ltd. on May 26, 2022 and assume a post as the Director of Daimaru Matsuzakaya Department Stores Co., Ltd. on the same date.
 7. Director Chikako Sekine assumed a post as the outside Director of TOLI Corporation on June 23, 2021.

<Reference> Executive Officers (excluding Executive Officers who also serve as Directors) (as of April 1, 2022)

Position in the Company	Name	Responsibility in the Company
Managing Executive Officer	Kenichi Kobayashi	Director of Overseas Business Group, Recycle Wafer Business, International Business Support Center
Managing Executive Officer	Shinya Sakurai	Director of High Performance Seals Group
Senior Executive Officer	Nobutoshi Morita	Deputy Director of Overseas Business Group, ASEAN Business Development
Senior Executive Officer	Yoshiaki Tsubakiyama	General Manager of Corporate Transformation Division
Senior Executive Officer	Toshiharu Takisawa	Director of H&S Sales Group
Senior Executive Officer	Tadashi Ogawa	Chairman Secretary
Senior Executive Officer	Mamiko Yatabe	CCO, General Manager of Compliance Supervisory Division, Legal Division, Environmental Management Division
Senior Executive Officer	Satoshi Ueki	General Manager of Corporate Planning Group, Investor Relations Division
Senior Executive Officer	Daisuke Kanda	Director of High Performance Plastics and Products Group
Executive Officer	Hiroshi Tatsuta	General Manager of General Affairs Group, IT Strategy Division
Executive Officer	Atsushi Nobe	General Manager of Human Resources Group, Corporate Philosophy Division, Human Resources Development Center
Executive Officer	Katsutoshi Fuseya	Director of Production and Procurement Group, Safety Management
Executive Officer	Masahiro Imai	Deputy Director of H&S Sales Group
Executive Officer	Tomoko Goto	Deputy Director of Production and Procurement Group, General Manager of Production and Procurement Planning Division
Executive Officer	Sadayuki Kadowaki	General Manager of Finance Group

CEO: Chief Executive Officer
COO: Chief Operating Officer
CTO: Chief Technology Officer
CQO: Chief Quality Officer
CDO: Chief Digital Officer
CCO: Chief Compliance Officer

(2) Summary of details of limited liability agreements

Outside Directors Tadayuki Seki, Chikako Sekine, and Mikiko Saito as well as outside Auditors Takahiko Hachinohe and Hidenori Takahashi have entered into limited liability agreements with the Company under Article 427, Paragraph (1) of the Companies Act, and the maximum amount of liability for damages under these agreements is the minimum liability amount provided for under laws and regulations.

(3) Summary of directors and officers liability insurance policy

The Company and an insurance company have entered into a directors and officers liability insurance policy under Article 430-3, Paragraph (1) of the Companies Act, appointing as the insured persons Directors, Auditors and Executive Officers (including those who are in the position during the fiscal year ended March 31, 2022) of the Company and its subsidiaries listed in “1. (10) Parent company and major subsidiaries,” and the Company bears the total amount of premium.

The summary of the insurance policy is as follows. Based on it, the insurance company compensates for any damage that may be incurred while the insureds bear liability related to the execution of their

duties or receive a claim pursuing such liability, and the policy is renewed every year. The Company plans to maintain the policy at the next time of renewal.

(4) Remuneration, etc. for Directors and Auditors

1) Total amount of remuneration, etc. for the fiscal year ended March 31, 2022

Category	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)			Number of applicable officers
		Fixed remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (included outside Directors)	436 (34)	320 (34)	70 (-)	45 (-)	9 (4)
Auditors (included outside Auditors)	39 (20)	39 (20)	-	-	3 (2)
Total (included outside Directors and outside Auditors)	475 (55)	359 (55)	70 (-)	45 (-)	12 (6)

- (Notes)
- The table above includes two Directors (including one outside Director) who resigned at the end of the 121st Annual General Meeting of Shareholders held on June 16, 2021.
 - The total amount of remuneration, etc. for Directors does not include the employee salaries for employees who also serve as Director and ¥15 million of retirement benefit for a director who resigned at the end of the 121st Annual General Meeting of Shareholders.
 - Performance-based remuneration etc. for Directors should motivate Directors to perform their duties fully. To evaluate company performance comprehensively and adequately, we consider important management indicators related to performance, including operating profit, profit and ROE. The actual results are described in “1 (9) Summary of assets and profit or loss,” “Consolidated Financial Statements,” “Non-consolidated Financial Statements,” etc.
 - Non-monetary remuneration, etc. for Directors is remuneration related to restricted shares, and the amount recorded as expenses for the fiscal year under review is shown. In addition, the conditions, etc. of the allotment are stated in “4. (4) 2) Policy for decisions on the content of remuneration, etc. for officers” and the allotment status of the fiscal year ended March 31, 2022 is listed in “2. (5) Status of the shares granted to the Company’s officers as consideration for the execution of duties during the fiscal year ended March 31, 2022.”
 - At the 118th Annual General Meeting of Shareholders held on June 20, 2018, it was resolved that the amount of remuneration, etc. for Directors will be ¥500 million or less per year (for outside Directors: ¥60 million or less per year). (The employee salaries for employees who also serve as Directors are not included.) There were six Directors (including three outside Directors) at the end of the Annual General Meeting of Shareholders. In addition, at the 119th Annual General Meeting of Shareholders held on June 20, 2019, it was resolved that the total number of restricted shares allotted in each fiscal year would be 30,000 shares or less within the maximum amount of remuneration per year stated above as remuneration, etc. related to restricted shares for Directors (excluding outside Directors). There were four Directors (excluding outside Directors) at the end of the Annual General Meeting of Shareholders.
 - At the 118th Annual General Meeting of Shareholders held on June 20, 2018, the amount of remuneration, etc. for Auditors was resolved to be ¥100 million or less per year. There were four Auditors at the end of the Annual General Meeting of Shareholders (which includes three outside Auditors).
 - The Board of Directors entrusts the determination of the concrete amount of fixed remuneration (fixed amount remuneration) and performance-based remuneration (bonus for officers) for each Director to the Representative Director, Chairman and CEO, Toshikazu Takisawa. The reason for the entrustment is that the Company judged that it is adequate to assign the duty to evaluate each Director while taking into account the Company’s overall performance, etc. to the Representative Director, Chairman and CEO.
 - As for individual remuneration, etc. for Directors in the fiscal year ended March 31, 2022, Representative Director, Chairman and CEO, who is entrusted by the Board of Directors, decided the details of fixed remuneration (fixed amount remuneration) and performance-based remuneration (bonus for officers) within the maximum amount of remuneration approved at the Annual General Meeting of Shareholders. Non-monetary remuneration (remuneration related to restricted shares) was determined based on the resolution of the Board of Directors meeting. Since individual remuneration, etc. for Directors are decided with the procedure, the Board of Directors assesses that the content is in line with the policy.

2) Policy for decisions on the content of remuneration, etc. for officers

At the Board of Director meeting held on February 24, 2021, the Company resolved the policy for deciding remuneration, etc. for Directors.

The policy for decisions on the content of individual remuneration, etc. for Directors is as follows:

a) Basic policy

The Company considers that the role of the officers is to improve its corporate value based on the group-wide management policy and strategies. We position the remuneration for Directors as an incentive, and offer a level of remuneration which is adequate for the role, responsibilities and performance of Director as the basic policy. To be more specific, it consists of fixed remuneration (remuneration of determined amount), performance-based remuneration (officer's bonus) and non-monetary remuneration (remuneration related to restricted shares). However, to outside Directors, we provide only fixed remuneration (remuneration of determined amount) based on consideration of their duties.

b) Policy for fixed remuneration (fixed amount remuneration) (including the policy for the timing of provision and conditions)

Fixed remuneration (fixed amount remuneration) for Directors shall be monthly remuneration, consisting of monthly basic remuneration and fixed-amount remuneration determined based on whether a Director has representation rights or not, their position (Chairman or President), and whether they are full-time or part-time personnel. (Moreover, when a Director concurrently serves as Executive Officer, the fixed remuneration is determined separately from remuneration for officers.) This is decided based on their position and basic amount for the group considering the years of service, contribution, experience, specialties, etc.

c) Policy for performance-based remuneration (bonus for officers) (including the policy for the timing of provision and conditions)

Performance-based remuneration (bonus for officers) should motivate Directors to perform their duties fully and is provided at fixed times of the year. To be more specific, we consider important business-related management indicators, including operating profit, profit and ROE, to evaluate corporate performance comprehensively and appropriately. As for individual performance-based remuneration (bonus for officers), after calculating a base amount which has the ratio of fixed remuneration (fixed amount remuneration) and performance-based remuneration (bonus for officers) as specified e) below, we shall decide the payment amount to be within the range of 0 to 150% of the base amount based on the performance level and the status of each director's execution of priority measures, etc. in the fiscal year ended March 31, 2022.

d) Policy for non-monetary remuneration (remuneration related to restricted shares) (including the policy for the timing of provision and conditions)

Non-monetary remuneration for Directors (remuneration related to restricted shares) is designed to have our Directors share the merits and risks of fluctuations in the stock price with shareholders, and improve their motivation to contribute to stock price increases and the improvement of corporate value. We calculate the number of allotted shares having a fixed remuneration (fixed amount remuneration) (for employees who also serve as Directors, the employee salaries shall be included) as a base amount after giving consideration to job position. In accordance with the regulations for the remuneration related to restricted shares, the number of allotted shares shall be determined at the Board of Directors meeting, and provided at fixed times of the year. In addition, when the transfer restriction of a share allotment agreement with restriction on transfer has not been lifted until the maturity of transfer restriction period (the period which should 30 years or over and defined by the Board of Directors) or a person who resigned from the post of the Company's Director, employee, etc. or left the Company prior to the first Annual General Meeting of Shareholders after the start of the transfer restriction period, the Company is entitled to receive restricted shares free of charge.

e) Policy for the ratio of remuneration, etc.

The ratio of remuneration for Directors other than outside Directors by type shall be set in a way that functions as a sound incentive for the Company's sustainable growth. To be more specific, the Company uses the standard ratio of fixed remuneration (fixed amount remuneration), performance-

based remuneration (bonus for officers) and non-monetary remuneration (remuneration related to restricted shares) of 7:2:1 as a guide, and determines the actual amount while taking into account the job position and level of remuneration.

f) Matters related to the entrustment of decisions on remuneration, etc.

Among the components of individual remuneration, etc. for Directors, as for fixed remuneration (fixed amount remuneration) and performance-based remuneration (bonus for officers), the Company entrusts the determination of concrete details to the Representative Director and Chairman based on the resolution of the Board of Directors meeting. The scope of such authority is determination of the concrete allotment to each Director, based on the assumption that it should be within the maximum amount of remuneration approved at the Annual General Meeting of Shareholders and comply with the policy stated above and the regulations for remuneration for officers. As for non-monetary remuneration (remuneration related to restricted shares) of individual remuneration, etc. for Directors, the amount shall be determined at the Board of Directors meeting within the maximum amount of remuneration approved at the Annual General Meeting of Shareholders based on the regulations for the remuneration related to restricted shares.

(5) Matters regarding outside Directors and outside Auditors

1) Significant concurrent positions and relationship with the Company of outside Directors and outside Auditors

Outside Director Tadayuki Seki concurrently serves as an Advisory Member of ITOCHU Corporation, a Director of PARCO CO., LTD., an outside Director of JSR Corporation, an outside Auditor of Asahi Mutual Life Insurance Company, and an outside Director of J. FRONT RETAILING Co., Ltd. There are no matters of particular note between the Company and ITOCHU Corporation or JSR Corporation. Moreover, the Company has no business relations with PARCO CO., LTD., Asahi Mutual Life Insurance Company, or J. FRONT RETAILING Co., Ltd.

Outside Director Chikako Sekine concurrently serves as Representative Director of B-mind Co., Ltd., outside Director of TAKARA & COMPANY LTD, and outside Director of TOLI Corporation. The Company has no business relations with B-mind Co., Ltd., TAKARA & COMPANY LTD or TOLI Corporation.

Outside Director Mikiko Saito concurrently serves as the representative Director and CEO of SMO Inc. The Company does not have any business relations with SMO Inc.

Outside Auditor Takahiko Hachinohe is an attorney at law and the Senior Partner of Hachinohe Law Office. The Company has no business relations with Hachinohe Law Office.

Outside Auditor Hidenori Takahashi is a Certified Public Accountant and an outside Director of PENTA-OCEAN CONSTRUCTION CO., LTD. The Company has no business relations with PENTA-OCEAN CONSTRUCTION CO., LTD.

2) Major activities in the fiscal year ended March 31, 2022

Category	Name	Activities
Outside Director	Tadayuki Seki	He attended all 14 of Board of Directors meetings, made appropriate remarks required for the deliberation of proposals from the viewpoint of business judgment-related supervision and advice as an expert of management, and served to secure the validity and adequateness of decision-making properly.
Outside Director	Chikako Sekine	She attended 13 out of 14 Board of Directors meetings, made appropriate remarks required for the deliberation of proposals from the viewpoint of business judgment-related supervision and advice as an expert of management, and served to secure the validity and adequateness of decision-making properly.
Outside Director	Mikiko Saito	She attended all 11 of Board of Directors meetings held following her assumption of office on June 16, 2021, made appropriate remarks required for the deliberation of proposals from the viewpoint of business judgment-related supervision and advice as an expert of management, and served to secure the validity and adequateness of decision-making properly.
Outside Auditor	Takahiko Hachinohe	He attended all 14 of Board of Directors meetings and all 15 of the Board of Corporate Auditors, and he made appropriate remarks required for the deliberation of proposals primarily from his expert viewpoint as an attorney at law.
Outside Auditor	Hidenori Takahashi	He attended all 14 of Board of Directors meetings and all 15 of Board of Corporate Auditors, and he made appropriate remarks required for the deliberation of proposals primarily from his expert viewpoint as a Certified Public Accountant.

5. Financial Auditor

- (1) Name of Financial Auditor: Ernst & Young ShinNihon LLC
- (2) Audit fees, etc. for Financial Auditor for the fiscal year ended March 31, 2022
 - 1) Audit fees for Financial Auditor for the fiscal year ended March 31, 2022: ¥53 million
 - 2) Total amount of cash and other compensation payable by the Company and its subsidiaries: ¥57 million

- (Notes)
1. The amount of audit fees for audit services under the Companies Act and audit services under the Financial Instruments and Exchange Act are not clearly segregated in the auditing agreement between the Company and the Financial Auditor. As it is impracticable to segregate them, the audit fee amount for the fiscal year under review indicates the total amount.
 2. The Board of Corporate Auditors agreed on the amount of the audit fees for the Financial Auditor etc. after performing the required verification of the details of the Financial Auditor's audit plan and whether or not the Financial Auditor's performance and the basis of calculation for the audit fee estimate were appropriate.
 3. Certain consolidated subsidiaries of the Company are audited by Certified Public Accountants (or auditing firms) other than the Company's Financial Auditor.

(3) Description of non-auditing services

The Company commissions the Financial Auditor to perform services, etc. related to advice and guidance on the application of new revenue recognition standards as non-auditing services outside the scope of services stipulated in Article 2, Paragraph (1) of the Certified Public Accountants Act.

(4) Policy for decisions on dismissal and non-reappointment of Financial Auditor

In the event that there is an impediment to the execution of a Financial Auditor's duties and it is deemed necessary to do so, the Board of Corporate Auditors shall decide on the details of a proposal to dismiss or non-reappointment the Financial Auditor to be submitted to the General Meeting of Shareholders. Moreover, if the Board of Corporate Auditors determines that the Financial Auditor is subject to any of the items under Article 340, Paragraph (1) of the Companies Act, the Financial Auditor shall be dismissed based on the consent of all Auditors.

6. Company systems and policies

(1) System for ensuring the appropriateness of operations

The “Basic Approach to the Internal Control System” resolved by Board of Directors as a system for the Company to ensure the appropriateness of operations is as follows. (Final revision: April 22, 2015)

1) System for ensuring that the performance of duties by Directors and employees conforms to the laws and regulations as well as the Articles of Incorporation

The Company considers adhering with compliance as the universally most important issue and declares the principle of “fair and square” which should be followed within “THE VALQUA WAY” basic policy as the additional conduct guideline of “adherence with compliance and conscientious conduct” which all Group employees are thoroughly being made aware of.

Enact and distribute a compliance manual while establishing a group compliance system centered around the Compliance Committee to develop rules corresponding to the various laws and regulations, provide training, and practice compliance under the system.

Specifically, the position of Chief Compliance Officer (CCO) was established on January 1, 2007, as an officer who presides over compliance related matters, and the CCO reports on the compliance situation for the entire Group to the Compliance Committee on a regular basis.

In order to make the establishment of the compliance system effective, strengthen the audit system within the Group and have the Auditors audit the performance of duties by the Directors and employees based on the auditing standard of the Auditors and set up an Internal Audit Division which is independent of other divisions as an internal audit division. Moreover, establish a whistleblowing system within the Group to receive compliance-related consultations and reports.

Regarding the elimination of antisocial forces, the Company declares in the compliance manual that it shall “confront antisocial forces” based on a law-abiding spirit and a firm sense of ethics, exclude all relationships with antisocial forces with a resolute attitude, and devote itself to fair and transparent corporate activities.

2) System for storing and managing information pertaining to the performance of duties by Directors

Regarding the internal creation, storage, and preservation, etc. of documents, in principle such tasks shall be carried out based on the document management regulations. In particular, Board of Directors meeting minutes, Managing Director meeting minutes, and other various committee meeting minutes pertaining to the performance of duties by Directors, shall be appropriately preserved according to the procedures, etc. stipulated by each department in charge, and a management system shall be implemented. Moreover, documents requesting managerial decisions, various application documents, and other documents which record the performance of duties shall also be preserved according to these procedures, and a management system shall be constructed.

3) Regulations and other systems for managing exposure to loss

The Company shall strive to construct a global risk management system for the entire Group. In particular, enact and develop rules and manuals, etc. for risks pertaining to disasters, the environment, quality, and export controls, etc. within each department in charge and prevent the manifestation of risks while also adopting measures in advance to minimize losses in the unlikely event that risks manifest. Moreover, establish basic handling procedures and measures in advance to continue and recover operations in an emergency situation while also developing a system to promptly report the corresponding situation to higher officials and interested parties.

4) System for ensuring the efficient performance of duties by Directors

Position Board of Directors as a supervisory authority of business execution carried out through decision making and the Executive Officers to improve the corporate value of the entire Group, and the Executive Officers shall adopt an executive officer system to execute business in accordance with the management policies and strategies decided by Board of Directors. The Directors shall attend important Executive Officer meetings, etc. to counsel and supervise the business execution of the Executive Officers. Clearly define the segregation of duties and authority of Directors, Executive Officers, and employees in the basic management regulations, regulations for official authority,

segregation of business regulations, and other internal regulations while also striving for efficiency at all times based on those regulations.

- 5) System for ensuring the appropriateness of operations within the business group composed of the Company and subsidiaries

Fundamentally, items 1) through 4) above shall be applied to each Group company, and the effectiveness of the control increased through the strengthening of information exchange within the Group, personnel exchange, and other collaboration systems. Moreover, establish an audit system within the Group to implement compliance and risk management in a unified and efficient manner. In addition, establish a system so that transactions within the Group was processed appropriately in accordance with laws and regulations, internal rules, etc.

- A. System for reporting to the Company about matters pertaining to the performance of duties by subsidiary Directors, etc.

Based on the enacted subsidiary management regulations for the purpose of achieving sound and efficient execution and operation of Group-wide operations, subsidiaries shall report to the Company regarding the details of periodically convened meetings of Board of Directors and executive meetings, and establish a system for such reporting through the Company's approval procedure as needed.

- B. Regulations and other systems for managing subsidiary exposure to loss

Based on the regulations and manuals, etc. relating to risk management developed according to the Group risk management system, the subsidiaries shall prevent the manifestation of risks while also adopting measures in advance to minimize losses in the unlikely event that risks manifest. Moreover, the subsidiaries shall establish basic handling procedures and measures in advance to continue and recover operations in an emergency situation, promptly report to the Company in the event that such a situation occurs, and create a system to immediately take measures.

- C. System for ensuring the efficient performance of duties by Directors, etc. of subsidiaries

The Company shall establish the Group medium-term management plan, and each Group company as well as its Officers and employees shall establish an efficient and sound system of execution to perform duties based on that plan. Moreover, funds shall be managed in a centralized and unified manner on the financial side for the optimization of Group finance.

- D. System for ensuring that the performance of duties by Directors, etc. and employees of subsidiaries conforms to the laws and regulations as well as the Articles of Incorporation

The Company shall construct a Group compliance system as described in 1), and the subsidiaries shall observe the compliance related regulations including the compliance manuals based on said system. Moreover, the Company shall implement Group compliance training and practice, etc. as needed for the subsidiaries as part of said system.

- 6) Matters concerning the relevant employee and the employee's independence from the Directors as well as matters with respect to ensuring the effectiveness of instructions from the Auditors to the relevant employee in the event that the Auditors request that an employee be placed to assist in those duties

In the event that the Auditors request that an employee be placed to assist in the performance of duties, an assisting employee shall be placed after consultations between the Directors and Auditors. In order to ensure the relevant employee's independence from the Directors in such a case, the Auditors shall directly issue work instructions to the relevant employee, and the consent of the Auditors shall be required for deciding changes and other matters involving authority over personnel matters.

- 7) System for Directors and employees to report to the Auditors as well as a system to ensure that the reporting party does not receive unfavorable treatment as a result of submitting the relevant report, and a system for providing other reports to the Auditors.

In addition to attending Board of Directors meeting, Managing Director meeting, Executive Officer meeting, etc., the Auditors shall audit the execution of duties by the Directors and Executive Officers by inspecting, etc. important approval documents, etc. while also periodically convening the Board of Corporate Auditors and engaging in a mutual exchange of information. Moreover, a system shall be constructed for the Directors, Executive Officers, and employees to provide timely and necessary

information to the Auditors. Furthermore, in order to make the provision of said information effective, the Group whistleblowing system shall be clearly defined the systemic prohibition of unfavorable treatment of those who are reporting the information.

- 8) System to allow for Directors, Auditors, and employees, etc. of subsidiary or parties who receive a report from such persons to report to the Company Auditors as well as a system to ensure that the reporting party does not receive unfavorable treatment as a result of submitting the relevant report

Establish a system to report to the Auditors the details of Board of Directors and executive meetings of subsidiary and the results of internal Group audits performed by the Company's internal audit division. Moreover, a system shall be constructed for the subsidiary's Officers and employees to provide timely and necessary information to the Auditors. Furthermore, the Group whistleblowing system which covers part of said system shall cover all Group employees and a prohibition on unfavorable treatment of persons reporting information shall be similarly applied to all Group employees.

- 9) Pre-payment of expenses which occur in conjunction with the execution of Auditor duties, expenses occurring due to reimbursement procedures and the execution of other relevant duties, or matters concerning policies pertaining to debt processing

Expenses required by the Auditors for the execution of duties shall be included in the budget in advance. Moreover, the provision that the expenditure of emergency or extraordinary expenses may be later claimed for reimbursement is established within the auditing standard of the Auditors and a system for appropriate management of such claims shall be constructed.

- 10) Other systems for ensuring the efficient performance of audits by the Auditors

In addition to attending Board of Directors meetings, the Auditors shall exchange opinions with the Representative Director as needed while also engaging in regular exchanges of opinions with the Financial Auditors as well as the Internal Audit Division. Moreover, the Auditors shall ensure opportunities to interview to the Company's Directors, Executive Officers, and employees as well as the subsidiary's Officers and employees.

- 11) System for ensuring the appropriateness of financial reports

Internal controls pertaining to financial reports shall be constructed based on the Financial Instruments and Exchange Act, evaluations and reporting shall be conducted in the appropriate manner, and system to ensure the credibility and appropriateness of financial reports shall be developed and operated.

- (2) Overview of the operational status of systems for ensuring the appropriateness of operations

An overview of the operational status of systems for ensuring the appropriateness of operations during the fiscal year under review is as follows.

- 1) Compliance related initiatives

Compliance training and training on other topics were continuously conducted for the Group's employees to raise their awareness of compliance issues. In addition, as for the "Compliance Handbook" published with specific case studies and solutions added and distributed during the previous fiscal year as a compliance manual, the Group started rollout of its local language versions to overseas bases. With respect to the Group whistleblowing system, the Group's employees are continuously being made aware that there is a compliance-consultation and whistleblowing-reporting desk and that persons who provide information shall not receive unfavorable treatment. Furthermore, the CCO reports to the Compliance Committee headed by the Representative Director, Chairman and CEO regarding compliance initiatives for the entire Group.

- 2) Initiative concerning the preservation and management of information

The Group engages in preservation management within the departments in charge of meeting minutes for Board of Directors and other important meetings, documents requesting managerial decisions, various application documents, and other documents concerning the execution of duties according to the document management regulations and other related regulations.

3) Initiative concerning the management of exposure to loss

The Group practices risk management based on the crisis management regulations. During the fiscal year under review, we took measures to secure the effectiveness of the “Business Continuity Plan (BCP) Manual,” which was newly formulated in the previous fiscal year. Regarding the operation of an emergency contact system in a crisis situation, periodic exercises are carried out to verify the effectiveness of the system. The Risk Management Committee tracks progress including measures to identify new risks such as geopolitical risks and cyber security risks and deal with them.

4) Initiative concerning the appropriateness and efficiency of the execution of duties

The Group decides the management policies and strategies through Board of Directors, and the Executive Officers follow those decisions to execute duties in an appropriate and efficient manner. The Directors involved in the execution of duties verify the execution status through monthly Executive Officer meetings and regularly convened reviews by strategy and region to provide counseling and supervision. Moreover, regarding the individual execution of duties, the necessary approvals are received, and the procedural appropriateness is ensured based on Board of Directors regulations, Managing Director regulations, Subsidiary Management regulations, etc. Moreover, cash management services are used on the financial side to manage the optimization of the Group finance.

5) Initiative concerning the execution of duties by Auditors

In addition to attending Board of Directors and other important meetings, Auditors receive reports about the results of internal Group audits by the Company’s internal audit division, order additional audits, and receive those results, etc. Moreover, Auditors periodically exchange opinions with the Financial Auditors and the Internal Audit Division as well as the Representative Director, Chairman and CEO and Representative Director, President and COO when necessary. In addition, Standing Auditors appropriately interview Directors, Executive Officers, and important employees of the Group and receive reports as necessary.

6) Initiative to ensure the appropriateness of financial reports

Regarding the appropriateness of financial reports, the Group obtains reports from the Internal Audit Division about the results of internal control evaluations, receives result explanations, and verifies that the appropriateness and credibility of financial reports is being ensured.

Consolidated Financial Statements

Consolidated balance sheet (as of March 31, 2022)

(Millions of yen)

Item	Amount
Assets	60,200
Current assets	34,935
Cash and deposits	8,144
Notes receivable - trade	2,557
Electronically recorded monetary claims - operating	2,460
Accounts receivable - trade	12,033
Contract assets	34
Merchandise and finished goods	3,940
Work in process	962
Raw materials and supplies	2,164
Accounts receivable - other	1,539
Other	1,119
Allowance for doubtful accounts	(22)
Non-current assets	25,264
Property, plant and equipment	17,545
Buildings and structures	7,799
Machinery, equipment and vehicles	3,543
Tools, furniture and fixtures	1,445
Land	4,002
Leased assets	493
Construction in progress	261
Intangible assets	1,516
Software	1,331
Other	184
Investments and other assets	6,202
Investment securities	4,047
Deferred tax assets	291
Retirement benefit asset	912
Other	950
Allowance for doubtful accounts	(0)
Total assets	60,200

Item	Amount
Liabilities	19,220
Current liabilities	13,336
Notes and accounts payable - trade	5,721
Electronically recorded obligations	927
Short-term borrowings	1,463
Current portion of long-term borrowings	77
Lease obligations	188
Accounts payable - other	1,122
Income taxes payable	1,094
Accrued consumption taxes	193
Contract liabilities	485
Provision for bonuses	508
Provision for bonuses for directors (and other officers)	70
Other	1,484
Non-current liabilities	5,883
Long-term borrowings	3,632
Lease obligations	306
Deferred tax liabilities	1,184
Retirement benefit liability	472
Other	288
Net assets	(40,979)
Shareholders' equity	37,545
Share capital	13,957
Capital surplus	4,061
Retained earnings	21,043
Treasury shares	(1,517)
Accumulated other comprehensive income	2,183
Valuation difference on available-for-sale securities	1,625
Foreign currency translation adjustment	447
Remeasurements of defined benefit plans	110
Non-controlling interests	1,250
Total liabilities and net assets	60,200

Consolidated statement of income (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount	
Net sales		53,167
Cost of sales		31,667
Gross profit		21,499
Selling, general and administrative expenses		14,526
Operating profit		6,972
Non-operating income		
Interest and dividend income	49	
Rental income from facilities	337	
Share of profit of entities accounted for using equity method	29	
Foreign exchange gains	56	
Other	122	595
Non-operating expenses		
Interest expenses	60	
Loss on sale of notes receivable - trade	9	
Rental expenses on facilities	268	
Other	34	373
Ordinary profit		7,193
Extraordinary losses		
Loss on abandonment of non-current assets	20	
Impairment losses	19	
Compensation for asbestos-related health damages	31	71
Profit before income taxes		7,122
Income taxes - current	2,001	
Income taxes - deferred	83	2,085
Profit		5,037
Profit attributable to non-controlling interests		195
Profit attributable to owners of parent		4,841

Non-consolidated Financial Statements

Non-consolidated balance sheet (as of March 31, 2022)

(Millions of yen)

Item	Amount
Assets	43,622
Current assets	22,853
Cash and deposits	5,753
Notes receivable - trade	2,055
Electronically recorded monetary claims - operating	2,220
Accounts receivable - trade	7,300
Merchandise	2,174
Supplies	3
Prepaid expenses	353
Short-term loans receivable	240
Accounts receivable - other	2,741
Other	10
Allowance for doubtful accounts	(1)
Non-current assets	20,769
Property, plant and equipment	6,363
Buildings	1,959
Structures	67
Machinery and equipment	340
Vehicles	0
Tools, furniture and fixtures	578
Land	3,363
Construction in progress	52
Intangible assets	1,166
Software	1,152
Telephone subscription right	14
Investments and other assets	13,239
Investment securities	3,860
Shares of subsidiaries and associates	4,509
Investments in capital of subsidiaries and associates	2,754
Long-term loans receivable	998
Leasehold and guarantee deposits	288
Prepaid pension costs	705
Other	122
Allowance for doubtful accounts	(0)
Total assets	43,622

Item	Amount
Liabilities	14,410
Current liabilities	11,496
Notes payable - trade	74
Electronically recorded obligations	893
Accounts payable - trade	4,099
Short-term borrowings	613
Accounts payable - other	876
Income taxes payable	335
Accrued consumption taxes	96
Accrued expenses	72
Deposits received	3,606
Provision for bonuses	294
Provision for bonuses for directors (and other officers)	70
Other	464
Non-current liabilities	2,913
Long-term borrowings	1,922
Long-term accounts payable - other	59
Deferred tax liabilities	753
Provision for retirement benefits	2
Asset retirement obligations	139
Other	35
Net assets	29,212
Shareholders' equity	27,611
Share capital	13,957
Capital surplus	4,265
Legal capital surplus	4,197
Other capital surplus	67
Retained earnings	10,898
Other retained earnings	10,898
Retained earnings brought forward	10,898
Treasury shares	(1,509)
Valuation and translation adjustments	1,600
Valuation difference on available-for-sale securities	1,600
Total liabilities and net assets	43,622

Non-consolidated statement of income (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount	
Net sales		33,583
Cost of sales		23,113
Gross profit		10,470
Selling, general and administrative expenses		10,774
Operating loss		304
Non-operating income		
Interest and dividend income	3,489	
Other	662	4,151
Non-operating expenses		
Interest expenses	66	
Other	361	428
Ordinary profit		3,419
Extraordinary losses		
Loss on abandonment of non-current assets	14	
Impairment losses	9	
Compensation for asbestos-related health damages	31	55
Profit before income taxes		3,363
Income taxes - current	129	
Income taxes - deferred	(49)	79
Profit		3,284

Audit Reports

Audit Report on the Consolidated Financial Statements

Translation

Independent Auditor's Report

May 11, 2022

The Board of Directors
VALQUA, LTD.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Tomohisa Yura

Designated Engagement Partner
Certified Public Accountant

Shinichi Masuda

Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, Paragraph (4) of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements of VALQUA, LTD. and its consolidated subsidiaries (the "Group") applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Group's Business Report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of 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 the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

Our objectives 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. 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.

As part of an audit 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, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, 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.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Note to Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the convenience of readers.

Audit Report on the Non-consolidated Financial Statements

Translation

Independent Auditor's Report

May 11, 2022

The Board of Directors
VALQUA, LTD.

Ernst & Young ShinNihon LLC
Tokyo, Japan

Tomohisa Yura
Designated Engagement Partner
Certified Public Accountant

Shinichi Masuda
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Paragraph (2), Item (i) of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, notes to the non-consolidated financial statements, and their supplementary schedules (hereinafter referred to as “non-consolidated financial statements”) of VALQUA, LTD. (the “Company”) applicable to the fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2022, in accordance with accounting principles generally accepted in Japan.

Basis for 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 section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's Business Report and its supplementary schedules. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's reporting process of the other information.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Non-Consolidated Financial Statements

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

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the non-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. 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.

As part of an audit 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, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting 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 disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, 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.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Note to Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the convenience of readers.

Audit Report of Board of Corporate Auditors

Audit Report

Regarding the performance of duties by the Directors for the 122nd fiscal year from April 1, 2021 to March 31, 2022, the Board of Corporate Auditors has prepared this Audit Report upon deliberation based on the audit reports prepared by each Auditor and hereby reports as follows:

1. Auditing Methods Employed by the Auditors and the Board of Corporate Auditors and Details of Such Audit
 - (1) We established auditing policies, allocation of duties and other relevant matters, and received reports from each Auditor regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Financial Auditor regarding performance of their duties, and sought explanations as necessary.
 - (2) Each Auditor complied with the auditing standards of Auditors established by the Board of Corporate Auditors, followed the auditing policies, allocation of duties, and other relevant matters, communicated with Directors, Internal Audit Division and other employees, made efforts to establish the environment for collecting information and auditing, and conducted the audit by the following methods.
 - 1) Each Auditor participated in the meetings of the Board of Directors and other important meetings, received reports from Directors, employees and others regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial position at the headquarters and principal offices. With respect to subsidiaries, we communicated and exchanged information with Directors and Auditors of subsidiaries, and received business reports from subsidiaries as necessary.
 - 2) We periodically received reports from Directors, employees and others, requested explanations as necessary, and expressed opinions, regarding the resolution of the Board of Directors on the establishment of following systems (Internal Control System) and the status of operation of the organized system based on such resolution, both of which are described in the Business Report;
 - i) the system for ensuring that the performance of duties by the Directors conforms to the applicable laws and regulations and Articles of Incorporation, and
 - ii) the system stipulated in Article 100, Paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act, which are necessary for ensuring the appropriateness of operations within the business group composed of the Company and its subsidiaries.As for internal controls over financial reporting, reports made by Directors, etc. and Ernst & Young ShinNihon LLC about the status of assessment and audit of said internal controls were provided to Auditors, who asked for explanations as necessary.
 - 3) We monitored and verified whether the Financial Auditor maintained their independence and implemented appropriate audits, and we received reports from the Financial Auditor regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the Financial Auditor that “System for ensuring that duties are performed appropriately” (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting) is organized in accordance with the “Quality Control Standard for Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and its supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and their supplementary schedules as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements) applicable to the fiscal year.

2. Audit Results

(1) Results of Audit of Business Report, etc.

- 1) The Board of Corporate Auditors confirms that the Business Report and its supplementary schedules conformed to the applicable laws and regulations, and the Articles of Incorporation, and that they accurately present the situation of the Company.
- 2) With respect to the performance of duties by Directors, the Board of Corporate Auditors found no improper acts or important violation of applicable laws and regulations or the Articles of Incorporation.
- 3) We confirm that the content of the resolution of the Board of Directors regarding the Internal Control System is proper. In addition, we have found no matters on which to remark in regard to the description of the Business Report and the execution of duties by the Directors regarding the Internal Control System, including internal controls over financial reporting.

(2) Results of Audit of the Non-consolidated Financial Statements and their Supplementary Schedules

The Board of Corporate Auditors confirms that the methods used and results achieved by the Financial Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

(3) Results of Audit of the Consolidated Financial Statements

The Board of Corporate Auditors confirms that the methods used and results achieved by the Financial Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

May 12, 2022

Board of Corporate Auditors of
VALQUA, LTD.

Standing Auditor	Akio Ko	(Seal)
Outside Auditor	Takahiko Hachinohe	(Seal)
Outside Auditor	Hidenori Takahashi	(Seal)

Reference Documents for General Meeting of Shareholders

Proposals and Reference Information

Proposal No. 1 Appropriation of Surplus

The Company has given consideration to matters including the business performance of the fiscal year and future business development, and it proposes to pay year-end dividends as follows.

(1) Type of dividend property

To be paid in cash.

(2) Allotment of dividend property to shareholders and their aggregate amount

¥75 per common share of the Company

Total: ¥1,326,635,925

(Note) As the Company has already paid an interim dividend of ¥50 per share, the annual dividend for the fiscal year will be ¥125 per share.

(3) Effective date of dividends of surplus

June 23, 2022

Proposal No. 2 Partial Amendment to the Articles of Incorporation

1. Reasons for the amendment

- (1) The Company engages primarily in manufacturing and selling seal materials for piping and equipment, and high-performance plastics products for a variety of industries. In addition to the above, we are currently developing new business domains to provide true solutions to our customers by unearthing customers' potential needs and integrating our unique technologies and services. To reflect the current status, we propose to partially amend Article 2 (Purpose) of the current Articles of Incorporation.
- (2) Since the revised provisions provided for the proviso of Article 1 of the Supplementary Provisions to the Act Partially Amending the Companies Act (Act No. 70, 2019) are to be enforced on September 1, 2022, we propose to make the following amendments to the Articles of Incorporation in preparation for the introduction of the system for providing information materials for the general meeting of shareholders in electronic format:
 - 1) Article 16 (Measures, etc. for providing information in electronic format), paragraph 1, in "Proposed Amendments" below will be newly established to stipulate, as required, that the Company shall take measures for providing information that constitutes the content of the reference documents for the General Meeting of Shareholders, etc. in electronic format.
 - 2) Article 16 (Measures, etc. for providing information in electronic format), paragraph 2, in "Proposed Amendments" below will be newly established to allow the Company to limit the scope of the matters to be stated in the paper-based documents to be delivered to shareholders who request delivery thereof to the scope specified in the Ordinance of the Ministry of Justice among items for which measures are taken for providing information that constitutes the content of the reference documents for the General Meeting of Shareholders, etc. in electronic format.
 - 3) Since the provision of Article 16 (Internet disclosure of reference materials) of the current Articles of Incorporation will be no longer required after the introduction of the system for providing information materials for the general meeting of shareholders in electronic format, they will be deleted.
 - 4) Supplementary provisions regarding the effects of the aforementioned establishment and deletion of provisions will be established; and these supplementary provisions shall be deleted after the elapse of a specified term.

2. The details of the revisions are as follows:

(Underlined parts indicate the revisions.)

Current Articles of Incorporation	Proposed Amendment
<p>Article 2 (Purpose)</p> <p>The purpose of the Company is to operate the following business activities:</p> <p>1. (1) – (5) (Omitted)</p> <p>(6) Trading, leasing, and management of real estate</p> <p>(7) (Omitted)</p> <p>(8) Contracting of construction works, and projects, designs, supervision/administration, <u>management and consulting</u> related to construction works</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>2, 3 (Omitted)</p>	<p>Article 2 (Purpose)</p> <p>(Unchanged)</p> <p>1. (1) – (5) (Unchanged)</p> <p>(6) Trading, leasing, and management of <u>movables</u> and real estate</p> <p>(7) (Unchanged)</p> <p>(8) Contracting of construction works, and projects, designs, supervision/administration <u>and management</u> related to construction works</p> <p><u>(9) Development and sales of software and information equipment</u></p> <p><u>(10) Provision of various services utilizing the internet including electronic commerce transactions related to the foregoing items</u></p> <p><u>(11) Consulting, engineering, and other technology/knowhow-related businesses related to the foregoing items</u></p> <p>2, 3 (Unchanged)</p>
<p>Article 16 (Internet disclosure of reference materials)</p> <p><u>The Company may post on the Internet information required to be recorded or indicated in the reference documents for the General Meeting of Shareholders, financial statements, consolidated financial statements and business reports in accordance with the Ordinance of the Ministry of Justice.</u></p>	<p>(Deleted)</p>

Proposal No. 3 Election of One Auditor

The terms of office of the current one Auditor will expire at the conclusion of this annual general meeting of shareholders. Accordingly, the Company proposes the election of one Auditor. The Proposal has been approved by the Board of Corporate Auditors.

The candidates for Auditor is as follows:

Name		Current position in the Company	Attendance of Board of Directors/Board of Corporate Auditors meetings
Hidenori Takahashi	<input type="checkbox"/> Reelection <input type="checkbox"/> Outside <input type="checkbox"/> Independent	Outside Auditor	Board of Directors meetings 14/14 times (100%) Board of Corporate Auditors meetings 15/15 times (100%)

	Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's common shares owned	
<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Reelection</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Independent</div>	<p>Hidenori Takahashi (August 26, 1951)</p> <p>Tenure as Outside Auditor: 4 years</p> <p>Number of Board of Directors meetings attended: 14/14 times (100%)</p> <p>Number of Board of Corporate Auditors meetings attended: 15/15 times (100%)</p>	<p>Aug. 1982 Registered as a Certified Public Accountant</p> <p>Aug. 1991 Representative Partner of Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>June 2006 Executive Director of Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>Aug. 2008 Senior Executive Board Member of Ernst & Young ShinNihon LLC</p> <p>July 2010 Chief Executive of The Japanese Institute of Certified Public Accountants</p> <p>Aug. 2010 Senior Advisor, Senior Partner of Ernst & Young ShinNihon LLC</p> <p>Oct. 2010 Temporary Member of Internal Control Standard Committee of Business Accounting Council</p> <p>Sept. 2014 Executive Director, Professional Standards and Services of The Japanese Institute of Certified Public Accountants</p> <p>June 2017 Outside Director of PENTA-OCEAN CONSTRUCTION CO., LTD. (current position)</p> <p>June 2018 Outside Auditor of the Company (current position)</p>	2,900	
		<p>Reasons for nomination as candidate for Outside Auditor</p> <p>The Company proposes the election of Hidenori Takahashi as Outside Auditor, who is a Certified Public Accountant, based on determination that he can provide continued advice and supervision from a corporate accounting expert's standpoint.</p>		

- (Notes)
1. There are no special interests between the Auditor candidate and the Company.
 2. Hidenori Takahashi was engaged in executing business for Ernst & Young ShinNihon LLC, the Company's Independent Auditor, but retired from the auditing company in June 2014.
 3. Hidenori Takahashi is candidate for outside Auditor. The reason for nominating candidate for outside Auditor and reasons for determining that he is capable of appropriately fulfilling his duties are described under "Reasons for nomination as candidate for outside Auditor" above.
 4. The Company has submitted notification to the Tokyo Stock Exchange that Hidenori Takahashi has been designated as independent officers as provided for by the aforementioned exchange. If the reelection of candidate is approved, he will remain independent officers.
 5. Hidenori Takahashi is currently an outside Auditor of the Company, and he will have served as an Auditor for four years at the conclusion of this annual general meeting of shareholders.
 6. The Company has entered into limited liability agreements with outside Auditor candidate Hidenori Takahashi. The maximum amount of liability for damages under the relevant agreements is the minimum liability amount provided for under laws and regulations. If his reelection is approved, the Company plans to enter into the relevant agreements once again.
 7. The Company and an insurance company have entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph (1) of the Companies Act, and a summary of the policy is described in "4. (3) Summary of directors and officers liability insurance policy" A candidate for Auditor is included in the insured persons of the insurance policy once the election is approved. The Company plans to maintain the insurance policy at the next time of renewal.
 8. There are no matters to be entered other than those described above.

(Reference)

The Company's Directors and Auditors shall be composed of persons with a high level of knowledge and experience in various fields related to corporate management.

Areas of critical importance from among fields related to corporate management are classified below, and each Director and Auditor is expected to fully demonstrate his or her abilities.

Name	Position in the Company	Corporate Management, Management Strategy	Finance, Accounting	Legal, Risk Management	ESG	Manufacturing	Sales, Marketing	HR, HR Development	Global	Technology
Toshikazu Takisawa	Representative Director, Chairman & CEO	●	●	●	●	●	●	●		●
Yoshihiro Hombo	Representative Director and President	●	●	●	●		●		●	
Mutsuo Aoki	Director	●			●	●	●		●	●
Gota Nakazawa	Director	●	●		●					●
Tadayuki Seki	Director	●	●	●	●				●	
Chikako Sekine	Director	●		●	●		●	●	●	
Mikiko Saito	Director	●		●	●		●	●		
Akio Ko	Standing Auditor		●	●						
Takahiko Hachinohe	Auditor			●				●		
Hidenori Takahashi	Auditor	●	●	●	●					

*The above table does not show all the knowledge and experience possessed by each individual.