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(Securities code: 4028)

June 8, 2022

To Those Shareholders with Voting Rights

Hideo Takahashi
Executive Director, President
ISHIHARA SANGYO KAISHA, LTD.
3-15, Edobori 1-chome, Nishi-ku, Osaka

NOTICE OF THE 99th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Firstly, we would like to extend our sincere thanks for your ongoing support.

We are pleased to inform you that the 99th Ordinary General Meeting of Shareholders will be held as follows.

To prevent the spread of the new coronavirus (COVID-19) and ensure the safety of all shareholders, we request shareholders to exercise their voting rights in advance, in writing or via the Internet, etc., and to refrain, wherever possible, from attending the General Meeting of Shareholders in person.

Please exercise your voting rights in writing or via the Internet, etc. by 5:30 p.m. on Monday, June 27, 2022, after reading the attached REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS.

- 1. Date and Time:** 10:00 a.m., Tuesday, June 28, 2022 (Reception opens: 9:00 a.m.)
- 2. Venue:** Hall on the 5th floor of Shin-Ishihara Building, at 3-15, Edobori 1-chome, Nishi-ku, Osaka
(Shin-Ishihara Building: Please use Exit 5-B of Higobashi Station, Osaka Metro Yotsubashi Line.)
- 3. Objectives of the Meeting**
Reports:
 1. The Business Report, the Consolidated Financial Statements for the 99th Fiscal Term (from April 1, 2021 to March 31, 2022), and the Audit Reports thereof prepared by the Accounting Auditor and the Audit & Supervisory Board
 2. The Non-consolidated Financial Statements for the 99th Fiscal Term (from April 1, 2021 to March 31, 2022)

Matters to Be Resolved

Proposal No. 1: Appropriation of Surplus

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

Proposal No. 3: Election of Nine (9) Directors

Proposal No. 4: Election of One (1) Substitute Audit & Supervisory Board Member

Proposal No. 5: Determination of Compensation for the Grant of Restricted Stock Compensation to Directors (Excluding Outside Directors)

4. How to Exercise Your Voting Rights

If you are attending the General Meeting of Shareholders

Please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.

Date & Time: **10:00 a.m., Tuesday, June 28, 2022**

(Reception opens: 9:00 a.m.)

If you are exercising your voting rights in writing

Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith, and return it to us.

Deadline: **The form should arrive by 5:30 p.m., Monday, June 27, 2022.**

If you are exercising your voting rights via the Internet, etc.

Please first read the attached Guidance on the Exercise of Voting Rights via the Internet, etc. (p. 3) and indicate your approval or disapproval.

Deadline: **Votes should be accepted by 5:30 p.m., Monday, June 27, 2022.**

- If you have exercised your voting rights both in writing and via the Internet, etc., the votes cast via the Internet, etc. shall be deemed valid. If you have exercised your voting rights via the Internet, etc. multiple times, the votes cast last shall be deemed valid.
- The costs incurred for access to the website for the exercise of voting rights via the Internet (such as Internet connection fees, phone charges, etc.) shall be borne by the shareholders.
- Depending on your Internet environment, ISP service, or device model, you may not successfully be able to use the website to exercise your voting rights via the Internet.

5. Disclosure via the Internet

The items listed below are made available on our website on the Internet (URL below) in accordance with laws and regulations, as well as the provisions of Article 19 of our Articles of Incorporation, and are therefore not included in the reference documents attached hereto.

- (1) Notes to Consolidated Financial Statements
- (2) Notes to Non-consolidated Financial Statements

Thus, the reference documents attached hereto constitute part of the subjects audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing their Audit Reports.

Our website (<https://www.iskweb.co.jp/ir/stockholders.html>)

If any situation arises that requires amendment to the REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS, the Business Report, the Consolidated Financial Statements, or the Non-consolidated Financial Statements, such amendment will be posted on the Company's website (<https://www.iskweb.co.jp>).

Guidance on the Exercise of Voting Rights via the Internet, etc.

How to scan the QR code “Smart Voting”

You can log in to the voting rights exercise website without entering a “voting rights exercise code” and a “password.”

- 1 Please use your smartphone to scan the “voting rights exercise website login QR code” on the bottom right of the voting rights exercise form.
- 2 Please enter your vote for each proposal by following the instructions on the screen.

Voting rights can be exercised only once using “Smart Voting.”

If you want to change your vote after exercising your voting rights, please enter the “voting rights exercise code” and “password” on the voting rights exercise form to log in to the voting rights exercise website by following the instructions under “How to enter a voting rights exercise code and a password” on the right hand side, and exercise your voting rights again.

* You can access the voting rights exercise website on the right hand side by scanning the QR code again.

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

How to enter a voting rights exercise code and a password

The voting rights exercise website:

<https://www.web54.net>

- 1 Please access the voting rights exercise website.
- 2 Please enter the “voting rights exercise code” on the bottom left of the reverse side of the voting rights exercise form.
- 3 Please enter the “password” on the bottom left of the reverse side of the voting rights exercise form.
- 4 Please enter your vote for each proposal by following the instructions on the screen.

Please call the number on the right hand side, if you have any questions relating to the exercise of voting rights via the Internet.

Transfer Agency Web Support
Hotline, Sumitomo Mitsui Trust Bank



0120-652-031
Business hours: 9:00 a.m. to 9:00 p.m.

To institutional investors

In addition to the exercise of voting rights via the Internet as stated above, you may use the electronic voting platform operated by ICJ, Inc. only if you apply for its use in advance.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and References

Proposal No. 1

Appropriation of Surplus

One of the most important management policies of the Company is to increase corporate value while returning profits to our shareholders.

Our basic principle for dividends is to continue to implement stable dividend distribution according to our business performance, taking into comprehensive consideration the business trends, financial condition, and need to enhance our internal reserve for business expansion into the future.

Based on this policy, we have decided to pay a year-end dividend of 36 yen per share, an 18-yen increase from that for the previous fiscal year, as summarized below.

1. **Type of dividend property**
Cash
2. **Matters concerning the allocation of dividend property to shareholders and the total amount thereof**
36 yen per share of common stock of the Company
Total: 1,438,315,308 yen
3. **Date on which the dividend of surplus takes effect**
June 29, 2022

Partial Amendments to the Articles of Incorporation

1. Reasons for amendments

(1) Addition of a business objective

With the Company’s commercialization of the world’s first blue phalaenopsis , we propose to add a business objective to Article 2 of the current Articles of Incorporation, and renumber the subsequent objectives accordingly.

(2) Introduction of a system for electronic provision of materials for General Meetings of Shareholders

As the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022, we propose to amend the Company’s Articles of Incorporation of the Company as follows, to prepare for the introduction of a system for electronic provision of materials for General Meetings of Shareholders:

- 1) The proposed Article 19, Paragraph 1 provides that information contained in the reference materials for the General Meeting of Shareholders, etc. shall be provided electronically.
- 2) The purpose of the proposed Article 19, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- 3) The provisions related to the internet disclosure of the reference materials for the General Meeting of Shareholders, etc. (Article 19 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- 4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

1. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>(Objectives) Article 2 The objectives of the Company shall be to conduct the following businesses:</p> <p>(1) to (3) (Omitted)</p> <p>(Newly established)</p> <p>(4) to (11) (Omitted)</p>	<p>(Objectives) Article 2 The objectives of the Company shall be to conduct the following businesses:</p> <p>(1) to (3) (Unchanged)</p> <p><u>(4) Production, sale, export and import of plants</u></p> <p><u>(5) to (12)</u> (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p><u>(Disclosure of Reference Materials for General Meeting of Shareholders by Internet)</u></p> <p><u>Article 19 For holding the General Meeting of Shareholders, the Company may deem it to have disclosed the information regarding the matters to be stated or indicated on the reference materials for the General Meeting of Shareholders, business report, financial statements and consolidated financial statements to shareholders by disclosing such information by means of using Internet in accordance with provisions of the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p>(Measures for providing information in electronic format, etc.)</p> <p>2. <u>Article 19 The Company shall, when convening a General Meeting of Shareholders, provide information contained in the reference materials for the General Meeting of Shareholders, etc. in electronic format. Among the matters to be provided in electronic format., the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p>
<p>Article 20 to Article 46 (Omitted)</p> <p>(Newly established)</p>	<p>Article 20 to Article 46 (Unchanged)</p> <p><u>(Supplementary Provisions)</u></p> <p>1. <u>The amendments to Article 19(Measures for providing information in electronic format, etc.) of Incorporation shall come into effect on September 1, 2022 (the “Effective Date”), which is the date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019).</u></p> <p>2. <u>Notwithstanding the provisions of the preceding paragraph, Article 19 (Disclosure of Reference Materials for General Meeting of Shareholders by Internet) of the Articles of Incorporation shall remain in force with respect to a General Meeting of Shareholders to be held on a date within six months from the Effective Date.</u></p>

Current Articles of Incorporation	Proposed Amendments
	3. <u>These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.</u>

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposal No. 3

Election of Nine (9) Directors

The terms of office of all current nine (9) Directors will expire at the conclusion of this General Meeting of Shareholders.

We therefore propose that nine (9) Directors (three (3) of which are Outside Directors) be elected.

The candidates for Directors are as follows:

Candidate No.	Full name		Posts and responsibilities held at the Company	Term of office as Director	Attendance at Board of Directors meetings	Expertise and experience possessed by each candidate for Director						
						Corporate strategy	Production and R&D	Legal and Risk management	Personnel and General affairs	Domestic and international market expansion	Financial accounting	ESG
1	Kenichi Tanaka	Reappointment	Executive Director, Chairman	8 years	100% (15/15)	●		●	●			
2	Hideo Takahashi	Reappointment	Executive Director, President & Chief Executive Officer	3 years	100% (15/15)	●	●					●
3	Kiyomitsu Yoshida	Reappointment	Director, Senior Managing Executive Officer, Organic Chemicals Business, Director of Biosciences Business Headquarters	4 years	87% (13/15)	●	●			●		
4	Yasunobu Kawazoe	Reappointment	Director, Managing Executive Officer, Director of Finance & Accounting Headquarters	3 years	100% (15/15)	●					●	●
5	Masaki Shimojo	Reappointment	Director, Managing Executive Officer, Director of Inorganic Chemicals Sales & Marketing, R&D Strategy Headquarters Assistant Director of R&D Strategy Headquarters	2 years	100% (15/15)	●	●			●		
6	Hiroshi Okubo	New appointment	Managing Executive Officer, Director of Corporate Administration & Planning Headquarters	-	-	●		●				●
7	Hiroshi Katsumata	Reappointment	Director [Outside] [Independent]	5 years	100% (15/15)	●	●		●			
8	Tatsuo Hanazawa	Reappointment	Director [Outside] [Independent]	3 years	100% (15/15)				●	●		●
9	Satoshi Ando	Reappointment	Director [Outside] [Independent]	2 years	100% (15/15)			●	●		●	

Reappointment Candidate for reappointment New appointment Candidate for new Director [Outside] Outside Officer [Independent] Independent Officer

Notes:

- The table above indicates a maximum of three main areas where each candidate for Director possesses expertise and experience.
- Nomination of the candidates for Directors is decided at the Board of Directors after consulting with the Personnel Committee, consisting of independent Outside Directors and Outside Audit & Supervisory Board Members. The Board of Directors nominates the persons who are deemed appropriate as candidates for Directors after comprehensive examination of their personalities, knowledge, abilities, etc. based on the perspective of prompt and proper decision making.
- The Company has concluded a directors and officers liability insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act, with all Directors as the insured. The insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to

improper actions (including errors of omission) committed by the insured in his/her capacity as such. The Company is fully responsible for paying the insurance premium. The Company intends to include all candidates for Directors, if appointed, in the insured under this insurance contract. The Company intends to renew this insurance contract under the same terms when it comes due for renewal.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

1 Kenichi Tanaka (Born on January 18, 1954)

Reappointment

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

Number of the Company's shares held 22,600 shares		
Term of office as Director 8 years (at the conclusion of this General Meeting of Shareholders)	April 1976	Joined the Company
Attendance at Board of Directors meetings 15 times / 15 meetings (100%)	April 2009	Executive Officer, and Acting Director of General Affairs Headquarters
	June 2011	Executive Officer, and Director of General Affairs Headquarters
	June 2012	Managing Executive Officer, and Director of General Affairs Headquarters
	June 2014	Director, Managing Executive Officer, and Director of General Affairs Headquarters
	June 2015	Executive Director, President & Chief Executive Officer, Chief Compliance Officer (CCO), Chairman of Compliance Committee, Director of Business Strategy Office, and Director of General Affairs Headquarters
	February 2016	Executive Director, President & Chief Executive Officer, Chief Compliance Officer (CCO), Chairman of Compliance Committee, and Director of General Affairs & Human Resources Headquarters
	June 2017	Executive Director, President & Chief Executive Officer, Chief Compliance Officer (CCO), and Chairman of Compliance Committee
	June 2021	Executive Director, Chairman (to date)

◆ Reason for nomination as a candidate for Director

Since assuming office as President and Chief Executive Officer in June 2015, Mr. Kenichi Tanaka has demonstrated strong leadership in his management of the Company, formulating Vision 2030, the Company's long-term vision for the year 2030 that forms the foundation for two Mid-Term Management Plans and the current Mid-Term Plan. He has accurately and efficiently engaged in the management and administration of the entire Group. Since June 2021, he has focused on enhancing the effectiveness of the Board of Directors and supervising management as Executive Director, Chairman.

He is deeply familiar with the Group's external environment and corporate governance. Expectations of his contribution to the sustained improvement of the corporate value of the Company resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Kenichi Tanaka.

Candidate No.

2 Hideo Takahashi (Born on December 4, 1956) **Reappointment**

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

Number of the Company's shares held 11,100 shares	April 1980	Joined the Company
Term of office as Director 3 years (at the conclusion of this General Meeting of Shareholders)	June 2013	Executive Officer, and Deputy Director of R&D Strategy Headquarters
Attendance at Board of Directors meetings 15 times / 15 meetings (100%)	June 2014	Executive Officer, and Acting Director of R&D Strategy Headquarters
	June 2015	Executive Officer, and Director of R&D Strategy Headquarters
	October 2015	Executive Officer, Director of R&D Strategy Headquarters and Battery & Power Generation Materials Development Promotion Headquarters
	June 2018	Managing Executive Officer, and Director of R&D Strategy Headquarters
	June 2019	Director, Managing Executive Officer, and Director of Yokkaichi Plant
	June 2021	Executive Director, President & Chief Executive Officer (to date)

Major other offices concurrently held

Director and Chairman at ISK AMERICAS INCORPORATED

◆ Reason for nomination as a candidate for Director

Mr. Hideo Takahashi has experience including research, product development, sales and served as Director of a plant and Director of R&D Strategy Headquarters. He was appointed President and Chief Executive Officer in June 2021. Since assuming office, he has properly made decisions and conducted supervision on important business execution and management based on his abundant experience and achievements.

Since assuming office as President and Chief Executive Officer, he has used his experience, achievements and leadership to guide management of the entire Group to achieve the goals of the Company's long-term vision, Vision 2030. We expect that Mr. Takahashi will contribute to the sustained improvement of the corporate value of the Group. This resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Hideo Takahashi.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

3 Kiyomitsu Yoshida (Born on May 19, 1958) **Reappointment**

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

<p>Number of the Company’s shares held 9,200 shares</p>	April 1981	Joined the Company
<p>Term of office as Director 4 years (at the conclusion of this General Meeting of Shareholders)</p>	June 2014	Executive Officer, and Acting Director of Central Research Institute
<p>Attendance at Board of Directors meetings 13 times / 15 meetings (87%)</p>	May 2016	Executive Officer, Acting Director of Central Research Institute, and Director of Animal Health Headquarters
	June 2016	Executive Officer, Director of Central Research Institute, and Director of Animal Health Headquarters
	June 2017	Managing Executive Officer, Director of Central Research Institute, and Director of Animal Health Headquarters
	June 2018	Director, Managing Executive Officer, Deputy Director of Biosciences Sales & Marketing, and Director of Animal Health Headquarters
	January 2019	Director, Managing Executive Officer, Director of Biosciences Sales & Marketing, and Director of Animal Health Headquarters
	February 2019	Director, Managing Executive Officer, Director of Biosciences Business Headquarters, and Director of Animal Health Headquarters
	June 2019	Director, Managing Executive Officer, and Director of Biosciences Business Headquarters
	June 2021	Director, Senior Managing Executive Officer, Organic Chemicals Business, and Director of Biosciences Business Headquarters (to date)

Major other offices concurrently held

Director and Chairman at ISK BIOSCIENCES CORPORATION
 Director and Chairman at ISK BIOSCIENCES EUROPE N.V.

◆ Reason for nomination as a candidate for Director

Mr. Kiyomitsu Yoshida has been engaged in sales, research & development, operation of a research institute, etc., mainly in the organic chemicals department, and has properly made decisions and conducted supervision on important business execution and management based on his abundant experience and achievements.

Since taking charge of the Organic Chemicals Business in June 2021, he has been engaged in planning and examining, or supervising the execution of, management strategies across the bioscience and healthcare fields. We expect that Mr. Yoshida will contribute to the sustained improvement of the corporate value of the Group. This resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Kiyomitsu Yoshida.

Candidate No.

4

Yasunobu Kawazoe (Born on August 5, 1958) **Reappointment**

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

Number of the Company's shares held 18,900 shares	April 1982	Joined Long-Term Credit Bank of Japan, Limited (currently Shinsei Bank, Limited)
Term of office as Director 3 years (at the conclusion of this General Meeting of Shareholders)	April 2012	Executive Officer, and General Manager of Institutional Credit Management Division, Shinsei Bank, Limited
Attendance at Board of Directors meetings 15 times / 15 meetings (100%)	April 2015	Managing Executive Officer, Chief Risk Officer, and Head of Risk Management Group, Shinsei Bank, Limited
	April 2016	Managing Executive Officer, and Head of Credit Risk Management, Shinsei Bank, Limited
	December 2016	Retired from Shinsei Bank, Limited
	January 2017	Advisor to Ishihara Sangyo Kaisha, Ltd.
	June 2017	Managing Executive Officer, and Director of Finance & Accounting Headquarters
	June 2019	Director, Managing Executive Officer, and Director of Finance & Accounting Headquarters (to date)

◆ Reason for nomination as a candidate for Director

Mr. Yasunobu Kawazoe, has properly made decisions and conducted supervision on important business execution and management in fields related to the strengthening of governance, in addition to finance and accounting, based on his abundant experience and achievements, by making effective use of his many years of experience and expertise related to finance and accounting that he had cultivated at a financial institution.

We expect that Mr. Kawazoe will contribute to the sustained improvement of the corporate value of the Group by utilizing his experience and knowledge for the Board of Directors in planning and examining, or supervising the execution of, management strategies. This resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Yasunobu Kawazoe.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

5 Masaki Shimojo (Born on April 14, 1960)

Reappointment

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

<p>Number of the Company's shares held 7,000 shares</p>	<p>April 1983 Joined the Company</p>
<p>Term of office as Director 2 years (at the conclusion of this General Meeting of Shareholders)</p>	<p>October 2016 Executive Officer, and Director of Inorganic Chemicals Sales & Marketing</p>
<p>Attendance at Board of Directors meetings 15 times / 15 meetings (100%)</p>	<p>June 2019 Managing Executive Officer, Director of Inorganic Chemicals Sales & Marketing, and Director of R&D Strategy Headquarters</p>
	<p>June 2020 Director, Managing Executive Officer, Director of Inorganic Chemicals Sales & Marketing, and Director of R&D Strategy Headquarters</p>
	<p>June 2021 Director, Managing Executive Officer, and Director of Inorganic Chemicals Sales & Marketing, R&D Strategy Headquarters Assistant Director of R&D Strategy Headquarters (to date)</p>

Major other offices concurrently held
 Director and Chairman at ISHIHARA CORPORATION (U.S.A.)
 Chairman at ISK TAIWAN CO., LTD.

◆ Reason for nomination as a candidate for Director

Mr. Masaki Shimojo has been engaged in sales, research, product development, and production, etc. mainly in the inorganic chemicals department. He has properly made decisions and conducted supervision on important business execution and management in the fields of research, development, and domestic and international market expansion, based on his abundant experience and achievements. We expect that Mr. Shimojo will contribute to the sustained improvement of the corporate value of the Group by utilizing his experience and knowledge for the Board of Directors in planning and examining, or supervising the execution of, management strategies. This resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Masaki Shimojo.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

6 Hiroshi Okubo (Born on December 9, 1961)

New appointment

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

Number of the Company's shares held 5,286 shares	April 1986	Joined the Company
Term of office as Outside Director -	June 2016	Seconded to ISK ENGINEERING PARTNERS CORPORATION (Executive Officer)
Attendance at Board of Directors meetings -	July 2017	Seconded to FUJI TITANIUM INDUSTRY CO., LTD. (Director, Managing Executive Officer)
	June 2020	General Manager of Corporate Planning & Administration Division, Corporate Administration & Planning Headquarters
	June 2020	Executive Officer, Deputy Director of Corporate Administration & Planning Headquarters
	June 2021	Managing Executive Officer, Director of Corporate Administration & Planning Headquarters (to date)

◆ Reason for nomination as a candidate for Director

Mr. Hiroshi Okubo has experience in production, environment, safety and health, and other divisions at plants, as well as in the management of subsidiaries and affiliates. He was appointed Executive Officer in 2020, and is engaged in corporate administration and planning.

His abundant operational knowledge and experience have enabled him to properly execute his duties. We expect that Mr. Okubo will contribute to the sustained improvement of the corporate value of the Group. This resulted in our decision to appoint him as a new candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Hiroshi Okubo.

Candidate No.

7

Hiroshi Katsumata (Born on April 1, 1952)

Reappointment

Outside Officer

Independent Officer

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

Number of the Company's shares held
7,200 shares

Term of office as Outside Director
5 years (at the conclusion of this General Meeting of Shareholders)

Attendance at Board of Directors meetings
15 times / 15 meetings (100%)

April 1977	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
February 1995	General Manager of Natural Resources Department, Chubu Bureau of Trade and Industry
June 1997	Deputy Director-General of Planning Department, New Energy and Industrial Technology Development Organization
July 1999	Manager of Environmental Research and Technology Division, Planning and Coordination Bureau, Environment Agency (currently Ministry of the Environment)
December 2000	Manager of Vienna Center, Japan External Trade Organization
June 2003	Managing Director, Plastic Waste Management Institute
June 2006	Executive Officer, and Deputy General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2009	Senior Executive Officer, and Deputy General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2011	Senior Executive Officer, and General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2012	Managing Director, and General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2014	Senior Managing Director, and General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2015	Director Senior Managing Executive Officer, and General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2017	Director, TM Air Co., Ltd.
June 2017	Outside Director of the Company (to date)
June 2018	Advisor to TM Air Co., Ltd.
June 2019	Part-time Consultant for TM Air Co., Ltd.

◆ Reason for nomination as a candidate for Outside Director and summary of expected roles

Mr. Hiroshi Katsumata, currently serving as Outside Director of the Company, has diverse experience and specialized insight in public administration, as well as experience in corporate management as Director of an industrial gas business operator. These qualities enable him to provide appropriate advice and supervision, especially in the fields of management strategy, research, and development. In addition, he also serves as Chairman of the Personnel Committee and a member of the Compensation Committee and Evaluation Committee, actively expressing his opinions. For these reasons, he is expected to perform his duties as Outside Director adequately from an independent standpoint. This resulted in our decision to re-appoint him as a candidate for our Outside Director.

Notes:

1. No special-interest relationships exist between the Company and Mr. Hiroshi Katsumata.
2. Mr. Hiroshi Katsumata is a candidate for Outside Director.
3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Director that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The Company has entered into an agreement on limitation of liability (the larger of an amount determined in advance, which shall be equal to or more than 10 million yen, and an amount prescribed by laws and regulations) with Mr. Hiroshi Katsumata, and will renew the current agreement with him upon the approval of his re-election at this General Meeting of Shareholders.
4. Mr. Hiroshi Katsumata meets the requirements of the “Criteria for the Independence of Outside Officers at the Company” and the requirements for Independent Officer set by the Tokyo Stock Exchange (TSE). The Company has notified the TSE of his election as an Independent Officer as required by the TSE. If his re-election is approved at this General Meeting of Shareholders, the Company will continue to appoint him as an Independent Officer.

Candidate No.

8

Tatsuo Hanazawa (Born on April 30, 1951)

Reappointment

Outside Officer

Independent Officer

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

Number of the Company's shares held 2,400 shares	April 1975	Joined Ministry of Agriculture and Forestry (currently Ministry of Agriculture, Forestry and Fisheries)
Term of office as Outside Director 3 years (at the conclusion of this General Meeting of Shareholders)	August 1990	Research Administrator of Administration Division, Food and Marketing Bureau
Attendance at Board of Directors meetings 15 times / 15 meetings (100%)	May 1992	Counselor, Embassy of Japan in the People's Republic of China
	July 1995	Councilor, Cabinet Councilors' Office in Internal Affairs, Cabinet Secretariat
	July 1997	Manager of Mountainous and Snowy Regions Development Division, National Land Agency
	July 1999	Manager of Upland Crop Division, Agricultural Production Bureau
	April 2000	Deputy Director-General of Hokuriku Regional Agricultural Administration Office
	July 2001	Director-General of Kinki Chugoku Regional Forest Office
	July 2002	Assistant Vice-Minister, Minister's Secretariat and Land and Water Bureau, Ministry of Land, Infrastructure, Transport and Tourism
	January 2004	Director of Selection and Evaluation Committee, Bio-Oriented Technology Research Advancement Institution, National Agriculture and Food Research Organization
	October 2005	Executive Director of Japan Food Industry Center (currently Japan Food Industry Association)
	April 2006	Executive Director of Japan Food Industry Center and Japan Food Safety Management System Assessment & Registration Senior Manager
	April 2013	Executive Director of Japan Food Industry Association
	June 2019	Outside Director of the Company (to date)

◆ Reason for nomination as a candidate for Outside Director and summary of expected roles

Mr. Tatsuo Hanazawa, currently serving as Outside Director of the Company, has experience and knowledge of public administration, especially of agricultural policies both inside and outside Japan, and experience in the environmental field. Based on this experience, he provides appropriate advice and supervision of the management of the Company, in the fields of expansion of the domestic and overseas markets and environmental issues. In addition, he also serves as Chairman of the Compensation Committee and a member of the Personnel Committee and Evaluation Committee, actively expressing his opinions. Mr. Hanazawa has never in the past been involved in the management of a company except as an Outside Director. However, for these reasons, he is expected to perform his duties as Outside Director adequately from an independent standpoint. This resulted in our decision to re-appoint him as a candidate for our Outside Director.

Notes:

1. No special-interest relationships exist between the Company and Mr. Tatsuo Hanazawa.
2. Mr. Tatsuo Hanazawa is a candidate for Outside Director.
3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Director that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The Company has entered into an agreement on limitation of liability (the larger of an amount determined in advance, which shall be equal to or more than 10 million yen, and an amount prescribed by laws and regulations) with Mr. Tatsuo Hanazawa, and will renew the current agreement with him upon the approval of his re-election at this General Meeting of Shareholders.
4. Mr. Tatsuo Hanazawa meets the requirements of the “Criteria for the Independence of Outside Officers at the Company” and the requirements for Independent Officer set by the TSE. The Company has notified the TSE of his election as an Independent Officer as required by the TSE. If his re-election is approved at this General Meeting of Shareholders, the Company will continue to appoint him as an Independent Officer.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

9

Satoshi Ando (Born on April 27, 1974)

Reappointment

Outside Officer

Independent Officer

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

<p>Number of the Company's shares held 1,000 shares</p>	<p>October 2001</p>	<p>Admitted to the bar (Dai-Ichi Tokyo Bar Association)</p>
<p>Term of office as Outside Director 2 years (at the conclusion of this General Meeting of Shareholders)</p>	<p>October 2001</p>	<p>Joined Onishi Shoichiro Law Office</p>
<p>Attendance at Board of Directors meetings 15 times / 15 meetings (100%)</p>	<p>May 2015</p>	<p>Senior Partner of Onishi Shoichiro Law Office (to date)</p>
	<p>May 2016</p>	<p>Outside Director (Audit & Supervisory Committee Member) of TOHO CO., LTD. (to date)</p>
	<p>June 2020</p>	<p>Outside Director of the Company (to date)</p>
	<p>Major other offices concurrently held Attorney-at-law Outside Director (Audit & Supervisory Committee Member) of TOHO CO., LTD.</p>	

◆ Reason for nomination as a candidate for Outside Director and summary of expected roles

Mr. Satoshi Ando, currently serving as Outside Director of the Company, has advanced professional expertise as an attorney-at-law, as well as extensive experience and broad insight in corporate legal affairs. He provides appropriate advice and supervision of the management of the Company, in the fields of law, risk management, finance, and accounting, from an independent and legal standpoint. In addition, he also serves as a member of the Compensation Committee, Personnel Committee and Evaluation Committee, actively expressing his opinions. Mr. Ando has never in the past been involved in the management of a company except as an Outside Director. However, for these reasons, he is expected to perform his duties as Outside Director adequately from an independent standpoint. This resulted in our decision to re-appoint him as a candidate for our Outside Director.

Notes:

- No special-interest relationships exist between the Company and Mr. Satoshi Ando.
- Mr. Satoshi Ando is a candidate for Outside Director.
- Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Director that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The Company has entered into an agreement on limitation of liability (the larger of an amount determined in advance, which shall be equal to or more than 10 million yen, and an amount prescribed by laws and regulations) with Mr. Satoshi Ando, and will renew the current agreement with him upon the approval of his re-election at this General Meeting of Shareholders.
- Mr. Satoshi Ando meets the requirements of the "Criteria for the Independence of Outside Officers at the Company" and the requirements for Independent Officer set by the TSE. The Company has notified the TSE of his election as an Independent Officer as required by the TSE. If his re-election is approved at this General Meeting of Shareholders, the Company will continue to appoint him as an Independent Officer.

Election of One (1) Substitute Audit & Supervisory Board Member

At the 98th Ordinary General Meeting of Shareholders held on June 25, 2021, Mr. Yasuhiro Koike was elected as a substitute Audit & Supervisory Board Member. His term of office will terminate at the time of the start of the forthcoming General Meeting of Shareholders. Therefore, one (1) substitute Audit & Supervisory Board Member shall be appointed anew in the case that a vacancy occurs in the statutory number of auditors.

This proposal has obtained the consent of the Audit & Supervisory Board.

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

Yasuhiro Koike (Born on July 31, 1962)

Reappointment

Substitute Outside Audit & Supervisory Board

Independent Officer

A brief summary of his career and posts held, and other major offices concurrently held

Number of the Company's shares held
0 shares

April 1991	Admitted to the bar (Osaka Bar Association)
April 1998	Opened Koike Law Office
April 2004	Opened Ohara & Koike Law Office
April 2012	Vice-president of Osaka Bar Association
April 2019	Executive Governor of Japan Federation of Bar Associations

Major other offices concurrently held

Attorney-at-law

◆ Reason for nomination as a candidate for substitute Outside Audit & Supervisory Board Member

Mr. Yasuhiro Koike has professional knowledge and experience of legal practice and sufficient insight into corporate management, which endorses the view that he has the ability to carry out his professional duties as a substitute Outside Audit & Supervisory Board Member from an independent and unbiased perspective.

Notes:

1. No special-interest relationships exist between the Company and Mr. Yasuhiro Koike.
2. Mr. Yasuhiro Koike is a candidate for a substitute Outside Audit & Supervisory Board Member.
3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Audit & Supervisory Board Member that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The Company will enter into an agreement on limitation of liability (the larger of an amount determined in advance, which shall be equal to or more than 10 million yen, and an amount prescribed by laws and regulations) with Mr. Yasuhiro Koike, if his election is approved at this General Meeting of Shareholders and he assumes his Audit & Supervisory Board Member role.
4. Mr. Yasuhiro Koike meets the requirements of the "Criteria for the Independence of Outside Officers at the Company" and the requirements for Independent Officer set by the TSE. If his election is approved at this General Meeting of Shareholders and he assumes his Audit & Supervisory Board Member role, the Company will notify the TSE of Mr. Yasuhiro Koike's nomination as an Independent Officer as required by the TSE.
5. The Company has concluded a directors and officers liability insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act, with all Audit & Supervisory Board Members as the insured. The insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to improper actions (including errors of omission) committed by the insured in his/her capacity as such. If the election of Mr. Yasuhiro Koike is approved at this General Meeting of Shareholders and he assumes his Audit & Supervisory Board Member role, then he will be

included in the insured under this insurance contract. The Company intends to renew this insurance contract under the same terms when it comes due for renewal.
(Reference)

Criteria for the Independence of Outside Officers at the Company

An Outside Director or Outside Audit & Supervisory Board Member shall be deemed independent if he/she falls under none of the following criteria:

1. A person who is or was within the past 10 years an executive of business^{*1} of the corporate group composed of the Company and its subsidiaries (hereinafter, “the Group”)
2. A person who is or was within the past five years a major shareholder (holding 10% or more of total voting rights) of the Company or an executive of business thereof
3. A person who is a client of the Group and whose transactions with the Group exceeded 2% of the consolidated annual sales of the Group in one of the recent three business years, or the executive of business thereof
4. A person for whom the Group is a client and whose transactions with the Group exceeded 2% of its consolidated annual sales in one of its recent three business years, or the executive of business thereof
5. An accounting professional, legal professional, or other consultant or a member of a group thereof who receives from the Group a large amount of money or other financial benefit^{*2} besides the officer’s remuneration
6. A person who receives or has received within the past three years a large amount of donation or other assistance^{*3} from the Group, or the executive of business thereof
7. A spouse or a relative within the second degree of kinship of any person who falls under any of the criteria 1 through 6 above, or a relative who lives with such a person.

*1: “An executive of business” refers to the person defined in Article 2, Paragraph 3 (6) of the Ordinance for Enforcement of the Companies Act.

*2: “A large amount of money or other financial benefit” refers to over 10 million yen of regular annual compensation on average over the past three years.

*3: “A large amount of donation or other assistance” refers to over 10 million yen of an annual total amount of donation or assistance.

Determination of Compensation for the Grant of Restricted Stock Compensation to Directors (Excluding Outside Directors)

Compensation, etc. for Directors not exceeding 460 million yen per annum (not including compensation received in the capacity of an employee, for Directors who serve concurrently as employees) was approved by the 82nd Ordinary General Meeting of Shareholders held on June 29, 2005.

As part of a review of the compensation system for officers, we request approval to provide compensation for the grant of restricted stock to Directors (excluding Outside Directors; hereinafter referred to as “Eligible Directors”), with the aim of providing an incentive to strive for the sustained improvement of the Company’s corporate value, and further promote shared values between Eligible Directors and all shareholders.

Compensation under this proposal shall be provided to Eligible Directors in the form of monetary claims for the delivery of restricted stock. The total amount of the monetary claims to be provided to Eligible Directors shall not exceed 90 million yen annually (not including remuneration received in the capacity of an employee, for Directors who serve concurrently as employees). The Board of Directors shall determine the specific timing and allocation of this compensation to each Eligible Director.

There are currently nine (9) Directors, including three (3) Outside Directors. If Proposal No. 3 is approved and passed as proposed, there will be nine (9) Directors, including three (3) Outside Directors.

Eligible Directors shall receive common shares of the Company through issuance or disposal, in return for contribution in kind of all monetary claims provided under this proposal, based on a resolution of the Board of Directors. The total number of common shares to be issued or disposed of shall not exceed 95,000 shares per year. However, should the Company’s common shares undergo a share split (including allotment of the Company’s common shares without contribution), consolidation of shares, or other cause necessitating adjustment to the total number of common shares to be issued or disposed of, with an effective date on or after the date of the approval and passing of this Item by the General Meeting of Shareholders, the total number of common shares shall be adjusted as necessary within a reasonable range.

The amount to be paid in per share shall be determined by the Board of Directors, based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the last business day before the date of the resolution of the Board of Directors (if trading is not effected on that date, the closing price on the last trading day of the Company’s shares preceding the resolutions) within a range that is not particularly favorable to the Eligible Directors receiving the common shares. The issuance or disposal of common shares to Eligible Directors, and the receipt of monetary claims as contribution in kind, shall be conditional upon the Company concluding a restricted stock allotment agreement (hereinafter the “Allotment Agreement”) that includes the content shown below, with each Eligible Director. The maximum amount of compensation, the total number of the Company’s common shares to be issued or disposed of, and other conditions regarding the delivery of restricted stock to Eligible Directors under this proposal, are determined based on the purpose described above, the Company’s business conditions, the Company’s decision policy regarding the details of compensation for individual Directors, and other relevant matters, and are considered appropriate. (If this proposal is accepted and passed, then the Company’s decision policy regarding the details of compensation for individual Directors will be amended as shown under [Reference] below.)

[Summary of the contents of the Allotment Agreement]

(1) Transfer Restriction Period

Under the Allotment Agreement, an Eligible Director must not transfer, pledge or otherwise dispose of common shares of the Company allotted under the Allotment Agreement (hereinafter the “Allotted Shares”) from the day when the shares were allotted until the time immediately after the Eligible Director retires from the post as an officer of the Company that has been predesignated by the Company’s Board of Directors (hereinafter the “Transfer Restriction Period”). These restrictions are hereinafter referred to as the “Transfer Restrictions.”

(2) Treatment at the time of retirement

In the event that an Eligible Director retires from the post at the Company predesignated by the Company’s Board of Directors prior to the expiration of a period predesignated by the Company’s

Board of Directors (hereinafter the “Service Period”), except where due to the expiration of the Eligible Director’s term of office, death or other proper cause, the Company shall rightfully acquire the Allotted Shares for no consideration.

(3) Removal of the Transfer Restrictions

Where an Eligible Director has served continuously in a post as an officer of the Company that has been predesignated by the Company’s Board of Directors, for the duration of the Service Period, the Company shall remove the Transfer Restrictions pertaining to all Allotted Shares held by the Eligible Director at the expiration of the Transfer Restriction Period. However, where an Eligible Director retires from the predesignated post as an officer of the Company, for a reason that is not a proper reason, after the expiration of the Service Period but prior to the expiration of the Transfer Restriction Period, then the number of Allotted Shares from which the Transfer Restrictions are removed, and the timing of this removal, shall be adjusted reasonably as necessary. The Company shall rightfully acquire, for no consideration, the remaining Allotted Shares that have not been released from the Transfer Restrictions, immediately subsequent to the release from the Transfer Restrictions in accordance with the provisions above.

(4) Treatment in the case of organizational restructuring, etc.

Notwithstanding the provisions in (1) above, where a merger agreement with the Company as the non-surviving company, a share exchange agreement where the Company becomes a wholly-owned subsidiary, a share transfer plan or another matter concerning an organizational restructuring etc. is approved by the Company’s General Meeting of Shareholder (or the Company’s Board of Directors, for organizational restructuring etc. that does not require the approval of the General Meeting of Shareholders) during the Transfer Restriction Period, the Transfer Restrictions may be removed before the effective date of the organizational restructuring etc. by resolution of the Board of Directors, for a number of the Allotted Shares to be determined reasonably based upon the length of the period from the day when the Transfer Restriction Period commenced to the day when the organizational restructuring etc. was approved. The Company shall rightfully acquire, for no consideration, the remaining Allotted Shares for which the Transfer Restrictions have not been removed immediately subsequent to the removal of the Transfer Restrictions in accordance with the provisions above.

(5) Other matters

Other matters concerning the allotment agreement shall be determined by the Company’s Board of Directors.

[Reference]

If this proposal is approved and passed as proposed, then the content of the decision policy regarding the details of compensation, etc. for individual Directors, after the amendments planned by the Company, will be as presented below.

1) Decision policy regarding the amount and calculation method of compensation, etc. for individual Directors

The standards for basic compensation and performance-linked compensation are based on rank in accordance with the Officers Compensation Regulations decided by the Board of Directors. Basic compensation is paid based on the Officers Compensation Regulations, in amounts corresponding to the roles and responsibilities of Directors and Executive Officers. Remuneration for Outside Directors is composed only of basic compensation because of their position independent from business execution.

2) Details of performance indicators, the decision policy for calculating the amount or number for performance-linked compensation, etc.

Under the Officers Compensation Regulations decided by the Board of Directors, performance-linked compensation, which is part of compensation, etc. for Directors (excluding Outside Directors), comprises annual performance-linked compensation aimed at ensuring objectivity and linkage with the Company’s financial results, and long-term performance-linked compensation. The amount of annual performance-linked compensation is calculated and determined upon comprehensive consideration of factors including the results of corporate activities, such as net income attributable to owners of parent, and individual performance evaluation.

3) Details of non-monetary compensation, etc., and the decision policy for calculating the amount or number for non-monetary compensation, etc. or the calculation method thereof

Non-monetary compensation, which is part of compensation, etc. for Directors (excluding Outside Directors), comprises restricted stock. The maximum total amount of monetary claims provided for the grant of restricted stock to Directors (excluding Outside Directors) is 90 million yen per annum (not including compensation received in the capacity of an employee, for Directors who serve concurrently as employees), and the maximum total number of common shares to be issued or disposed by the Company is 95,000 shares. However, should the Company's common shares undergo a share split (including allotment of the Company's common shares without contribution), consolidation of shares, or other cause necessitating adjustment to the total number of common shares to be issued or disposed, the total number of common shares shall be adjusted as necessary within a reasonable range. The Board of Directors determines the specific timing and allocation of this compensation to each Director.

4) Proportional amounts of compensation, etc. for individual Directors

The proportion of basic compensation and performance-linked compensation, etc. is proposed, taking into account each year's financial results, etc., by the Executive Director, President, who is delegated authority by resolution of the Board of Directors. It is then referred to the Compensation Committee for deliberation, and determined by the Board of Directors, after discussion among Executive Directors, based on the report by the Compensation Committee.

5) Decision policy on the timing and conditions for paying compensation, etc. to Directors

It is prescribed in the Officers Compensation Regulations decided by the Board of Directors that basic compensation shall be calculated per calendar month, and the amount for each month shall be paid on the same day as salaries for employees and that performance-linked compensation, etc. shall be paid on the same day as summer bonuses for employees.

6) Delegation of authority concerning the determination of compensation, etc. for individual Directors

Compensation, etc. for individual Directors of the Company is proposed by the Executive Director, President, who is delegated authority by resolution of the Board of Directors. It is then referred to the Compensation Committee for deliberation, and determined by the Executive Director, President after discussion among Executive Directors, based on the report by the Compensation Committee. The details of compensation, etc. for individual Directors are determined after deliberation by the Compensation Committee, which is composed of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members. The Compensation Committee provides advice and recommendations, based on the information from officers' compensation surveys carried out by third party firms, and each member's insight, before the decision is made, in order to ensure that the Executive Director, President exercises his authority appropriately.

Business Report

(April 1, 2021 - March 31, 2022)

I. Overview of the Corporate Group

1. Business Progress and Results

(1) Business Conditions

The outlook for the global economy remains uncertain due to factors such as the worldwide COVID-19 pandemic. However, with the roll-out of vaccinations, business conditions have begun to recover overall, albeit to varying degrees in different industries, countries, and regions. In addition, the currency market trended towards a weaker yen. Nevertheless, conditions remain extremely adverse, with the global economy negatively impacted by rising geopolitical risk, including the Russia-Ukraine situation, in addition to procurement issues for semiconductors and other parts and materials, logistics delays and soaring marine freight costs due to a container shortage, and a dramatic rise in fuel and resource prices. The environments for the Group's main businesses are as follows. In the inorganic chemicals business, an expansion in demand in the electronic component materials field added to strong demand for use in automotive and construction. In the organic chemicals business, income from domestic sales of the main agrochemicals declined, while sales overseas were robust, mainly for fungicides and herbicides, partly due to expanded crop production in the Americas. This was despite signs of disruption in overseas supply chains.

Under these conditions, the Group established its long-term vision, "Vision 2030 – Originality. Acceleration. Global Reach. Transforming Lives Through the Power of Chemistry," announced the Mid-Term Management Plan "Vision 2030 Stage I" for the three years from fiscal 2021 to fiscal 2023, and engaged in key measures aimed at creating sustainable corporate value by promoting stronger management initiatives incorporating the perspectives of ESG and the SDGs. As a result, the Company posted consolidated net sales of ¥110.9 billion (up ¥9.1 billion YoY) and consolidated operating income of ¥11.5 billion (up ¥6.3 billion YoY) for the fiscal year ended March 31, 2022 (the "current fiscal year"). Consolidated ordinary income was ¥13.2 billion (up ¥7.3 billion YoY) mainly due to a foreign exchange gain resulting from a weaker yen in terms of non-operating income. Net income attributable to owners of parent was ¥11.6 billion (up ¥8.3 billion YoY).

Results for each business segment were as follows.

[Inorganic Chemicals Business]

Demand for titanium dioxide recovered in Japan and overseas, mainly for use in automotive and construction, with net sales amounting to ¥45.9 billion (up ¥8.0 billion YoY). In functional materials, demand for materials for electronics components related to automotive and 5G increased significantly, and sales of electro-conductive materials were also strong, leading to net sales of ¥13.8 billion (up ¥1.9 billion YoY).

Income also increased, boosted by the contribution of factors such as lower fixed costs due to an improvement in operating rates and the penetration of sales price revisions in Japan and overseas, in addition to the rise in revenue and income due to a recovery in market conditions. This was despite negative factors such as soaring raw materials and fuel prices.

As a result, net sales for the inorganic chemicals business were ¥59.8 billion (up ¥10.0 billion YoY), and operating income was ¥6.0 billion (up ¥5.0 billion YoY).

[Organic Chemicals Business]

Overseas sales of agrochemicals were strong, not significantly impacted by COVID-19 or abnormal weather conditions. Revenue from Europe increased, due mainly to increased demand for fungicides and herbicides. The Americas saw robust sales, due to factors such as strong sales of fungicides in South America, due mainly to an expansion in crop production, and strong sales of new herbicide products in North America, in addition to an improvement in distribution stock.

Domestic sales declined year over year, due to factors such as a decrease in sales of the mainstay nematicides and fungicides.

As a result, net sales for the organic chemicals business were ¥48.2 billion (on a par with the previous fiscal year), and operating income was ¥7.7 billion (up ¥1.4 billion YoY).

[Other Businesses]

Net sales in other businesses were ¥2.7 billion (down ¥0.7 billion YoY), and operating income was ¥0.4 billion (on a par with the previous fiscal year).

(2) Capital Expenditures

Capital expenditures during the current fiscal year amounted to ¥4.5 billion, mainly comprising ¥3.3 billion in the inorganic chemicals business and ¥0.9 billion in the organic chemicals business.

(3) Financing

Investment in the maintenance and renewal of facilities increased year over year, while research and development costs decreased.

The necessary funds were procured from internal reserves rather than through loans from financial institutions, and interest-bearing debt at the end of the current fiscal year decreased by ¥9.6 billion year over year to ¥50.4 billion.

The Group will consider further procurement of funds while monitoring increases in the cost of in raw materials and energy, and the transfer of these costs onto product prices.

(4) Issues to Be Addressed

The Group has been implementing its long-term vision, “Vision 2030” and the Mid-Term Management Plan “Vision 2030 Stage I” (for fiscal 2021-2023), founded on this vision.

1) Long-term vision “Vision 2030”

We took the opportunity of the 100th anniversary of the Group’s founding to visualize our ideal for the Group in 2030, ten years from now, and establish “Originality. Acceleration. Global Reach. Transforming Lives Through the Power of Chemistry.” as our long-term vision, “Vision 2030.” We aim to achieve the following management targets and policy approach.

• Management targets (2030)

Consolidated net sales: over ¥200.0 billion

Consolidated operating income ratio: 15% or greater

ROE: 10% or greater

Shareholder returns: maintain stable shareholder returns

• Basic policy approach

We will strive to achieve Vision 2030, focusing our value creation on three strengths that the Group has developed over many years, based on its corporate philosophy.

<Three strengths>

“Quality” for safety and security, to contribute to social development, protection of life and environmental preservation

Leading-edge “technological development” supported by diverse human resources

“Management drive” based on a high awareness of compliance

In an increasingly uncertain business environment involving soaring prices for raw materials and fuel, rising geopolitical risk, COVID-19, carbon neutrality and rapid digitalization, the Group will contribute to realizing a sustainable society while simultaneously enhancing corporate value through its business activities.

We will continually promote management initiatives incorporating the perspectives of ESG and the SDGs and further strengthen the business base. On this firm foundation, we will strive together as a Group to achieve Vision 2030, based on the policies of the inorganic and organic chemicals businesses.

• Business policies and key measures

1) Inorganic chemicals business

Business policy: Create new value based on the technologies developed for titanium dioxide products, to support the environment and digital society, and contribute to the realization of a sustainable society.

Key measures: - Diversify the optical characteristics of titanium dioxide to achieve new value creation
 - Contribute to the resolution of social issues including the spread of ICT and the shift to electric vehicles through functional materials
 - Reform production structures to achieve both a reduction in environmental impact and an increase in production efficiency

2) Organic chemicals business

Business policy: Supply unique products that directly enhance customer value across the world, and support people's nutrition, health and life to contribute to the realization of a sustainable society.

Key measures: - Promote development and commercialization with an awareness of the entire value chain
 - Refine and evolve proprietary technologies to accelerate value creation and return to a growth trajectory
 - Achieve global lowest-cost manufacture and stable customer supply of main products

2) Mid-Term Management Plan (for fiscal 2021-2023) "Vision 2030 Stage I"

• Basic policy

This Mid-Term Management Plan, "Vision 2030 Stage I," is the first of three stages backcast from the long-term vision, "Vision 2030." The basic policy of the plan is to aim to create sustainable corporate value by promoting stronger management initiatives incorporating the perspectives of ESG and the SDGs.

• Management targets, etc. for fiscal 2023

Consolidated net sales: over ¥125.0 billion

Consolidated operating income ratio: 13% or greater

ROE: 10% or greater

Shareholder returns: Continue to pay stable dividends that reflect consolidated financial results

	Fiscal 2021 results	Fiscal 2023 plan	Change
Net sales	¥110.9 billion	¥125.0 billion	13%
Operating income	¥11.5 billion	¥16.6 billion	44%
Ordinary income	¥13.2 billion	¥15.8 billion	19%
Net income attributable to owners of parent	¥11.6 billion	¥12.4 billion	6%
Operating income ratio	10%	13%	—
ROE	14%	10% or greater	—

• Key measures

The key measures to be implemented across the Group and within each business are as follows. We will review the business plan each fiscal year, and strive to achieve performance targets for the final fiscal year of the plan.

Group

- Strengthen sustainable management initiatives incorporating the perspectives of ESG and the SDGs
- Identify material factors and strengthen initiatives related to each material factor
- Drive work style reform through the promotion of DX and greater operational efficiency
- Continue and strengthen compliance management

- Strengthen risk management
- Expand the top line
- Strengthen the capacity to create new businesses and products
- Continue initiatives to reform internal structures and attitudes to achieve Vision 2030
- Conduct thorough capital cost management, such as improvement along the whole cash conversion cycle

Inorganic chemicals business

- Raise the sales proportion of highly functional, high value-added products
- Implement sales expansion strategies for electronic component materials and electro-conductive materials
- Accelerate development of new products to drive further growth
- Achieve more favorable procurement terms for ore, the main raw material
- Promote cost reduction at the Yokkaichi Plant through waste reduction and better manufacturing and operating processes
- Launch a master plan to optimize manufacturing bases
- Create a road map towards reducing greenhouse gas emissions

Organic chemicals business

- Achieve global lowest-cost manufacturing of our main agrochemical agents and ensure stable supply, to expand our share of the global market
 - Reduce manufacturing costs and expand demand for the next main agrochemical products
 - Develop and commercialize biorational products and embed IPM*
 - Implement strategic and innovative sales initiatives, such as the use of multiple agrochemicals sales companies
 - Acquire and maintain agrochemicals registration in countries around the world
 - Expand the business scale by promoting corporate acquisitions and corporate alliances
 - Refine our chemosynthesis technologies and strengthen our traditional foundation
 - Expand sales of our veterinary pharmaceuticals around the globe
- *Integrated pest management

3) Sustainable management

We established the Sustainability Promotion Committee in November 2021, with the aim of strengthening the Group's sustainable management base.

At present, we are engaged in formulating the details of initiatives to address the 8 issues identified in 2021 as the highest priority for the Group and establishing KPIs (key performance indicators), with the involvement of business departments across the Company. We intend to disclose them in the Integrated Report for the current fiscal year. The outline of these activities are as follows:

- Environmental initiatives
Climate change countermeasures are an urgent global issue, and we are preparing for disclosure under the TCFD framework. In addition, we are engaged in formulating a roadmap towards carbon-neutral status in 2050, including a GHG emissions reduction plan to guide our energy transition, as we have a coal boiler at the Yokkaichi Plant.
- Social initiatives
In addition to considering the establishment of KPIs to ensure diversity among core corporate personnel, we are engaged in formulating a human rights policy for the Group, and considering specific measures and initiatives for health and productivity management.
- Governance initiatives

The Sustainability Promotion Committee is chaired by the Executive Director, President, and mainly composed of Directors and Executive Officers, under the supervision of the Board of Directors.

The Sustainability Promotion Committee reports on the progress of its work to the Board of Directors every three months, and a system is in place to submit for deliberation or report items considered at the Committee to the Board of Directors.

2. Trends in Assets and Income

(Millions of yen, unless otherwise specified)

Item	The 96th fiscal year ended March 31, 2019	The 97th fiscal year ended March 31, 2020	The 98th fiscal year ended March 31, 2021	The 99th fiscal year ended March 31, 2022 (Current fiscal year)
Net sales	106,441	101,066	101,774	110,955
Ordinary income	11,144	5,345	5,944	13,272
Net income attributable to owners of parent	8,683	2,359	3,373	11,690
Net income per share (Yen)	217.25	59.03	84.41	292.58
Total assets	168,689	172,437	180,021	185,758
Total net assets	75,335	76,669	79,515	91,869

- Notes: 1. Net income per share is calculated based on the average number of outstanding shares during the period, after deducting the number of shares of treasury stock.
2. In the 96th fiscal year, demand for titanium dioxide, the main product of the inorganic chemicals business, was strong within Japan and overseas. From the middle of the fiscal year onward however, a sense of uncertainty grew concerning the outlook for demand and market conditions, due to the impact of a slowdown in the Chinese economy. There were signs of a recovery in the global shipping value for agrochemicals, the main product of the organic chemicals business, with an improvement in the previously subdued market environment in South America. As a result, net sales declined, but operating income and ordinary income increased. Net income attributable to owners of parent increased, partly due to the absence of extraordinary losses recorded in the previous fiscal year, related to the recognition of a provision for implementation of environmental and safety arrangements.
3. In the 97th fiscal year, domestic demand for titanium dioxide, the main product of the inorganic chemicals business, was strong during the first half of the fiscal year, but showed signs of a downturn after the consumption tax hike. Overseas, demand declined, primarily in Asia, with the impact of a slowdown in the Chinese economy, and market conditions trended downward. The recovery continued in the global shipping value for agrochemicals, the main product of the organic chemicals business, against the backdrop of strong crop production in Brazil, an agricultural superpower. However, the impact of extraordinary weather events was observed in Japan and Europe, the Group's main markets. As a result, net sales, operating income, ordinary income and net income attributable to owners of parent for the fiscal year all declined.
4. In the 98th fiscal year, sales of titanium dioxide, the main product of the inorganic chemicals business, fell dramatically in the first half of the fiscal year due to the impact of COVID-19, resulting in a large year-on-year decline. In functional materials, however, sales of highly functional, high value-added products recovered during the second half of the fiscal year to increase year-on-year. In the organic chemicals business, the impact of COVID-19 on crop production was only limited, and sales of the main agrochemical products were strong, particularly overseas. As a result, net sales increased, but operating income declined. Ordinary income and net income attributable to owners of parent increased, mainly due to a foreign exchange gain resulting from a weaker yen in terms of non-operating income.
5. Please refer to 1. Business Progress and Results above for details on the 99th fiscal year.
6. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other guidance from the beginning of the current fiscal year. Assets and income for the current fiscal year are presented after the application of these accounting standards.

3. Significant Parent Companies and Subsidiaries, etc. (As of March 31, 2022)

(1) Relationship with Parent
Not applicable.

(2) Significant Subsidiaries, etc.

1) Significant Subsidiaries

Name	Capital	Ownership Ratio (%)	Main Business
ISK BIOSCIENCES K.K.	¥600 million	100	Agrochemical sales
ISK AMERICAS INCORPORATED	US\$27,253 thousand	100	Management and administration of subsidiaries in the United States
ISK BIOSCIENCES EUROPE N.V.	€7,436 thousand	100	Management of the European agrochemicals business; manufacture and sale of agrochemicals
ISHIHARA TECHNO CORPORATION	¥100 million	100	Trading
FUJI TITANIUM INDUSTRY CO., LTD.	¥1,926 million	100	Manufacture and sale of titanium dioxide, functional materials, etc.
ISK ENGINEERING PARTNERS CORPORATION	¥100 million	100	Construction

2) Significant Affiliates

Name	Capital	Ownership Ratio (%)	Main Business
CERTIS EUROPE B.V.	€1,790 thousand	15 [15]	Sale of materials related to agriculture

Notes: 1. On March 22, 2022, CERTIS EUROPE B.V. became an equity method affiliate through an exchange of shares with BELCHIM CROP PROTECTION N.V., which was previously an equity method affiliate.

2. The figure shown in square brackets [] in the Ownership Ratio column represents the indirect ownership ratio.

4. Principal Businesses (As of March 31, 2022)

Business Segment	Details of Business
Inorganic chemicals business	Manufacture and sale of titanium dioxide, functional materials, electronics materials, plaster, etc.
Organic chemicals business	Manufacture and sale of herbicides, pesticides, disinfectants, plant growth regulators, organic intermediates and pharmaceuticals; manufacture and sale of veterinary drugs
Other businesses	Construction, trading, etc.

5. Principal Business Locations (As of March 31, 2022)

(1) The Company

Name	Location
Osaka Head Office	Osaka City, Osaka Prefecture
Yokkaichi Plant	Yokkaichi City, Mie Prefecture
Central Research Institute	Kusatsu City, Shiga Prefecture
Tokyo Branch	Chiyoda-ku, Tokyo
Chubu Branch	Yokkaichi City, Mie Prefecture
Singapore Branch	Singapore
Sapporo Sales Office	Sapporo City, Hokkaido
Sendai Sales Office	Sendai City, Miyagi Prefecture
Fukuoka Sales Office	Fukuoka City, Fukuoka Prefecture

(2) Subsidiaries

Name	Location
ISK BIOSCIENCES K.K.	Chiyoda-ku, Tokyo
ISK AMERICAS INCORPORATED	Ohio, United States
ISK BIOSCIENCES EUROPE N.V.	Belgium
ISHIHARA TECHNO CORPORATION	Osaka City, Osaka Prefecture
FUJI TITANIUM INDUSTRY CO., LTD.	Kobe City, Hyogo Prefecture
ISK ENGINEERING PARTNERS CORPORATION	Yokkaichi City, Mie Prefecture

6. Employees (As of March 31, 2022)

Business Segment	Number of Employees	YoY Change
Inorganic chemicals business	958	- 6
Organic chemicals business	572	+ 1
Other businesses	121	+ 4
Corporate (common)	99	+ 8
Total	1,750	+ 7

Note: The number of employees represents the number of active personnel employed.
Corporate (common) employees mainly comprise those employed at the administration department at the head office, who do not belong to any reportable segment.

7. Major Lenders (As of March 31, 2022)

Lender	Balance of Loans (in millions of yen)
Shinsei Bank, Limited	9,090
Sumitomo Mitsui Banking Corporation	6,215
Development Bank of Japan Inc.	4,467
The Norinchukin Bank	4,079
JA Mie Shinren	2,854

II. Status of the Company

1. Shares (As of March 31, 2022)

- (1) Total Number of Shares Authorized to be Issued 100,000,000 shares
- (2) Total Number of Shares Outstanding 40,383,943 shares
(including 430,740 shares of treasury stock)
- (3) Number of Shareholders 26,853 persons
- (4) Major Shareholders (Top10)

Name of Shareholder	Investment to the Company	
	Number of Shares of the Company Held (Thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,626	11.58
Custody Bank of Japan, Ltd. (trust account)	3,764	9.42
MITSUI & CO., LTD.	2,019	5.05
Toagosei Co., Ltd.	1,722	4.31
BNP PARIBAS SECURITIES SERVICES PARIS/JASDEC/FBB SEC/BELCHIM MANAGEMENT	1,440	3.60
UPL Japan GK	1,170	2.93
Ishihara Sangyo Kaisha Client Stock Ownership Association	986	2.47
Ishihara Sangyo Kaisha Employee Stock Ownership Association	801	2.01
Fumiya Shino	733	1.84
DFA INTL SMALL CAP VALUE PORTFOLIO	700	1.75

- Notes: 1. The shareholding ratio is calculated after deducting treasury stock.
2. Shares held by The Master Trust Bank of Japan, Ltd. (trust account) and Custody Bank of Japan, Ltd. (trust account) are held in connection with their trust operations.
3. The 1,440 thousand shares of the Company held by BNP PARIBAS SECURITIES SERVICES PARIS/JASDEC/FBB SEC/BELCHIM MANAGEMENT are effectively owned by Belchim Management N.V.

- (5) Other Important Matters Concerning Shares
Not applicable.

2. Stock Acquisition Rights (As of March 31, 2022)

Not applicable.

3. Company Officers

(1) Directors and Audit & Supervisory Board Members (As of March 31, 2022)

Name	Posts	Responsibilities	Major Other Offices Concurrently Held
Kenichi Tanaka	Executive Director, Chairman		
Hideo Takahashi	Executive Director, President (Chief Executive Officer)		Director and Chairman at ISK AMERICAS INCORPORATED
Kiyomitsu Yoshida	Director (Senior Managing Executive Officer)	Organic Chemicals Business Director of Biosciences Business Headquarters	Director and Chairman at ISK BIOSCIENCES CORPORATION Director and Chairman at ISK BIOSCIENCES EUROPE N.V.
Yasunobu Kawazoe	Director (Managing Executive Officer)	Director of Finance & Accounting Headquarters	
Masaki Shimojo	Director (Managing Executive Officer)	Director of Inorganic Chemicals Sales & Marketing R&D Strategy Headquarters Assistant Director of R&D Strategy Headquarters	Director and Chairman at ISHIHARA CORPORATION (U.S.A.) Chairman at ISK TAIWAN CO., LTD.
Hisashi Takenaka	Director (Managing Executive Officer)	Director of Yokkaichi Plant	
Hiroshi Katsumata	Director		
Tatsuo Hanazawa	Director		
Satoshi Ando	Director		Attorney-at-law Outside Director (Audit & Supervisory Committee Member) of TOHO CO., LTD.
Taizo Kato	Standing Audit & Supervisory Board Member		Audit & Supervisory Board Member at ISHIHARA TECHNO CORPORATION Audit & Supervisory Board Member at ISK BIOSCIENCES K.K. Audit & Supervisory Board Member at FUJI TITANIUM INDUSTRY CO., LTD.

Name	Posts	Responsibilities	Major Other Offices Concurrently Held
Yoshihito Akiyama	Standing Audit & Supervisory Board Member		Audit & Supervisory Board Member at ISHIHARA TECHNO CORPORATION Audit & Supervisory Board Member at ISK ENGINEERING PARTNERS CORPORATION Audit & Supervisory Board Member at ISK BIOSCIENCES K.K.
Yoshitaka Akikuni	Standing Audit & Supervisory Board Member		Audit & Supervisory Board Member at FUJI TITANIUM INDUSTRY CO., LTD. Audit & Supervisory Board Member at ISK ENGINEERING PARTNERS CORPORATION Attorney-at-law Outside Director, Toyobo Co., Ltd.
Masaaki Harima	Audit & Supervisory Board Member		Chairman of Osaka Prefectural Pollution Review Board Member of Sakai City Audit Committee

- Notes:
1. Of the Directors, Mr. Hiroshi Katsumata, Mr. Tatsuo Hanazawa and Mr. Satoshi Ando are Outside Directors.
 2. Of the Audit & Supervisory Board Members, Mr. Yoshitaka Akikuni and Mr. Masaaki Harima are Outside Audit & Supervisory Board Members.
 3. No special-interest relationships exist between the Company and TOHO CO., LTD., at which Outside Director Mr. Satoshi Ando concurrently serves. ISK BIOSCIENCES K.K., FUJI TITANIUM INDUSTRY CO., LTD. and ISK ENGINEERING PARTNERS CORPORATION, at which Outside Audit & Supervisory Board Member Mr. Yoshitaka Akikuni concurrently serves, are subsidiaries of the Company.
No special-interest relationships exist between the Company and Toyobo Co., Ltd., at which Outside Audit & Supervisory Board Member Mr. Masaaki Harima concurrently serves.
 4. Changes in Directors and Audit & Supervisory Board Members during the current fiscal year were as follows:
 - 1) At the conclusion of the 98th Ordinary General Meeting of Shareholders held on June 25, 2021, Director Mr. Teruaki Matsue left office due to the expiration of his term of office, and Audit & Supervisory Board Member Mr. Michiyoshi Arata left office due to resignation.
 - 2) Mr. Hisashi Takenaka was newly elected and appointed to the post of Director, and Mr. Yoshihito Akiyama was newly elected and appointed to the post of Audit & Supervisory Board Member at the 98th Ordinary General Meeting of Shareholders held on June 25, 2021.
 - 3) Mr. Yasuhiro Koike was elected as a substitute Audit & Supervisory Board Member at the 98th Ordinary General Meeting of Shareholders held on June 25, 2021.

5. Outside Directors Mr. Hiroshi Katsumata, Mr. Tatsuo Hanazawa and Mr. Satoshi Ando, and Outside Audit & Supervisory Board Members, Mr. Yoshitaka Akikuni and Mr. Masaaki Harima have been registered with the TSE as Independent Officers as stipulated by its regulations.

(2) Total amount of compensation, etc. for Directors and Audit & Supervisory Board Members

Post	Total Amount of Compensation, etc. (million yen)	Total Amount of Compensation, etc. by type (million yen)		Number of Eligible Recipients
		Basic Compensation	Performance-linked Compensation	
Directors [of which Outside Directors]	241 [25]	203 [25]	37 [0]	10 [3]
Audit & Supervisory Board Members [of which Outside Audit & Supervisory Board Members)	66 [30]	66 [30]	0 [0]	5 [2]
Total	308	270	37	15

Note: Decision policy regarding the amount and calculation method of compensation, etc. for individual Directors

- 1) Decision policy regarding the amount and calculation method of compensation, etc. for individual Directors

The standards for basic compensation and performance-linked compensation are based on rank in accordance with the Officers Compensation Regulations decided by the Board of Directors. Basic compensation is paid based on the Officers Compensation Regulations, in amounts corresponding to the roles and responsibilities of Directors and Executive Officers.

Compensation for Audit & Supervisory Board Members is determined through discussion among Audit & Supervisory Board Members.

The maximum amount of compensation for Directors was determined as 460 million yen per annum by the 82nd Ordinary General Meeting of Shareholders held on June 29, 2005. There were 12 incumbent Directors at the conclusion of that Ordinary General Meeting of Shareholders. The maximum amount of compensation for Audit & Supervisory Board Members was determined as 90 million yen per annum at the 71st Ordinary General Meeting of Shareholders held on June 29, 1994. There were four incumbent Audit & Supervisory Board Members at the conclusion of that Ordinary General Meeting of Shareholders. Only basic compensation is paid to Outside Directors and Audit & Supervisory Board Members.

- 2) The amounts of compensation, etc. and the number of recipients shown in the table above include compensation, etc. for one Director and one Audit & Supervisory Board Member who retired at the conclusion of the 98th Ordinary General Meeting of Shareholders held on June 25, 2021.

- 3) Details of performance indicators, the decision policy for calculating the amount or number for performance-linked compensation, etc.

Under the Officers Compensation Regulations decided by the Board of Directors, performance-linked compensation comprises annual performance-linked compensation aimed at ensuring objectivity and linkage with the Company's financial results, and long-term performance-linked compensation. The amount of annual performance-linked compensation is calculated and determined upon comprehensive consideration of factors including the results of corporate activities, such as net income attributable to owners of parent, and individual performance evaluation. Long-term performance-linked compensation is calculated based on the degree to which the net income targets under the Mid-Term Management Plan have been achieved.

(Targets and results for indicators associated with performance-linked compensation)

Consolidated operating indicator targets under the Mid-Term Management Plan
[Fiscal 2021]

Net income attributable to owners of parent: 3.6 billion yen (result: 11.6 billion yen)

[Fiscal 2022]

Net income attributable to owners of parent: 6.9 billion yen
[Fiscal 2023]

Net income attributable to owners of parent: 12.4 billion yen

- 4) Delegation of authority concerning the determination of compensation, etc. for individual Directors

Compensation, etc. for individual Directors of the Company is proposed by Executive Director, President, Mr. Hideo Takahashi, who is delegated authority by resolution of the Board of Directors. It is then referred to the Compensation Committee for deliberation, and determined the Executive Director, President after discussion among Executive Directors, based on the report by the Compensation Committee.

The reason for delegating this authority is that the Executive Director, President, who chairs the Board of Directors, is most aptly suited to evaluating each Director based on his or her rank, and in accordance with his or her responsibilities and roles, etc., while maintaining a comprehensive view of the Company as a whole.

The details of compensation for individual Directors are determined after deliberation by the Compensation Committee. The Compensation Committee provides advice and recommendations, based on the information from officers' compensation surveys carried out by third party firms, and each member's insight, before the decision is made, in order to ensure that the Executive Director, President exercises his authority appropriately. The Board of Directors therefore deems the details of compensation for individual Directors to be in accordance with the decision policy set forth above.

- 5) Details of non-monetary compensation, etc., and the decision policy for calculating the amount or number for non-monetary compensation, etc. or the calculation method thereof

The Company has introduced a system of monetary compensation.

- 6) Proportional amounts of compensation for individual Directors

The proportion of basic compensation and performance-linked compensation, etc. is proposed, taking into account each year's financial results, etc., by the Executive Director, President, who is delegated authority by resolution of the Board of Directors. It is then referred to the Compensation Committee for deliberation, and determined by resolution of the Board of Directors, after discussion among Executive Directors, based on the report by the Compensation Committee.

- 7) Decision policy on the timing and conditions for paying compensation, etc. to Directors

It is prescribed in the Officers Compensation Regulations decided by the Board of Directors that basic compensation shall be calculated per calendar month, and the amount for each month shall be paid on the same day as salaries for employees and that performance-linked compensation, etc. shall be paid on the same day as summer bonuses for employees.

- (3) Summary of Agreement on Limitation of Liability

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Director or Outside Audit & Supervisory Board Member that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The limitation of liability, provided the Outside Director or Outside Audit & Supervisory Board Member acted in good faith and without gross negligence, shall be the larger of an amount determined in advance, which shall be equal to or more than 10 million yen, and an amount prescribed by laws and regulations. Accordingly, the Company has entered into liability limitation agreements with all Outside Directors and Outside Audit & Supervisory Board Members.

- (4) Summary of the Directors and Officers Liability Insurance Contract

The Company has concluded a directors and officers liability insurance contract with an insurance company, in accordance with the provisions of Article 430-3, Paragraph 1 of the Companies Act.

- 1) Insured parties

Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its

subsidiaries and affiliates, and employees of the Company's subsidiaries and affiliates in management positions who may be subject to litigation at affiliates.

2) Summary of the insurance contract

The insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to improper actions (including errors of omission) committed by the insured in his/her capacity as such. However, individual officers, etc. are not covered by the insurance for damages arising from criminal acts such as offering or receiving bribes, or intentional unlawful acts, to ensure the proper execution of duties by officers, etc. The Company is fully responsible for paying the insurance premium.

(5) Outside Directors and Outside Audit & Supervisory Board Members

1) Main activities of Outside Directors and Outside Audit & Supervisory Board Members

Post	Name	Main Activities
Director	Hiroshi Katsumata	Mr. Hiroshi Katsumata attended all 15 meetings of the Board of Directors held during the current fiscal year. He expressed opinions as necessary, with an external perspective from an objective and neutral standpoint, utilizing his diverse experience in public administration, as well as extensive experience and insight as a company manager of an industrial gas business operator.
Director	Tatsuo Hanazawa	Mr. Tatsuo Hanazawa attended all 15 meetings of the Board of Directors held during the current fiscal year. He expressed opinions as necessary, with an external perspective from an objective and neutral standpoint, utilizing his diverse experience and knowledge in public administration, especially of agricultural policies both inside and outside Japan.
Director	Satoshi Ando	Mr. Satoshi Ando attended all 15 meetings of the Board of Directors held during the current fiscal year. He expressed opinions as necessary with an external perspective from an objective and neutral standpoint, mainly utilizing professional knowledge, cultivated as an attorney-at-law and abundant experience related to corporate legal affairs.
Standing Audit & Supervisory Board Member	Yoshitaka Akikuni	Mr. Yoshitaka Akikuni attended all 15 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during the current fiscal year. He expressed opinions as necessary, with an external perspective from an objective and neutral standpoint, mainly utilizing wide-ranging knowledge cultivated during his service at financial institutions, and experience as a corporate auditor at a chemical business company, etc.
Audit & Supervisory Board Member	Masaaki Harima	Mr. Masaaki Harima attended all 15 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during the current fiscal year. He expressed opinions as necessary with an external perspective from an objective and neutral standpoint, utilizing professional knowledge, cultivated mainly as an attorney-at-law and abundant experience related to corporate legal affairs.

2) Details of situations where decisions on the Company's business policy or other matters were changed due to the opinions of Outside Directors or Outside Audit & Supervisory Board Members

Not applicable.

- 3) Any incident or scandal in business execution at the Company during the fiscal year that violated laws, regulations, or the Articles of Incorporation, or were otherwise improper
Not applicable.
- 4) Duties performed in relation to expected roles of Outside Directors during the fiscal year
Outside Directors Mr. Hiroshi Katsumata, Mr. Tatsuo Hanazawa and Mr. Satoshi Ando attended all meetings of the Board of Directors held during the fiscal year. In addition, Mr. Hiroshi Katsumata and Mr. Tatsuo Hanazawa attended all 10 meetings, and Mr. Satoshi Ando attended 9 meetings, of the Executive Management Committee, a body established under the Board of Directors to enable swifter decision making by the Board of Directors and more efficiently supervise and evaluate the execution status of important items of business, held during the fiscal year. At these meetings, they expressed their opinions without reserve on overall important matters concerning management of the Company and important items of business execution, based on their extensive experience and insight.
- 5) Any opinions of Outside Directors or Outside Audit & Supervisory Board Members regarding matters related to Outside Directors or Outside Audit & Supervisory Board Members
Not applicable.

4. Accounting Auditor

- (1) Accounting Auditor's Name
Ernst & Young ShinNihon LLC
- (2) Accounting Auditor's Compensation, etc.
Accounting Auditor's compensation, etc., for the fiscal year ended March 31, 2022:
70 million yen
Total cash and other proprietary benefits payable by the Company and its subsidiaries
to the Accounting Auditor: 85 million yen

Notes: 1. Under the audit agreement with the Accounting Auditor, audit compensation is not distinguished between that pertaining to audits based on the Companies Act, and audits based on the Financial Instruments and Exchange Act, which are effectively inseparable. The amount shown above therefore represents the total, undivided amount.

2. ISK BIOSCIENCES EUROPE N.V., a significant subsidiary of the Company, is audited by Ernst & Young, Reviseurs d'Entreprises.

3. The Audit & Supervisory Board has given its consent to the compensation, etc. for the Accounting Auditor in accordance with Article 399, Paragraph 1 of the Companies Act, after confirming the audit plan, status of audit execution, basis for calculating the expected compensation, etc., based on the Practical Guidelines for Coordination with Accounting Auditors published by the Japan Audit & Supervisory Board Members Association.

- (3) Policy on Determination of Dismissal or Non-reappointment of Accounting Auditor
Where deemed necessary, due to the incapacity of the Accounting Auditor to execute its duties or other reason, the Audit & Supervisory Board shall determine the content of a proposal on the dismissal or non-reappointment of the Accounting Auditor, to be submitted to the General Meeting of Shareholders.
Moreover, if the Accounting Auditor falls under any of the items set forth in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the Accounting Auditor through the unanimous consent of all its Members. In this event, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report on the dismissal of the Accounting Auditor, and the reason for the dismissal, at the first General Meeting of Shareholders held after the dismissal.

5. Systems to Ensure the Proper Business Operation of the Corporate Group Composed of the Company and Its Subsidiaries, Including Systems to Ensure that Directors Execute Duties in Line with Relevant Laws, Regulations and the Articles of Incorporation, and Status of Their Operation

The Company's Board of Directors has resolved on the following basic policy regarding systems to ensure proper business operation of the corporate group composed of the Company and its subsidiaries (referred to hereinafter as the Group), including systems to ensure that Directors execute duties in line with laws, regulations and the Articles of Incorporation.

- (1) Systems to Ensure that the Execution of Duties by Directors and Employees Complies with Laws, Regulations and the Articles of Incorporation
 - 1) The Company has adopted a management structure that places priority on compliance with laws, rules and societal norms.
 - 2) The Company has established the ISK Group Code of Conduct, which stresses the importance of compliance activities, and makes sure that Directors and employees follow them strictly.
 - 3) The Company has established a Compliance Committee, headed by the Director in charge of Compliance. This committee creates and implements plans to develop and maintain the compliance structure.
 - 4) Company policy dictates that should it be discovered that any Director or employee of the Company has acted illegally, transgressed the Company's Articles of Incorporation, or acted in a way that raises the risk of a legal transgression, the incident must be reported immediately. Furthermore, all records of the reports and investigation are to be kept strictly confidential to ensure that those who report such incidents are not subject to repercussions.
 - 5) The Company has established an Office of Internal Audit to conduct regular audits, and which reports directly to the Executive Director, President.
- (2) Recording and Managing Information Regarding the Activities of Directors
The Company maintains written records of the minutes of Board of Directors meetings, proposals submitted for consideration, and other important documents used in the course of Directors' duties. These documents are stored and managed in a way that corresponds to the legal regulations governing official documents, as well as all internal rules and regulations.
- (3) Rules and Structures Intended to Manage Risk of Loss
 - 1) A set of Risk Management Regulations has been established to express the Company's basic stance on risk management and to help guard against the risk of unexpected losses.
 - 2) The Company seeks to identify the various types of risk that emerge in the course of normal business activities, taking steps to ensure that each sector of business operations is aware of risk factors that may affect them, and takes steps to manage such risks.
 - 3) When events occur that could have an important impact on the Company's management and business activities, the Corporate Risk Management Committee takes action under the Risk Management Regulations, and assumes control of the operating divisions in order to minimize and address problems.
- (4) Structures to Ensure That the Duties of Directors Are Executed Efficiently
 - 1) The Board of Directors meets regularly, a minimum of once a month, to make decisions on important issues that affect the Company, and to oversee the activities of its Directors. In the case of priority issues that relate to management and business execution, the Executive Management Committee, made up of Board members who are associated with the issue, discusses it first, and then reports to the entire Board for a final decision.
 - 2) The Company establishes clear and specific numerical targets for achievement, in an effort to improve management efficiency.
 - 3) The Board of Directors allocates duties and work responsibilities to individual Directors, and each Director reports back to the Board of Directors regarding progress in completing the allocated business tasks.

- (5) Measures to Ensure Proper Business Operation of the Group
 - 1) The Company ensures proper group management based on regulations established concerning the basic policies for the execution of its subsidiaries and affiliates' business activities, and for the various work processes concerning management of subsidiaries and affiliates.
 - 2) Subsidiaries report regularly to the Company on important information such as business performance and financial condition, based on the aforementioned regulations.
 - 3) Subsidiaries guard against the risk of unexpected losses in accordance with the Risk Management Regulations established by the Company, and immediately report to the Company, endeavor to contain and resolve the situation in the case of an emergency.
 - 4) Subsidiaries comply with laws, rules and societal norms, in accordance with the ISK Group Code of Conduct established by the Company. The Company's internal whistleblower system is also applicable to subsidiaries.

- (6) Employees Assigned as Requested to Assist the Duties of Audit & Supervisory Board Members, Measures to Ensure the Independence of These Employees from the Influence of Directors, and Measures to Ensure the Effectiveness of Directions Given to These Employees
 - 1) Audit & Supervisory Board Members may request that the Company assign personnel to assist them in carrying out their duties. When this need arises, Directors cooperate with Audit & Supervisory Board Members to select individuals who are able to provide assistance.
 - 2) When Audit & Supervisory Board Members ask to have employees assigned to assist with their activities, the views of the Audit & Supervisory Board are given top priority in selecting, transferring and evaluating such employees. This is intended as a way to ensure that the employees can act independently, without influence from Directors.
 - 3) Employees who assist Audit & Supervisory Board Members in carrying out their duties do not work concurrently in any other section, and must only follow the directions and orders of the Audit & Supervisory Board Members.

- (7) Structure for Reporting Information to Audit & Supervisory Board Members, Including Reports Provided by Directors and Employees of the Group, and Structures to Ensure That the Person Reporting Information Is Not Disadvantaged as a Result
 - 1) Audit & Supervisory Board Members of the Company attend meetings of the Board of Directors and the Executive Management Committee, as well as other important company meetings. They are also provided with access to documents regarding all important proposals and resolutions made by management personnel.
 - 2) Directors and employees of the Company are required to provide necessary reports and information to Audit & Supervisory Board Members, as stipulated in the Company's internal regulations regarding reporting to Audit & Supervisory Board and its members.
 - 3) Directors, Audit & Supervisory Board Members and employees of subsidiaries are required to provide necessary reports and information to the Company's Audit & Supervisory Board Members as stipulated in the Company's internal regulations regarding reporting to Audit & Supervisory Board and its members.
 - 4) The Company prohibits any disadvantageous treatment of its Directors or employees, or Directors, Audit & Supervisory Board Members or employees of subsidiaries, as a result of reporting to the Company's Audit & Supervisory Board Members. This information is made known broadly among the Group's Directors, Audit & Supervisory Board Members and employees.

- (8) Policy on the Treatment of Expenses and Liabilities Arising from the Execution of Duties by Audit & Supervisory Board Members, Including Processes for Prepaying or Reimbursing Such Expenses

Should the Company receive a prepayment or similar request based on Article 388 of the Companies Act for expenses incurred by an Audit & Supervisory Board Member in the execution of his/her duties, the section responsible examines the request and, except where deemed unnecessary for the execution of duties by the Audit & Supervisory Board Member, promptly processes the relevant expenses or liabilities.

- (9) Structures to Ensure That the Duties of Audit & Supervisory Board Members Are Executed Effectively
- 1) The Executive Director, President holds regular meetings with Audit & Supervisory Board Members in order to exchange opinions regarding the improvement of the audit environment for Audit & Supervisory Board Members, and promote mutual understanding.
 - 2) To ensure the effectiveness of auditing activities, Directors are responsible for ensuring that there is close cooperation between Audit & Supervisory Board Members and the Office of Internal Audit.
- (10) Structures to Ensure the Reliability of Financial Reporting Activities
- In order to ensure the reliability of financial reporting, the Company and its subsidiaries and affiliates have established a structure to operate appropriately, and to improve and evaluate internal controls governing the preparation of financial reports, in accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations.
- (11) Basic Stance on Measures to Prevent Interaction with “Antisocial Groups”
- 1) The Company strictly prohibits any activity or interaction with “antisocial groups” which may threaten public order or present a danger to the general public. The Company shall be resolute in avoiding any such contact, and will under no circumstances give in to unreasonable demands or pressure from any such group.
 - 2) In order to ensure that no such relationships or activities arise, a section of the General Affairs Division has been assigned specifically to cooperate with police, corporate lawyers and other outside organizations to combat the influence of corporate racketeers. This division will collect relevant information on a daily basis and establish a system to deal with unexpected incidents involving such groups.

[Overview of the Status of Operation of Systems to Ensure Proper Business Operations]

Overview of the status of operation in the current fiscal year is as follows.

(1) Compliance

- 1) The Company holds biannual meetings of its Compliance Committee, to confirm and discuss matters such as the compliance implementation structure and the status of compliance education, in accordance with the Company’s corporate philosophy.
- 2) The ISK Group Code of Conduct requires that any person who discovers an actual or possible violation of compliance by an organization member, where resolution or improvement is difficult through the usual chain of command, must report this through the Company’s whistleblower system.

(2) Execution of Duties by Directors

- 1) The Board of Directors meets each month as a rule, and holds extraordinary meetings as required, based on the Company’s Company Rules and Board of Directors Rules. In addition, the Board of Directors deliberates and passes resolutions on matters concerning management policy and important business execution, after these have first been thoroughly considered by the Executive Management Committee.
- 2) The Company establishes a group management plan to serve as a goal, clarifies the measures necessary to achieve this goal, and monitors their progress through the Board of Directors.
- 3) Important documents concerning the execution of duties by Directors, such as the minutes of Board of Directors meetings, are properly stored and managed in a way that corresponds to legal regulations and the Company’s internal rules such as the Document Management Regulations.

(3) Risk Management Structure

- 1) The Company engages in risk management, appropriately assesses risk, and has implemented the necessary measures to prevent, mitigate, transfer, or otherwise prepare for risk, based on the impact and likelihood of occurrence, to ensure that the Group attains optimal results.
- 2) The Company holds biannual meetings of the Corporate Risk Management Committee, chaired by the Executive Director, President, to check the results of risk assessment, designate “risks for priority measures” that would materially impact the Company’s business activities, and deliberate and resolve on measures to address these risks. The results of this deliberation are reported to the Board of Directors.
- 3) The Company implements regular training sessions to address the risk of disasters.

(4) Group Management Structure

- 1) The Company ensures a proper group management structure, including the establishment of a system to receive advance applications or reports concerning the execution of important duties from subsidiaries that fulfill certain criteria, based on regulations established concerning the basic policies for the execution of its subsidiaries and affiliates’ business activities.
- 2) The Company implements audits of its subsidiaries and affiliates as necessary, based on the Internal Audit Regulations.

(5) Execution of Duties by Audit & Supervisory Board Members

- 1) Audit & Supervisory Board Members attend important meetings, including meetings of the Board of Directors and the Executive Management Committee, comprehend important decision-making processes, and the status of the execution of duties, request explanations from Directors or others as necessary, and express opinions.
- 2) Audit & Supervisory Board Members hold regular meetings with the Executive Director, President in order to exchange opinions regarding matters such as issues to be addressed, and promote mutual understanding. Moreover, in the course of their audit duties, Audit & Supervisory Board Members coordinate with the Office of Internal Audit, including holding regular meetings, in order to implement organized and effective audits.

6. Policy Regarding Decisions on Dividends of Surplus, etc.

One of the most important management policies of the Company is to return profits to our shareholders while raising the Company's corporate value. The Company's basic principle for dividends is to continue to implement stable dividend distribution according to our business performance, taking into comprehensive consideration the business trends, financial condition, and need to enhance our internal reserve for business expansion into the future.

Based on this dividend policy, the Company requests the General Meeting of Shareholders to resolve on a year-end dividend of 36 yen per share for the current fiscal year.

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Reference:

Amounts and numbers of shares presented in this business report have been rounded down to the nearest unit, and percentages have been rounded off to the nearest unit.

## Consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

| Description                        | Amount         | Description                                                           | Amount         |
|------------------------------------|----------------|-----------------------------------------------------------------------|----------------|
| <b>ASSETS</b>                      | [185,758]      | <b>LIABILITIES</b>                                                    | [93,889]       |
| Current assets                     | 121,389        | Current liabilities                                                   | 46,731         |
| Cash and deposits                  | 27,073         | Notes and accounts payable - trade                                    | 17,739         |
| Notes receivable - trade           | 3,768          | Short-term bank loans                                                 | 7,770          |
| Accounts receivable - trade        | 29,525         | Current portion of long-term bank loans                               | 8,298          |
| Contract assets                    | 441            | Current portion of bonds                                              | 1,118          |
| Merchandise and finished goods     | 32,813         | Lease obligations                                                     | 355            |
| Work in process                    | 4,633          | Accrued income taxes                                                  | 1,242          |
| Raw materials and supplies         | 20,051         | Contract liabilities                                                  | 20             |
| Other                              | 4,190          | Accrued expenses                                                      | 4,728          |
| Allowance for doubtful receivables | (1,109)        | Provision for bonuses                                                 | 851            |
| Non-current assets                 | 64,369         | Provision for implementation of environmental and safety arrangements | 81             |
| Property, plant and equipment      | 46,535         | Provision for maintenance                                             | 336            |
| Buildings and structures           | 15,400         | Provision for loss on withdrawal from business                        | 169            |
| Machinery, equipment and vehicles  | 20,770         | Other                                                                 | 4,020          |
| Land                               | 5,359          | Long-term liabilities                                                 | 47,157         |
| Leased assets                      | 829            | Bonds                                                                 | 3,898          |
| Construction in progress           | 3,327          | Long-term bank loans                                                  | 24,831         |
| Other                              | 847            | Lease obligations                                                     | 555            |
| Intangible assets                  | 1,018          | Provision for implementation of environmental and safety arrangements | 1,384          |
| Software                           | 519            | Provision for maintenance                                             | 83             |
| Software in progress               | 484            | Retirement benefit liability                                          | 13,058         |
| Leased assets                      | 3              | Asset retirement obligations                                          | 160            |
| Other                              | 11             | Other                                                                 | 3,185          |
| Investments and other assets       | 16,815         | NET ASSETS                                                            | [91,869]       |
| Investments in securities          | 7,456          | Shareholders' equity                                                  | 91,905         |
| Deferred tax assets                | 8,883          | Common stock                                                          | 43,420         |
| Retirement benefit asset           | 10             | Capital surplus                                                       | 10,627         |
| Other                              | 550            | Retained earnings                                                     | 38,592         |
| Allowance for doubtful receivables | (85)           | Treasury stock                                                        | (734)          |
|                                    |                | Accumulated other comprehensive income (loss)                         | (36)           |
|                                    |                | Valuation difference on available-for-sale securities                 | 405            |
|                                    |                | Translation adjustments                                               | (297)          |
|                                    |                | Remeasurements of defined benefit plans                               | (143)          |
| <b>Total assets</b>                | <b>185,758</b> | <b>Total liabilities and net assets</b>                               | <b>185,758</b> |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.



## Consolidated Statement of Income

(April 1, 2021 - March 31, 2022)

(Millions of yen)

| Description                                  | Amount |         |
|----------------------------------------------|--------|---------|
| Net sales                                    |        | 110,955 |
| Cost of sales                                |        | 78,297  |
| Gross profit                                 |        | 32,657  |
| Selling, general and administrative expenses |        | 21,100  |
| Operating income                             |        | 11,557  |
| Non-operating income                         |        |         |
| Interest income                              | 16     |         |
| Dividend income                              | 180    |         |
| Equity in earnings of affiliates             | 533    |         |
| Foreign exchange gains                       | 1,597  |         |
| Gain on sales of raw materials               | 103    |         |
| Other                                        | 288    | 2,720   |
| Non-operating expenses                       |        |         |
| Interest expense                             | 539    |         |
| Financial fee                                | 258    |         |
| Other                                        | 206    | 1,005   |
| Ordinary income                              |        | 13,272  |
| Extraordinary income                         |        |         |
| Gain on forgiveness of debts                 | 552    |         |
| Gain on change in equity                     | 2,736  |         |
| Other                                        | 170    | 3,459   |
| Extraordinary losses                         |        |         |
| Loss on disposal of non-current assets       | 969    |         |
| Loss on impairment                           | 163    |         |
| Loss on valuation of investment securities   | 2,344  |         |
| Other                                        | 162    | 3,640   |
| Income before income taxes                   |        | 13,091  |
| Income taxes – current                       | 1,533  |         |
| Income taxes – deferred                      | (132)  | 1,401   |
| Net income                                   |        | 11,690  |
| Net income attributable to owners of parent  |        | 11,690  |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

## Consolidated Statement of Changes in Net Assets

(April 1, 2021 - March 31, 2022)

(Millions of yen)

|                                                            | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                            | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at April 1, 2021                                   | 43,420               | 10,627          | 27,872            | (730)          | 81,189                     |
| Cumulative effects of changes in accounting policies       | -                    | -               | (251)             | -              | (251)                      |
| Restated balance                                           | 43,420               | 10,627          | 27,621            | (730)          | 80,938                     |
| Changes of items during period                             |                      |                 |                   |                |                            |
| Dividends of surplus                                       | -                    | -               | (719)             | -              | (719)                      |
| Net income attributable to owners of parent for the period | -                    | -               | 11,690            | -              | 11,690                     |
| Acquisition of treasury stock                              | -                    | -               | -                 | (4)            | (4)                        |
| Disposal of treasury stock                                 | -                    | 0               | -                 | 0              | 0                          |
| Other changes                                              | -                    | -               | -                 | -              | -                          |
| Total changes of items during period                       | -                    | 0               | 10,970            | (3)            | 10,967                     |
| Balance at March 31, 2022                                  | 43,420               | 10,627          | 38,592            | (734)          | 91,905                     |

|                                                            | Accumulated other comprehensive income (loss)         |                         |                                         |                                                     | Total net assets |
|------------------------------------------------------------|-------------------------------------------------------|-------------------------|-----------------------------------------|-----------------------------------------------------|------------------|
|                                                            | Valuation difference on available-for-sale securities | Translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income (loss) |                  |
| Balance at April 1, 2021                                   | (308)                                                 | (1,286)                 | (78)                                    | (1,674)                                             | 79,515           |
| Cumulative effects of changes in accounting policies       | –                                                     | –                       | –                                       | –                                                   | (251)            |
| Restated balance                                           | (308)                                                 | (1,286)                 | (78)                                    | (1,674)                                             | 79,263           |
| Changes of items during period                             |                                                       |                         |                                         |                                                     |                  |
| Dividends of surplus                                       | –                                                     | –                       | –                                       | –                                                   | (719)            |
| Net income attributable to owners of parent for the period | –                                                     | –                       | –                                       | –                                                   | 11,690           |
| Acquisition of treasury stock                              | –                                                     | –                       | –                                       | –                                                   | (4)              |
| Disposal of treasury stock                                 | –                                                     | –                       | –                                       | –                                                   | 0                |
| Other changes                                              | 714                                                   | 988                     | (64)                                    | 1,638                                               | 1,638            |
| Total changes of items during period                       | 714                                                   | 988                     | (64)                                    | 1,638                                               | 12,605           |
| Balance at March 31, 2022                                  | 405                                                   | (297)                   | (143)                                   | (36)                                                | 91,869           |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

## Non-consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

| Description                               | Amount         | Description                                                           | Amount         |
|-------------------------------------------|----------------|-----------------------------------------------------------------------|----------------|
| <b>ASSETS</b>                             | [159,036]      | <b>LIABILITIES</b>                                                    | [83,476]       |
| Current assets                            | 101,907        | Current liabilities                                                   | 45,542         |
| Cash and deposits                         | 21,784         | Notes payable – trade                                                 | 253            |
| Notes receivable – trade                  | 2,160          | Accounts payable – trade                                              | 14,234         |
| Accounts receivable – trade               | 35,027         | Short-term bank loans                                                 | 7,680          |
| Merchandise and finished goods            | 23,561         | Current portion of long-term bank loans                               | 7,311          |
| Work in process                           | 3,750          | Current portion of bonds                                              | 1,118          |
| Raw materials and supplies                | 12,530         | Lease obligations                                                     | 306            |
| Advance payments to suppliers             | 1,493          | Accrued income taxes                                                  | 1,045          |
| Prepaid expenses                          | 463            | Contract liabilities                                                  | 20             |
| Short-term loans receivable               | 952            | Accounts payable - other                                              | 3,296          |
| Other                                     | 1,455          | Accrued expenses                                                      | 3,168          |
| Allowance for doubtful receivables        | (1,271)        | Deposits received                                                     | 4,377          |
| Non-current assets                        | 57,129         | Provision for bonuses                                                 | 599            |
| Property, plant and equipment             | 36,990         | Provision for implementation of environmental and safety arrangements | 81             |
| Buildings                                 | 6,876          | Provision for loss on withdrawal from business                        | 169            |
| Structures                                | 4,829          | Provision for maintenance                                             | 336            |
| Machinery and equipment                   | 16,523         | Other                                                                 | 1,543          |
| Vehicles                                  | 40             | Long-term liabilities                                                 | 37,934         |
| Tools, furniture and fixtures             | 612            | Bonds                                                                 | 3,898          |
| Land                                      | 4,265          | Long-term bank loans                                                  | 19,353         |
| Leased assets                             | 656            | Lease obligations                                                     | 418            |
| Construction in progress                  | 3,185          | Long-term deposits received                                           | 68             |
| Intangible assets                         | 971            | Provision for retirement benefits                                     | 11,212         |
| Software                                  | 475            | Provision for implementation of environmental and safety arrangements | 1,384          |
| Software in progress                      | 484            | Provision for maintenance                                             | 83             |
| Leased assets                             | 3              | Asset retirement obligations                                          | 160            |
| Other                                     | 8              | Other                                                                 | 1,354          |
| Investments and other assets              | 19,166         | NET ASSETS                                                            | [75,559]       |
| Investments in securities                 | 1,924          | Shareholders' equity                                                  | 75,293         |
| Shares of subsidiaries and affiliates     | 10,192         | Common stock                                                          | 43,420         |
| Long-term loans receivable from employees | 59             | Capital surplus                                                       | 9,796          |
| Long-term prepaid expenses                | 161            | Legal capital surplus                                                 | 9,155          |
| Deferred tax assets                       | 6,670          | Other capital surplus                                                 | 641            |
| Other                                     | 243            | Retained earnings                                                     | 22,314         |
| Allowance for doubtful receivables        | (85)           | Legal retained earnings                                               | 469            |
|                                           |                | Other retained earnings                                               | 21,845         |
|                                           |                | Retained earnings brought forward                                     | 21,845         |
|                                           |                | Treasury stock                                                        | (238)          |
|                                           |                | Valuation and translation adjustments                                 | 266            |
|                                           |                | Valuation difference on available-for-sale securities                 | 266            |
| <b>Total assets</b>                       | <b>159,036</b> | <b>Total liabilities and net assets</b>                               | <b>159,036</b> |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

## Non-consolidated Statement of Income

(April 1, 2021 - March 31, 2022)

(Millions of yen)

| Description                                  | Amount |        |
|----------------------------------------------|--------|--------|
| Net sales                                    |        | 89,142 |
| Cost of sales                                |        | 64,564 |
| Gross profit                                 |        | 24,577 |
| Selling, general and administrative expenses |        | 15,526 |
| Operating income                             |        | 9,051  |
| Non-operating income                         |        |        |
| Interest income                              | 11     |        |
| Dividend income                              | 894    |        |
| Foreign exchange gains                       | 1,384  |        |
| Gain on sales of raw materials               | 103    |        |
| Other                                        | 163    | 2,557  |
| Non-operating expenses                       |        |        |
| Interest expenses                            | 508    |        |
| Financial fee                                | 242    |        |
| Other                                        | 151    | 903    |
| Ordinary income                              |        | 10,706 |
| Extraordinary income                         |        |        |
| Gain on forgiveness of debts                 | 552    |        |
| Other                                        | 50     | 603    |
| Extraordinary losses                         |        |        |
| Loss on disposal of non-current assets       | 889    |        |
| Loss on valuation of investment securities   | 2,342  |        |
| Loss on impairment                           | 12     |        |
| Other                                        | 162    | 3,407  |
| Income before income taxes                   |        | 7,901  |
| Income taxes – current                       | 740    |        |
| Income taxes – deferred                      | 281    | 1,022  |
| Net income                                   |        | 6,878  |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

## Non-consolidated Statement of Changes in Net Assets

(April 1, 2021 - March 31, 2022)

(Millions of yen)

|                                                                  | Shareholders' equity |                       |                       |                       |
|------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|
|                                                                  | Common stock         | Capital surplus       |                       |                       |
|                                                                  |                      | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at April 1, 2021                                         | 43,420               | 9,155                 | 641                   | 9,796                 |
| Cumulative effects of changes in accounting policies             | -                    | -                     | -                     | -                     |
| Restated balance                                                 | 43,420               | 9,155                 | 641                   | 9,796                 |
| Changes of items during period                                   |                      |                       |                       |                       |
| Dividends of surplus                                             | -                    | -                     | -                     | -                     |
| Provision of legal retained earnings due to dividends of surplus | -                    | -                     | -                     | -                     |
| Net income                                                       | -                    | -                     | -                     | -                     |
| Acquisition of treasury stock                                    | -                    | -                     | -                     | -                     |
| Disposal of treasury stock                                       | -                    | -                     | 0                     | 0                     |
| Other changes                                                    | -                    | -                     | -                     | -                     |
| Total changes of items during period                             | -                    | -                     | 0                     | 0                     |
| Balance at March 31, 2022                                        | 43,420               | 9,155                 | 641                   | 9,796                 |

|                                                                  | Shareholders' equity    |                         |                         |                |                            |
|------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|----------------|----------------------------|
|                                                                  | Retained earnings       |                         |                         | Treasury stock | Total shareholders' equity |
|                                                                  | Legal retained earnings | Other retained earnings | Total retained earnings |                |                            |
| Retained earnings brought forward                                |                         |                         |                         |                |                            |
| Balance at April 1, 2021                                         | 397                     | 15,786                  | 16,184                  | (234)          | 69,167                     |
| Cumulative effects of changes in accounting policies             | –                       | (28)                    | (28)                    | –              | (28)                       |
| Restated balance                                                 | 397                     | 15,757                  | 16,155                  | (234)          | 69,138                     |
| Changes of items during period                                   |                         |                         |                         |                |                            |
| Dividends of surplus                                             | –                       | (719)                   | (719)                   | –              | (719)                      |
| Provision of legal retained earnings due to dividends of surplus | 71                      | (71)                    | –                       | –              | –                          |
| Net income                                                       | –                       | 6,878                   | 6,878                   | –              | 6,878                      |
| Acquisition of treasury stock                                    | –                       | –                       | –                       | (4)            | (4)                        |
| Disposal of treasury stock                                       | –                       | –                       | –                       | 0              | 0                          |
| Other changes                                                    | –                       | –                       | –                       | –              | –                          |
| Total changes of items during period                             | 71                      | 6,087                   | 6,159                   | (3)            | 6,155                      |
| Balance at March 31, 2022                                        | 469                     | 21,845                  | 22,314                  | (238)          | 75,293                     |

|                                                                  | Valuation and translation adjustments                 |                                             | Total net assets |
|------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------|------------------|
|                                                                  | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                  |
| Balance at April 1, 2021                                         | (464)                                                 | (464)                                       | 68,702           |
| Cumulative effects of changes in accounting policies             | –                                                     | –                                           | (28)             |
| Restated balance                                                 | (464)                                                 | (464)                                       | 68,673           |
| Changes of items during period                                   |                                                       |                                             |                  |
| Dividends of surplus                                             | –                                                     | –                                           | (719)            |
| Provision of legal retained earnings due to dividends of surplus | –                                                     | –                                           | –                |
| Net income                                                       | –                                                     | –                                           | 6,878            |
| Acquisition of treasury stock                                    | –                                                     | –                                           | (4)              |
| Disposal of treasury stock                                       | –                                                     | –                                           | 0                |
| Other changes                                                    | 731                                                   | 731                                         | 731              |
| Total changes of items during period                             | 731                                                   | 731                                         | 6,886            |
| Balance at March 31, 2022                                        | 266                                                   | 266                                         | 75,559           |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.



**Independent Auditor's Report**  
(English Translation)

May 16, 2022

To the Board of Directors  
ISHIHARA SANGYO KAISHA, LTD.

Ernst & Young ShinNihon LLC  
Osaka, Japan

Masahiko Inoue  
Designated Engagement Partner  
Certified Public Accountant  
Daiji Tokuno,  
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 consolidated financial statements of ISHIHARA SANGYO KAISHA, 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, 2021, in accordance with accounting principles generally accepted in Japan.

*Basis for the 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 in Japan that are relevant to our audit of the consolidated financial statements, 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*

Other information refers to the business report and supplementary schedules. Management is responsible for the preparation and disclosure of other information. The Audit & Supervisory Board and its members are responsible for overseeing performance of duties by directors in developing and operating the reporting process for other information.

Other information is not included in the scope of our opinion on the consolidated financial statements, and we express no opinion on it.

Our responsibility with respect to the audit of the consolidated financial statements is to read through other information and, in this process, to consider whether any material differences exist between other information and the consolidated financial statements or knowledge we have gained through the auditing process; also, to remain alert for any other indications of material error in other information.

We are required to report any matter that we consider constitutes a material error in other information, based on the work we have undertaken.

We have nothing to report regarding other information.

### *Responsibilities of Management, the Audit & Supervisory Board and Its Members 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, including the establishment and operation of 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 to evaluate whether it is appropriate to prepare the consolidated financial statements as a going concern. As required by accounting principles generally accepted in Japan, if it is necessary for the Group to disclose matters relating to a going concern, the management has the responsibility to disclose such information.

The Audit & Supervisory Board and its members are responsible for overseeing performance of duties by directors in developing and operating the Group's financial reporting process.

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

Our responsibilities are to obtain reasonable assurance, based on the audit we conducted, 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 regarding the consolidated financial statements from an independent viewpoint. 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.

We perform the following procedure in accordance with auditing standards generally accepted in Japan, while exercising professional judgment and maintaining professional skepticism throughout the audit process:

- 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. The selection and application of audit procedures are at our discretion. 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 and accounting methods adopted by the management, the reasonableness of accounting estimates made by the management, and the appropriateness of the related notes to the consolidated financial statements.
- 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 regarding the going concern assumption exists, we are required to draw attention in our auditor's report that the related notes to the consolidated financial statements should be considered. Or, if any note to the consolidated financial statements regarding significant uncertainty is inadequate, we are required to express a modified opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes comply with the corporate accounting principles generally accepted in Japan, and whether the overall presentation, structure and contents of the consolidated financial statements, including the related notes, accurately represent the underlying transactions and events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We

are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

We also report to the Audit & Supervisory Board and its members that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, matters that are reasonably considered to affect the independence of us, and where applicable, related safeguards taken to remove or reduce factors that could hinder our independence.

*Interest*

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

## Independent Auditor's Report

(English Translation)

May 16, 2022

To the Board of Directors  
ISHIHARA SANGYO KAISHA, LTD.

Ernst & Young ShinNihon LLC  
Osaka, Japan

Masahiko Inoue  
Designated Engagement Partner  
Certified Public Accountant  
Daiji Tokuno,  
Designated Engagement Partner  
Certified Public Accountant

### *Opinion*

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, and notes to financial statements, and the supplementary schedules thereto ("financial statements, etc.") of ISHIHARA SANGYO KAISHA, LTD. (the "Company") applicable to the 99<sup>th</sup> fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the accompanying financial statements, etc. present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

### *Basis for the 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 Financial Statements, etc.* section of our report. We are independent of the Company in accordance with the ethical requirements in Japan that are relevant to our audit of the financial statements, 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*

Other information refers to the business report and supplementary schedules. Management is responsible for the preparation and disclosure of other information. The Audit & Supervisory Board and its members are responsible for overseeing performance of duties by directors in developing and operating the reporting process for other information.

Other information is not included in the scope of our opinion on the financial statements, etc., and we express no opinion on it.

Our responsibility with respect to the audit of the financial statements, etc. is to read through other information and, in this process, to consider whether any material differences exist between other information and the financial statements, etc. or knowledge we have gained through the auditing process; also, to remain alert for any other indications of material error in other information.

We are required to report any matter that we consider constitutes a material error in other information, based on the work we have undertaken.

We have nothing to report regarding other information.

*Responsibilities of Management, the Audit & Supervisory Board and Its Members for the Financial Statements, etc.*

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

In preparing the financial statements, etc., management is responsible to evaluate whether it is appropriate to prepare the financial statements, etc. as a going concern. As required by accounting principles generally accepted in Japan, if it is necessary for the Company to disclose matters relating to a going concern, the management has the responsibility to disclose such information.

The Audit & Supervisory Board and its members are responsible for overseeing performance of duties by directors in developing and operating the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements, etc.*

Our responsibilities are to obtain reasonable assurance, based on the audit we conducted, about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion regarding the financial statements, etc. from an independent viewpoint. 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 financial statements, etc.

We perform the following procedure in accordance with auditing standards generally accepted in Japan, while exercising professional judgment and maintaining professional skepticism throughout the audit process. We also:

- Identify and assess the risks of material misstatement of the financial statements, etc., whether due to fraud or error. Design and perform audit procedures responsive to those risks. The selection and application of audit procedures are at our discretion. 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 financial statements, etc. is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and accounting methods adopted by the management, the reasonableness of accounting estimates made by the management, and the appropriateness of the related notes to the financial statements, etc.
- 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 regarding the going concern assumption exists, we are required to draw attention in our auditor's report that the related notes to the financial statements, etc. should be considered. Or, if any note to the financial statements, etc. regarding significant uncertainty is inadequate, we are required to express a modified opinion on the financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements, etc. and notes comply with the corporate accounting principles generally accepted in Japan, and whether the overall presentation, structure and contents of the financial statements etc., including the related notes, accurately represent the underlying transactions and events.

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

We also report to the Audit & Supervisory Board and its members with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of

the financial statements, matters that are reasonably considered to affect the independence of us, and where applicable, related safeguards taken to remove or reduce factors that could hinder our independence.

*Interest*

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.

## **Audit Report** (English Translation)

The Audit & Supervisory Board prepared this audit report regarding the performance of duties by Directors for the 99th fiscal year from April 1, 2021 to March 31, 2022, upon deliberation based on audit reports from individual Audit & Supervisory Board Members and reports as follows.

### 1. Methods and Details of Audit by Audit & Supervisory Board and its members

- (1) The Audit & Supervisory Board established the audit policy, allocation of duties, etc., and received reports from each Audit & Supervisory Board Member regarding the state of implementation of his or her audits and results thereof, as well as received reports from Directors, etc., and the accounting auditor regarding performance of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards established by the Audit & Supervisory Board, in accordance with the audit policy, allocation of duties, etc., communicated with the Directors, the internal audit department, other employees, etc., and made efforts to collect information and improve the audit environment, and conducted audits by the following methods:
  - 1) We attended the meetings of the Board of Directors, the Executive Management Committee, and other important meetings, received reports from Directors, Executive Officers, employees, etc., regarding the state of performance of their duties, sought explanations as necessary, inspected important approval documents, etc., and investigated the state of activities and property at the head office and other main business offices of the Company. With respect to subsidiaries, we communicated and exchanged information with Directors, Audit & Supervisory Board Members, employees, etc., of the subsidiaries, and ascertained the status of business, management and administration.
  - 2) With respect to the systems stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act to ensure the proper business operation of a corporate group composed of a parent and its subsidiaries, including systems to ensure compliance of the duties performed by directors and reported in business reports with relevant laws, regulations and the Articles of Incorporation of the Company ("internal control system"), the Audit & Supervisory Board Members regularly received reports from Directors, Executive Officers, employees, etc., asked for explanations and expressed opinions as needed, regarding the resolutions adopted by the Board of Directors on the establishment of such system, the system established in accordance with the resolutions, and the status of improvement and operation of the system.
  - 3) We monitored and verified whether the accounting auditor maintained independence and implemented appropriate audits, and we received reports from the accounting auditor regarding the state of performance of their duties and sought explanations as necessary. In addition, we received notice from the accounting auditor that systems for ensuring that the correct performance of duties (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting) are organized in accordance with the Standards for Quality Control of 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 supplementary schedules thereto, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and related notes) and supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and related notes) for the fiscal year under review.

## 2. Results of Audit

### (1) Results of audit of the business report and other relevant documents

- 1) We recognize the business report and supplementary schedules thereto represent the situation of the Company correctly in accordance with laws, regulations, and the Articles of Incorporation.
- 2) We do not recognize any misconduct related to Directors' execution of their duties or material facts that constitute violations of laws, regulations or the Articles of Incorporation.
- 3) We recognize the contents of the resolutions by the Board of Directors regarding the internal control system are appropriate. We do not recognize any matters to be noted on the contents of the business report regarding the said internal control system or Directors' execution of duties.

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

We recognize the methods and results of audits by Ernst & Young ShinNihon LLC, the accounting auditor, are appropriate.

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

We recognize the methods and results of audits by Ernst & Young ShinNihon LLC, the accounting auditor, are appropriate.

May 17, 2022

Audit & Supervisory Board,  
ISHIHARA SANGYO KAISHA, LTD.

Standing Audit & Supervisory Board Member  
Standing Audit & Supervisory Board Member  
Standing Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)  
Audit & Supervisory Board Member  
(Outside Audit & Supervisory Board Member)

Taizo Kato  
Yoshihito Akiyama  
Yoshitaka Akikuni  
Masaaki Harima