

This Convocation Notice is a translation of the Japanese language original “*Teiji Kabunushisoukai Shoushugotsuchi*,” and is provided in English for reference purposes only. In the event of any discrepancy, the Japanese language original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities Code: 4114

May 31, 2023

(Starting Date of Measures for Electronic Provision: May 24, 2023)

**To Our Shareholders**

Kazuhiro Noda  
Member of the Board, President  
NIPPON SHOKUBAI CO., LTD.  
4-1-1 Koraibashi, Chuo-ku, Osaka

**Convocation Notice of  
The 111th Ordinary General Meeting of Shareholders**

NIPPON SHOKUBAI CO., LTD. (the “Company”) will be holding the 111th Ordinary General Meeting of Shareholders. The meeting will be held as described below, and you are cordially invited to attend the meeting.

In convening this General Meeting of Shareholders, the Company has provided information contained in the “Reference Materials for the Ordinary General Meeting of Shareholders,” etc. electronically (matters to be provided electronically), and posted such information on the Company website on the Internet. Please access the Company’s website below to check the information.

The Company website:

<https://www.shokubai.co.jp/en/ir/stock/shareholder/>

In addition to the above website, the matters to be provided electronically are also available on the website of the Tokyo Stock Exchange, Inc. (TSE). Please access the TSE website (Listed Company Search) given below, enter “NIPPON SHOKUBAI” in the “Issue name (company name)” or “4114” in the “Code” for search, and then click the “Basic information” and select the “Documents for public inspection/PR information” to check the information.

The TSE website:

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the meeting, you may exercise your voting rights via the Internet or in writing. Please review the “Reference Materials for the Ordinary General Meeting of Shareholders” set forth below and exercise your voting rights at <https://evote.tr.mufg.jp/>, or indicate your intention to vote “for” or “against” each agenda item by returning the enclosed Voting Rights Exercise Form, by 5:00 p.m. on June 20, 2023 (Tuesday).

1. **Date/Time:** June 21, 2023 (Wednesday) 10:00 a.m. (reception starts: 9:00 a.m.)
2. **Venue:** Osaka Asahi Seimei Kaikan Building 8F, 4-2-16 Koraibashi, Chuo-ku, Osaka (Asahi Seimei Hall)
3. **Meeting Agenda:**

**[Matters to be Reported]**

1. Business report, consolidated financial statements, and financial statements for the 111th Term (from April 1, 2022 to March 31, 2023)
2. Report on results of the audits conducted by the accounting auditor and the board of corporate auditors with respect to the consolidated financial statements for the 111th Term

**[Matters to be Resolved]**

- 1st Agenda: Appropriation of Retained Earnings  
2nd Agenda: Election of Eight (8) Members of the Board  
3rd Agenda: Election of Two (2) Statutory Corporate Auditors

- ◎ If you attend the meeting in person, please present the enclosed Voting Rights Exercise Form to the reception desk at the meeting.
- ◎ There will be no distribution of souvenirs and no shareholders reception. We appreciate your understanding in advance.
- ◎ Among the matters to be provided electronically, the following items are not included in the documents delivered to shareholders who have requested delivery of the document in accordance with the provisions of laws and regulations and Article 16 of the Articles of Incorporation of the Company. Therefore, the document delivered to shareholders who have requested delivery of the document is a part of the documents audited by the Statutory Corporate Auditors and the Accounting Auditor in preparing the audit reports.
  - “Consolidated Statements of Changes in Equity” and “Notes to Consolidated Financial Statements” of the Consolidated Financial Statements
  - “Nonconsolidated Statements of Changes in Equity” and “Notes to Nonconsolidated Financial Statements” of the Nonconsolidated Financial Statements
- ◎ If it becomes necessary to make an amendment to the matters to be provided electronically, the Company will post the matters before and after the amendment on the Company website and the TSE website on page 1.
- ◎ The system for electronic provision of materials for general meetings of shareholders has been put into practice pursuant to the amended Companies Act. As this is the first General Meeting of Shareholders of the Company under the new system, the Company has delivered the same materials to all shareholders with voting rights the same as before, regardless of whether or not they have requested the delivery of documents.

From the next General Meeting of Shareholders of the Company, the Company intends to post the reference materials for the General Meeting of Shareholders on the Company website, etc., and deliver excerpts from the reference materials for the General Meeting of Shareholders to shareholders. Shareholders who wish to receive the reference materials for the General Meeting of Shareholders in writing at the next and subsequent General Meetings of Shareholders are requested to make a request for delivery of the documents by the Company’s record date.

[Inquiries on the electronic provision system]

Dedicated dial for the electronic provision system

Securities Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation

0120-696-505 (Business hours: From 9:00 a.m. to 5:00 p.m. excluding Saturdays, Sundays and public holidays)

## **Reference Materials for the Ordinary General Meeting of Shareholders**

### **Agenda and Reference Matters:**

#### **Agenda Item No. 1: Appropriation of Retained Earnings**

The Company distributes dividends under a basic policy of aiming to improve medium- to long-term dividend levels in line with projected trends in consolidated earnings, while at the same time taking an overall view to expand the business and strengthen the corporate structure and, in consideration of the dividend payout ratio.

Meanwhile, to maintain competitiveness and continue growth into the future, aggressive capital investment, strategic investment and R&D investment are essential. The Company will therefore allocate profits by taking into consideration a balance between dividends and internal reserves.

During the period of the mid-term management plan “TechnoAmenity for the future-I” formulated in March 2022, the Company aims to achieve a total shareholder return ratio of 50% (dividend payout ratio of 40% and share buyback of 10%), while securing sufficient financial resources for investment in growth and maintaining competitiveness, and pursuing capital efficiency at the same time.

#### **Matters Concerning the Year-end Dividend**

Under the above basic policy, in consideration of the business environment, earnings and future business development, the Company proposes a year-end dividend of 90 yen per share for the fiscal year 2022, the same amount as the interim dividend. Together with the interim dividend, the annual dividend for the fiscal year ended March 31, 2023 (the “current fiscal year”) will be 180 yen per share, the same amount as the previous fiscal year, which was a record high.

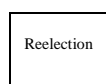
- (1) Type of Dividend: Cash
- (2) Dividend Payment and Total Amount:  
90.00 yen per share of common stock of the Company  
Total amount of dividends: 3,542,592,600 yen
- (3) Effective Date of Distribution of Retained Earnings: June 22, 2023

## Agenda Item No. 2: Election of Eight (8) Members of the Board

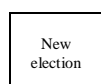
As the terms of office of all nine (9) Members of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders, we are submitting the following eight (8) candidates for election as Members of the Board.

The candidates for Member of the Board are as follows:

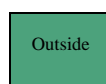
No.	Name	Positions	Responsibilities	Attendance at the Board meetings	Attribute		
1	Kazuhiro Noda	Member of the Board President & CEO	—	15/15	Reelection		
2	Kuniaki Takagi	Member of the Board Managing Executive Officer	Administration, HR, Finance, Accounting, General Affairs & HR Division	15/15	Reelection		
3	Masahiro Watanabe	Member of the Board Managing Executive Officer	Sales, Marketing, Purchasing, Logistics Battery Business Solutions Division	14/15	Reelection		
4	Yasutaka Sumida	Member of the Board Managing Executive Officer	Innovation & Business Development Corporate Research Division GX Research & Development Division Health & Medical Business Development Office Cosmetics Business Office R&D Management Dept. Water & Environment Solutions Business Dept.	15/15	Reelection		
5	Yukihiro Matsumoto	Managing Executive Officer	Director of Production Division	—	New election		
6	Shinji Hasebe	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent
7	Tetsuo Setoguchi	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent
8	Miyuki Sakurai	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent



Candidate for reelection



Candidate for new election



Candidate for Outside Member of the Board



Candidate for Independent Officer

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
1	Kazuhiro Noda (Jan. 21, 1963)  Reelection  Attendance at the Board meetings during the current fiscal year: 15/15 meetings	<p>Apr. 1986    Joined the Company</p> <p>Apr. 2005    General Manager of Superabsorbents Sales Department</p> <p>Apr. 2011    General Manager of Corporate Planning Division</p> <p>Apr. 2015    Deputy Director of Corporate Planning Division and General Manager of Group Management and Project Planning Department</p> <p>Apr. 2017    Director of Superabsorbents Business Division</p> <p>June 2018    Executive Officer</p> <p>June 2020    Member of the Board, Managing Executive Officer Director of Corporate Planning Division</p> <p>June 2022    Member of the Board, President &amp; CEO (current)</p>	3,000 shares
		<p>&lt;Reasons for nominating as a candidate for Member of the Board&gt; Mr. Kazuhiro Noda has been serving as Member of the Board, President to play key roles in the Company's management, including the execution of mid-term management plans. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.</p>	
2	Kuniaki Takagi (May 19, 1963)  Reelection  Attendance at the Board meetings during the current fiscal year: 15/15 meetings	<p>Apr. 1987    Joined Sumitomo Chemical Co., Ltd.</p> <p>Apr. 2019    Joined the Company as an entrusted worker</p> <p>May 2019    Director of General Affairs &amp; HR Division</p> <p>June 2019    Executive Officer</p> <p>June 2020    Member of the Board, Managing Executive Officer (current)</p> <p>(Current responsibility in the Company) Administration, HR, Finance, Accounting, General Affairs &amp; HR Division</p>	2,300 shares
		<p>&lt;Reasons for nominating as a candidate for Member of the Board&gt; Mr. Kuniaki Takagi has been mostly engaging in planning, administration and finance divisions and overseas services for a long time and has achievements in strengthening the corporate governance system and executing management strategies from a global perspective. In addition, he has been serving as Executive Officer in charge of Administration, HR, Finance, and Accounting to play a central role in the formulation and introduction of a new human resource system to promote efforts to reform the organization. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.</p>	

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
3	Masahiro Watanabe (Dec. 6, 1960)  Reelection  Attendance at the Board meetings during the current fiscal year: 14/15 meetings	Apr. 1984    Joined the Company Apr. 2009    General Manager of Raw Materials Purchasing Department Apr. 2013    General Manager of Performance Polymers Sales & Marketing Department Apr. 2016    Director of Purchasing & Logistics Division June 2018    Executive Officer President and Representative Director of Nisshoku Butsuryu Co., Ltd. (current) June 2021    Member of the Board and Managing Executive Officer (current)  (Current responsibility in the Company) Sales, Marketing, Purchasing, Logistics, Battery Business Solutions Division	1,500 shares
		<Reasons for nominating as a candidate for Member of the Board> Mr. Masahiro Watanabe has been engaging in purchasing & logistics divisions and sales & marketing divisions for a long time and has achievements in formulation and execution of purchasing and logistics strategies and strengthening the sales foundation, etc. In addition, he has been serving as Executive Officer in charge of Sales, Marketing, Purchasing and Logistics to expand the Solutions business and to strengthen the Materials business. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.	
4	Yasutaka Sumida (Oct. 4, 1963)  Reelection  Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1991    Joined the Company Apr. 2017    General Manager of Research Center Apr. 2020    Director of Innovation & Business Development Division June 2020    Executive Officer June 2021    Member of the Board and Managing Executive Officer (current)  (Current responsibility in the Company) Innovation & Business Development, Corporate Research Division, GX Research & Development Division, Health & Medical Business Development Office, Cosmetics Business Office, R&D Management Department, Water & Environment Solutions Business Department	1,592 shares
		<Reasons for nominating as a candidate for Member of the Board> Mr. Yasutaka Sumida has been engaging in research and development divisions for a long time and has achievements in strengthening the research and development capabilities and promoting open innovation, etc. In addition, he has been serving as Executive Officer in charge of Innovation & Business Development to accelerate the creation of new businesses and products and spearhead research and development toward carbon neutrality. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.	

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
5	Yukihiro Matsumoto (Jan. 24, 1964)  New election	<p>Apr. 1988    Joined the Company</p> <p>Jul. 2004    Vice President of Singapore Acrylic PTE LTD Vice President of SINGAPORE GLACIAL ACLYRIC PTE. LTD. (at present, NIPPON SHOKUBAI (ASIA) PTE. LTD.)</p> <p>Apr. 2009    General Manager of Technology Department of Himeji Plant</p> <p>Apr. 2014    Director of Production Division</p> <p>Apr. 2016    Director of Corporate Planning Division</p> <p>June 2016    Member of the Board, Executive Officer</p> <p>June 2020    Managing Executive Officer (current) Plant Manager of Himeji Plant</p> <p>June 2022    Director of Production Division (current)</p>	4,400 shares
	<p>&lt;Reasons for nominating as a candidate for Member of the Board&gt; Mr. Yukihiro Matsumoto has been engaging in production and technology divisions and overseas services for a long time and has achievements in launching manufacturing sites in Japan and overseas and promoting responsible care, etc. In addition, he has been serving as Director of Production Division to promote efforts to improve productivity through the introduction of highly efficient production technology in the acrylic business and other measures to strengthen the global production and supply system. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him for election as Member of the Board.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
6	Shinji Hasebe (Aug. 27, 1953)	Apr. 1993 Associate Professor of Faculty of Engineering, Kyoto University	
	Outside Member of the Board	Aug. 2003 Professor of Graduate School of Engineering, Kyoto University	
	Independent Officer	June 2018 Outside Member of the Board at the Company (current)	
	Reelection	Apr. 2019 Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University (current)	
	Attendance at the Board meetings during the current fiscal year: 15/15 meetings		-
	<p>&lt;Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles&gt;</p> <p>The Company requests the reelection of Mr. Shinji Hasebe for him to serve as Outside Member of the Board in the expectation that he will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on his expertise in chemical engineering and familiarity with the chemical industry, in addition to his past achievements as an Outside Member of the Board of the Company. Although he has never been involved in corporate management in any way other than as an outside officer, for the reasons stated above, we believe that he will be able to appropriately perform his duties as Outside Member of the Board of the Company.</p> <p>At the close of this Ordinary General Meeting of Shareholders, Mr. Hasebe will have been an Outside Member of the Board for five years.</p>		



No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
7	Tetsuo Setoguchi (Feb. 17, 1957)	Apr. 1981    Joined Osaka Gas Co., Ltd. Apr. 2015    Representative Director Executive Vice President of Osaka Gas Co., Ltd.	
	Outside Member of the Board Independent Officer Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 2018    Director of Osaka Gas Co., Ltd. June 2018    Outside Member of the Board at the Company (current) Advisor to Osaka Gas Co., Ltd. (current) Apr. 2020    Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd. June 2021    Outside Auditor of YOMIURI TELECASTING CORPORATION (current) Apr. 2022    Chairman and Director of OGIS-RI Co., Ltd. (current)	
<p>&lt;Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles&gt;</p> <p>The Company requests the reelection of Mr. Tetsuo Setoguchi for him to serve as Outside Member of the Board in the expectation that he will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on his experience in corporate management in the manufacturing industry and at a company with high public utility properties, in addition to his past achievements as an Outside Member of the Board of the Company.</p> <p>At the close of this Ordinary General Meeting of Shareholders, Mr. Setoguchi will have been an Outside Member of the Board for five years.</p>			

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
8	Miyuki Sakurai (Dec. 15, 1964)  Outside Member of the Board  Independent Officer  Reelection  Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1992 Registered as attorney-at-law Joined Nishimura Law and Accounting Office  May 2003 Partner of Hanamizuki Law Office (current)  Mar. 2015 Auditor of Nissay Life Foundation (current)  Apr. 2016 Auditor of Osaka University (current)  June 2017 External Director of Nippon Shinyaku Co., Ltd. (current)  June 2020 Outside Member of the Board at the Company (current)  June 2022 Outside Auditor of MBS MEDIA HOLDINGS, INC. (current)	-
	<p>&lt;Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles&gt;</p> <p>The Company requests the reelection of Ms. Miyuki Sakurai for her to serve as Outside Member of the Board in the expectation that she will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on her highly professional expertise and a wealth of experience as attorney-at-law and achievements as External Director of other companies, in addition to her past achievements as an Outside Member of the Board of the Company. Although she has never been involved in corporate management in any way other than as an outside officer, for the reasons stated above, we believe that she will be able to appropriately perform her duties as an Outside Member of the Board of the Company.</p> <p>At the close of this Ordinary General Meeting of Shareholders, Ms. Sakurai will have been an Outside Member of the Board for three years.</p>		

(Note 1) There are no special interests between each candidate and the Company.

(Note 2) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai are candidates for Outside Members of the Board.

(Note 3) The Company has concluded liability limitation contracts with Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act. In the event Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai are reelected as Outside Members of the Board, the Company plans to extend the contract with them.

(Note 4) The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company. In the event of a claim for damages submitted by a shareholder or a third party, the said insurance shall compensate for damages to be borne by the insureds. If the candidates are elected as Members of the Board, they will be included as the insureds under the contract. The Company plans to renew the insurance policy with the same details during their terms of office.

(Note 5) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai meet the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated on page 16). The Company has reported to the Tokyo Stock Exchange that Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai have been appointed as independent officers, and in the event Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai are reelected, the Company plans to report to the Exchange that they will continue to be independent officers.

(Note 6) The Company has contributed funds for research activities to Kyoto University, at which Mr. Shinji Hasebe serves as a Program-Specific Professor. Compared to the University's ordinary profit, however, the average contribution amount in the recent three fiscal years is nominal (less than 0.1% and not more than 10 million yen), and the Company has determined that it will have no impact on the independence of Mr. Hasebe.

(Note 7) The Company purchases gas from Osaka Gas Co., Ltd., at which Mr. Tetsuo Setoguchi serves as an Advisor. These and other sales transactions are for the procurement of goods essential to plant operations and the average trading amount in the recent three fiscal years is nominal (less than 0.3%) of the consolidated net sales of Osaka Gas. Also, the Company received services from OGIS-RI Co., Ltd., at which Mr. Tetsuo Setoguchi serves as Chairman and Director. The average transaction amount in the recent three fiscal years is nominal compared with the net sales of OGIS-RI Co., Ltd. (less than 0.1%). The Company has therefore determined that there will be no impact on the independence of Mr. Setoguchi.

(Note 8) Mr. Masahiro Watanabe is scheduled to retire as President and Representative Director of Nisshoku Butsuryu Co., Ltd. on May 29, 2023.

**Agenda Item No. 3: Election of Two (2) Statutory Corporate Auditors**

As the terms of office of Statutory Corporate Auditors Mr. Teruhisa Wada and Mr. Yoritomo Wada will expire at the conclusion of this Ordinary General Meeting of Shareholders, and the Company proposes the election of two (2) Statutory Corporate Auditors.

The Auditors meeting has given its prior consent to the submission of this proposal.

The candidates for Statutory Corporate Auditor are as follows.

	Name (Date of birth)	Profile (Positions in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
1	Teruhisa Wada (Jan. 7, 1963)  Reelection  Attendance at the Board meetings during the current fiscal year: 15/15 meetings  Attendance at the Auditors meetings during the current fiscal year: 15/15 meetings	Apr. 1985      Joined the Company Mar. 2006      General Manager of Personnel Department Apr. 2010      General Manager of General Affairs Department Oct. 2018      Senior Principal Staff attached to Statutory Corporate Auditors June 2019      Full-time Statutory Corporate Auditor (current)	2,167 shares
	<p>&lt;Reasons for nominating as a candidate for Statutory Corporate Auditor&gt; Based on his past achievements as a Statutory Corporate Auditor of the Company and his extensive experience in the general administration &amp; personnel division, we believe that Mr. Teruhisa Wada can continue to provide useful opinions to the Board meeting of the Company and properly audit the legality of management execution, etc. Thus, Company proposes him to continue as Statutory Corporate Auditor.</p>		

	Name (Date of birth)	Profile (Positions in the Company and/or important positions concurrently held at other companies)		Number of Shares of the Company Owned
2	Yoritomo Wada (Oct. 23, 1955)  External Statutory Corporate Auditor  Independent Officer  Reelection  Attendance at the Board meetings during the current fiscal year: 15/15 meetings  Attendance at the Auditors meetings during the current fiscal year: 15/15 meetings	Apr. 1978  June 1996  June 2019  Oct. 2019  Apr. 2020  Mar. 2023	Joined Tohmatsu Aoki & Co. (at present, Deloitte Touche Tohmatsu LLC)  Partner, Tohmatsu Audit Firm (at present, Deloitte Touche Tohmatsu LLC)  External Statutory Corporate Auditor of the Company (current)  Representative of Wada CPA Accounting Firm (current)  Outside Audit & Supervisory Board Member of Sekisui House, Ltd. (current)  Outside corporate auditor of TRUSCO NAKAYAMA Corporation (current)	-
	<p>&lt;Reasons for nominating as a candidate for External Statutory Corporate Auditor&gt; Based on his past achievements as an External Statutory Corporate Auditor of the Company, his highly professional expertise and wealth of experience as a certified public accountant, and achievements as an outside auditor at other companies, we believe that Mr. Yoritomo Wada can continue to provide useful opinions to the Board meeting of the Company and audit the legality of management execution, etc. from an objective standpoint. Thus, Company proposes him to continue as External Statutory Corporate Auditor. Although he has never been involved in corporate management in any way other than as an outside officer, but for the reasons stated above, we believe that he will be able to appropriately perform his duties as an External Statutory Corporate Auditor of the Company. At the close of this Ordinary General Meeting of Shareholders, Mr. Wada will have been an External Statutory Corporate Auditor for four years.</p>			

(Note 1) There are no special interests between each candidate and the Company.

(Note 2) Mr. Yoritomo Wada is a candidate for External Statutory Corporate Auditor.

(Note 3) The Company has concluded a liability limitation contract with Mr. Yoritomo Wada with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act. In the event Mr. Wada is reelected as External Statutory Corporate Auditor, the Company plans to extend the contract with him.

(Note 4) The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company. In the event of a claim for damages submitted by a shareholder or a third party, the said insurance shall compensate for damages to be borne by the insureds. If the candidates are elected as Statutory Corporate Auditor, he will be included as the insureds under the contract. The Company plans to renew the insurance policy with the same details during his term of office.

(Note 5) Mr. Yoritomo Wada meets the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated on page 16). The Company has reported to the Tokyo Stock Exchange that Mr. Wada has been appointed as an independent officer, and in the event Mr. Wada is reelected, the Company plans to report to the Exchange that he will continue to be an independent officer.

(Note 6) The Company has paid consideration in exchange for the provision of service by Deloitte Touche Tohmatsu LLC, at which Mr. Yoritomo Wada served as Partner until June 2019. Compared to the firm's business income, however, the average payment amount in the recent three fiscal years is nominal (less than 0.1%), and the Company determined that it will have no impact on the independence of Mr. Wada.

(Reference)

Specialty and Experience of Members of the Board and Statutory Corporate Auditors (expected after the conclusion of the 111th Ordinary General Meeting of Shareholders)

	Name	Corporate management	Inter-nationality	Sustainability	Compliance/ Governance	Finance/ Accounting	Production technology /R&D	Sales and Marketing	Other
Members of the Board	Kazuhiro Noda	●	●			●			
	Kuniaki Takagi		●		●	●			
	Masahiro Watanabe	●						●	● SCM
	Yasutaka Sumida			●			●		● Intellectual property
	Yukihiro Matsumoto	●					●		● DX
	(Outside) Shinji Hasebe			●			●		● Academic experience
	(Outside) Tetsuo Setoguchi	●	●					●	
	(Outside) Miyuki Sakurai				●				● Internal control, Audit
Statutory Corporate Auditors	Takashi Kobayashi	●	●			●			
	Teruhisa Wada				●				● HR, Labor relations
	(External) Yoritomo Wada	●	●			●			
	(External) Tsukasa Takahashi				●				

(Note 1) In the table above, up to three main areas of specialty and experience are marked for each person.

(Note 2) Sustainability referred to in the above list represents mainly expertise and experience in the environmental aspect.

(Note 3) SCM is an acronym for Supply Chain Management and DX is an acronym for Digital Transformation.

(Reference)  
Criteria of Independence

The Company has established criteria of independence for Outside Members of the Board and External Statutory Corporate Auditors (hereinafter referred to as “Outside Officers” along with candidates for these positions), and Outside Officers are judged to be sufficiently independent so long as they do not fall under any of the following categories.

1. An individual from the Company or a consolidated subsidiary (hereinafter “the Group”) (Note 1)
2. A major shareholder of the Company (Note 2) or a business executive thereof
3. A business executive of any of the following corporations or other entities
  - (1) A major business partner of the Group (Note 3)
  - (2) A major lender of the Group (Note 4)
  - (3) A corporation or other entity whose stock the Group possesses 10% or more of based on voting rights
4. A certified public accountant belonging to the Auditing Firm that is the Group’s Accounting Auditor
5. A consultant, accountant, tax counselor, attorney, judicial scrivener, patent attorney, or other professional who has received a large amount (Note 5) of monetary or other assets from the Group
6. An individual who has received a large amount of donations or grants from the Group (Note 6)
7. A business executive of another company whose position would constitute them as having an interlocking relationship (Note 7)
8. An individual whose spouse or relative within two degrees of kinship is an individual who falls under any of criteria 1 through 7 (however, this is limited to significant persons (Note 8))
9. An individual who has fallen under any of criteria 2 through 8 in the past five years
10. Any other individual who can be reasonably judged to have concerns of constant and substantial conflict of interest with the Company

(Note 1) Defined as a current executive Member of the Board, executive, executive officer, or other corresponding individual or employee (hereinafter “business executives” in these criteria) or a business executive who has belonged to the Group at least once in the past.

(Note 2) “Major shareholder” is defined as a shareholder with 10% or more of voting shares in their own name or a third party’s name in average of the three most recent fiscal years.

(Note 3) “Major business partner” is defined as an entity which purchases the Group’s products and which transactions with the Group exceeds 2% of the Group’s consolidated net sales in average of the three most recent fiscal years, or a supplier of products to the Group whose transactions with the Group exceeds 2% of their consolidated net sales in average of the three most recent fiscal years.

(Note 4) “Major lender” is defined as a financial or other institution that the Group receives loans from and whose average loan balance over the three most recent fiscal years exceeds 2% of the Company’s consolidated total assets or 2% of that financial or other institution’s consolidated total assets.

(Note 5) (i) In the event that the professional is providing services to the Group as an individual, an individual whose compensation received from the Group (excluding executive compensation) exceeds 10 million yen a year in average of the three most recent fiscal years.

(ii) In the event that the professional is providing services to the Group as a member of a legal entity, association, or other organization, an organization whose average compensation received from the Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 6) Defined as an entity who has received more than 10 million yen in yearly donations or grants from the Group in average of the three most recent fiscal years. In the case that the recipient of these donations or grants is a legal entity, association, or other organization, an organization whose average amount received from the Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 7) Defined as a relationship where a business executive of the Group is an Outside Officer of another company and where a business executive of said other company is an Outside Officer of the Company.

(Note 8) “Significant persons” is defined as a Member of the Board, executive, executive officer, and business executive of the rank of General Manager or above.



## Business Report

(April 1, 2022 through March 31, 2023)

### **I. Current Status of the Group**

#### **1. Progress and Results of Operations**

##### **(1) Outline of Business**

In the current fiscal year, the global economy continued to recover from the impact of the novel coronavirus infection (COVID-19). Meanwhile, uncertainty about the future caused by increasing geopolitical risks and other factors, and there were concerns about economic downside due to rising prices and the accompanying tightening of monetary policy.

In the United States, personal consumption recovered, while rapid rises in interest rates reduced housing investment. In Europe, personal consumption was sluggish due to continued high inflation amid the escalating situation in Ukraine. In China, export growth declined due to the slowdown of the United States and European economies. In emerging Asian countries, the economy continued to recover due to the normalization of economic activities.

In Japan, although personal consumption and capital investment continued to grow, the improvement trend in corporate earnings stalled due to soaring prices and the downturn in the global economy.

In the chemical industry, the expansion of production activities stalled due to the impact of the downturn in overseas economies and other factors.

Under these conditions, the Group's revenue in the current fiscal year increased 13.6% year-on-year to 419,568 million yen, up 50,275 million yen, due to higher selling prices in line with higher raw material prices and a weaker yen, despite a decrease in sales volume.

With regard to profits, operating profit decreased by 5,533 million yen (-19.0%) year-on-year to 23,528 million yen due to factors such as a decrease in sales volume and an increase in selling, general and administrative expenses due to soaring marine transportation costs, etc., despite a widening of the spread due to higher overseas market prices for some products, mainly in the Materials business, and improved terms of trade resulting from the weaker yen and other factors through the third quarter of the current fiscal year.

Profit before tax was 26,175 million yen, a year-on-year decrease of 7,499 million yen (-22.3%), due to decreases in operating profit and share of profit of investments accounted for using equity method.

As a result, profit attributable to owners of parent of 19,392 million yen was posted, down 4,328 million yen (-18.2%) year-on-year.

Consolidated revenue	419.6 billion yen (up 13.6% year-on-year)
Consolidated operating profit	23.5 billion yen (down 19.0% year-on-year)
Consolidated profit before tax	26.2 billion yen (down 22.3% year-on-year)
Profit attributable to owners of parent	19.4 billion yen (down 18.2% year-on-year)

## Sales by Business Segment

Effective from the current fiscal year, the Group has changed its three business segments of “Basic chemicals,” “Functional chemicals,” and “Environment & catalysts” to the two segments of “Materials business” and “Solutions business.” Sales by business segment are as follows.

### [Materials business]

Sales of acrylic acids and acrylates increased due to higher selling prices resulting from higher raw material prices, despite a decline in sales volume.

Sales of superabsorbent polymers increased due to higher selling prices in line with higher raw material prices and rising product overseas market conditions, despite a decline in sales volume.

Sales of ethylene oxide increased due to higher selling prices resulting from higher raw material prices and an increase in sales volume.

Sales of ethylene glycol decreased due mainly to a decline in sales volume, despite higher selling prices in line with higher raw material prices.

Sales of special acrylates decreased due to a decline in sales volume, despite higher selling prices in line with higher raw material prices and weakening of the yen.

Sales of maleic anhydride increased due to higher selling prices, mainly reflecting higher raw material prices.

Sales of process catalysts increased due to higher sales volume.

As a result, revenue in the materials business increased 16.3% year-on-year to 305,689 million yen.

Operating profit was 20,949 million yen, the same level as the previous year, due to widening of spreads until the third quarter of the current fiscal year, reflecting higher overseas market prices for some products and improved terms of trade due to weakening of the yen and other factors, despite factors to reduce profits, including a decrease in sales volume and higher selling, general and administrative expenses due to higher marine transportation costs and other factors.

### [Solutions business]

Sales of polymers for concrete admixtures and resins for paints increased due to higher selling prices and higher sales volume.

Sales of secondary alcohol ethoxylates, water-soluble polymers such as raw materials for detergents, and ethyleneimine derivatives increased due to higher selling prices despite a decline in sales volume.

Sales of iodine compounds increased due to higher selling prices.

Sales of De-NOx catalysts increased due to higher sales volumes.

Sales of electronic and information materials decreased due to lower sales volumes.

Sales of materials for batteries decreased due to lower sales volumes.

As a result, revenue in the solutions business increased 7.0% year on year to 113,879 million yen.

Operating profit decreased 80.8% year-on-year to 1,503 million yen due to factors such as lower production and sales volumes, and higher selling, general and administrative expenses, despite the impact of inventory valuation differences resulting from higher raw material prices, etc.

**(Revenue by Business Segment)**

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	Fiscal Year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)	Change
Materials business	262,904	305,689	42,785
Solutions business	106,389	113,879	7,491

**(Operating Profit by Business Segment)**

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	Fiscal Year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)	Change
Materials business	20,947	20,949	2
Solutions business	7,841	1,503	-6,338

**(2) Capital Expenditures**

The total amount of the Company's capital expenditures for FY2022 was 17,720 million yen (on a construction basis), which was mainly the construction of production plant (PT. NIPPON SHOKUBAI INDONESIA) of acrylic acids.

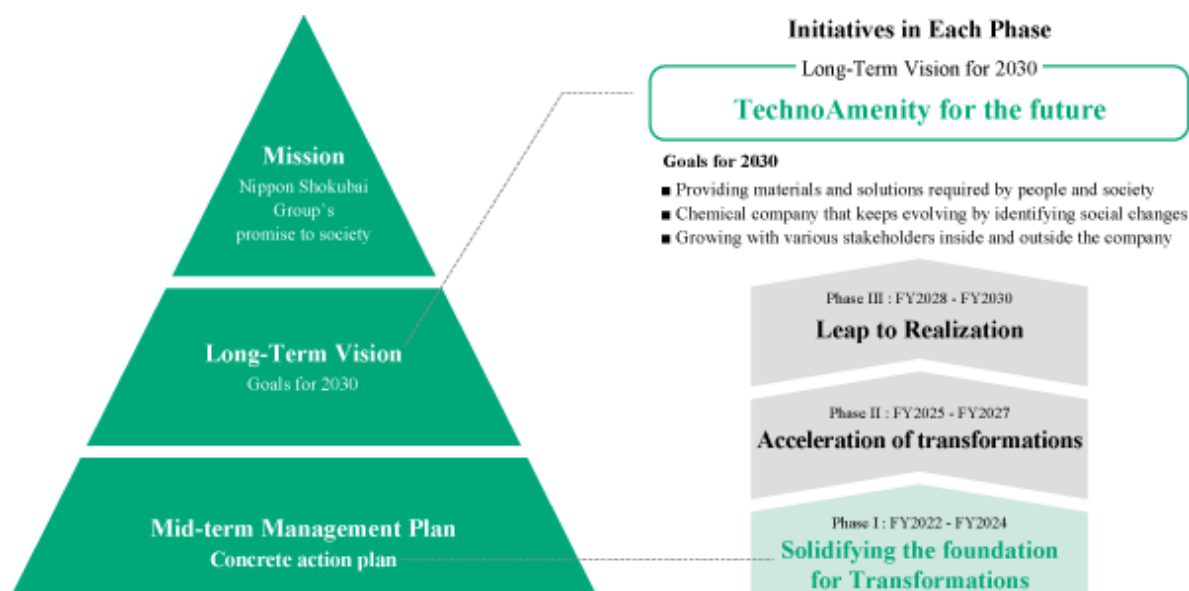
**(3) Fund Procurement**

During FY2022, the Company's requirements for funds included capital investment, working capital and repayment of borrowings, which were met by using internal resources and taking out loans from financial institutions.

Interest-bearing debt as of March 31, 2023 was 57,612 million yen, 2,065 million yen lower compared to the end of the previous fiscal year primarily due to the progress in repayment of borrowings from financial institutions at overseas subsidiaries in particular.

#### (4) Issues to Be Addressed

The business environment surrounding the Group has changed significantly, and while chemical products are becoming more global and commoditized, the functions required for them are also diversifying. In order to respond flexibly to such drastic changes and achieve further growth, in addition to the establishment of the Long-Term Vision “TechnoAmenity for the future” in April 2021, the new mid-term management plan “TechnoAmenity for the future-I” was formulated in March 2022 as its first three-year plan (FY2022-FY2024).



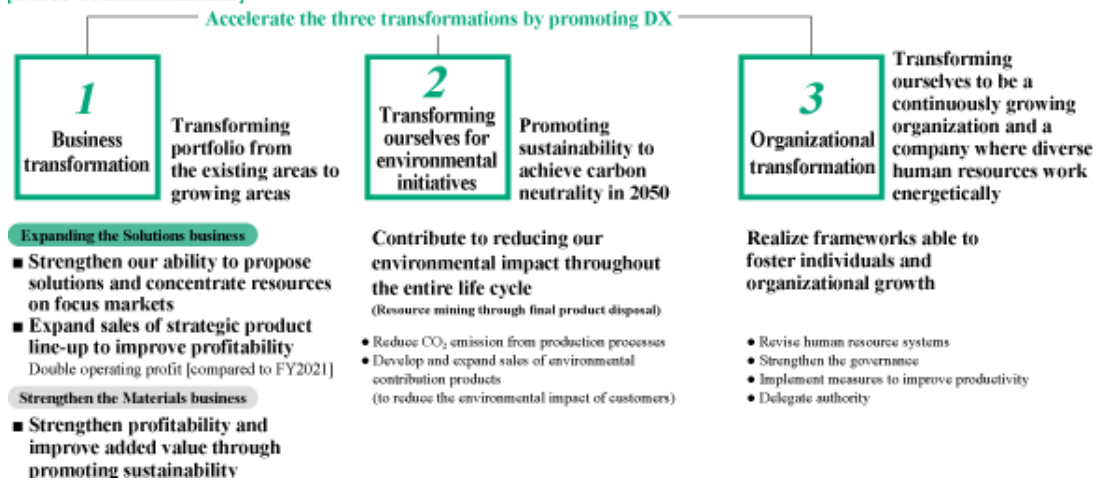
Under the Long-Term Vision “TechnoAmenity for the future,” “The Goals in 2030” are defined as “Providing materials and solutions required by people and society,” “Chemical company that keeps evolving by identifying social trends,” and “Growing with various stakeholders inside and outside the company.”

[Mid-term Management Plan “TechnoAmenity for the future-I”]

Under the Mid-term Management Plan, three transformations, “Business transformation,” “Transforming ourselves for environmental initiatives” and “Organizational transformation” will be steadily implemented toward the realization of the “The Goals in 2030” as defined in the long-term vision, and DX (digital transformation) will be promoted to further accelerate them, with the aim of achieving the management targets.

[Three Transformations]

[Three Transformations]



[Management Targets]

Targets for the three transformations and the capital policy are as follows.

		FY2022 Actual results	FY2024 Targets	Goals in FY2030
Financial targets	Operating profit	23.5 billion yen	33.0 billion yen	Approx. of 60.0 billion yen
	Solutions Business operating profit	15.0 billion yen	17.0 billion yen	Approx. of 40.0 billion yen
	ROE	5.5%	7.5%	9% or higher
	ROA	5.0%	6.9%	9% or higher
	Total shareholder return ratio	52.2%	50%	-
	Revenue from new products (Non-consolidated, excluding SAP products, and launched within five years)	17.1 billion yen	28.0 billion yen	-
Investments	Growth investments and investments to remain competitive	23.2 billion yen	120.0 billion yen (Cumulative total from FY2022 to FY2024)	400.0 billion yen (Cumulative total from FY2022 to FY2030)
Carbon neutrality target	CO <sub>2</sub> emission reductions (Scope 1 and Scope 2 emissions in Japan relative to FY 2014)	12% reduction*1	-	30% reduction
	Revenue from environmental contributing products	44.0 billion yen	55.0 billion yen	135.0 billion yen
Diversity and inclusion target (Non-consolidated)	Ratio of female recruitment in clerical and chemical position	24.1%	30%	-
	Ratio of female managers	4.4%	6%	-
	Ratio of male employees taking childcare leave*2	36.4%	100%	-

<Prerequisites> FY2024: Naphtha price = 50,000 yen/kL; 1 USD = 110 yen; 1 Euro = 130 yen

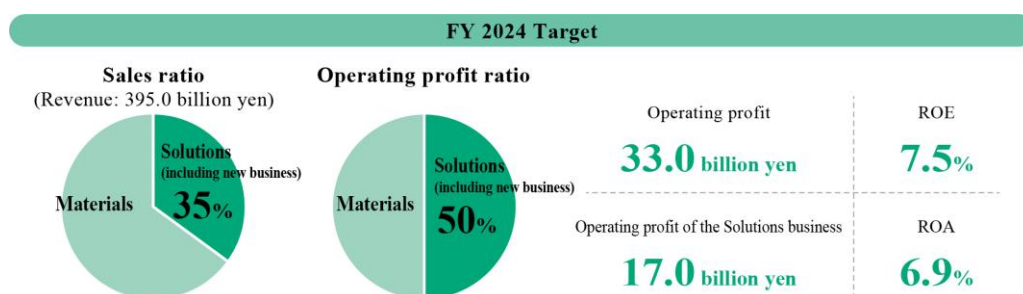
\*1: Preliminary figures (including 7.5% carbon credits). Finalized emissions figures will be disclosed on the Company website in July 2023.

\*2: The criteria for the number of days of leave taken for the calculation of the ratio of childcare leave have been revised from at least 1 day to at least 15 days, and FY2024 target from 30% to 100%, respectively.

[Specific initiatives in the three transformations]

i) Business transformation

As part of the portfolio transformation, we aim to increase the ratio of operating profit of the Solutions business to 50%.



a. Initiatives to expand the Solutions Business

We have worked on development of a platform related to planning, development, and marketing to strengthen our ability to propose solutions. Specifically, we will strengthen our ability to identify issues from the customer’s perspective by 1) allocating resources flexibly and actively, 2) setting focus markets where we can leverage our strengths, and 3) visualizing and sharing customer information. Furthermore, in order to establish a timely production system, we have built a system that allows the Production & Technology to be involved in R&D themes as early as possible and promote rapid commercialization of products with reduced initial investment by utilizing the Group’s internal facilities.

b. Initiatives to strengthen the Materials Business

In the acrylic business, to strengthen profitability, we continue the “SAP (superabsorbent polymer) Survival Project” that has been undertaken, as well as reduce manufacturing costs by introducing highly efficient production technology. Sustainability efforts include initiatives to use biomass raw materials in acrylic acids and SAP, the promotion of SAP recycling, and initiatives through the supply chain.

We have started commercial operation of an acrylic acid (AA) facility (100,000 tons/year) in Indonesia in April 2023.

In the ethylene oxide (EO) business, we apply the knowledge from the “SAP Survival Project” to EO and its derivatives to improve profitability at the manufacturing facility and group companies as a whole (the EO Resilience project). In addition, as part of our sustainability efforts, we have moved forward with efforts to produce and sell ethylene derivatives using biomass raw materials.

ii) Strategic transformation for environmental initiatives

Toward carbon neutrality in 2050, we have set our own CO<sub>2</sub> emissions reduction (Scopes 1 & 2) target of 30% in 2030 (vs. 2014). In addition to conventional energy-saving activities, we aim to achieve this target through a complex of activities, including innovation in manufacturing processes and technologies, and conversion of raw materials and energy.

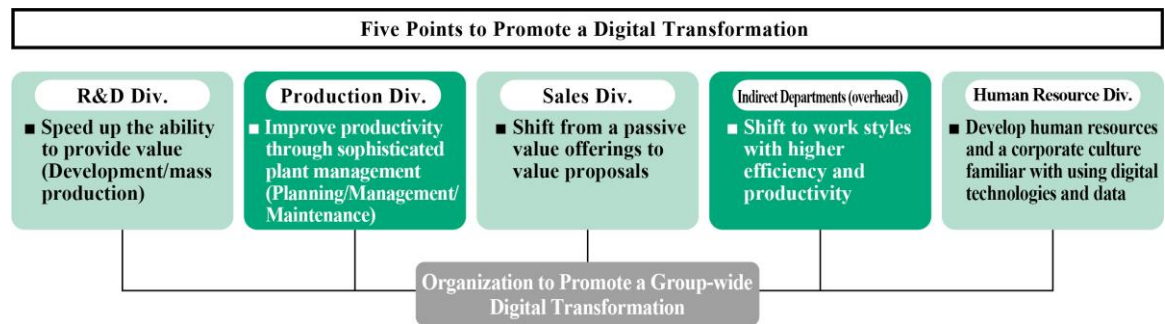
Furthermore, as a contribution to the reduction of emissions in society as a whole, we have strived to reduce CO<sub>2</sub> emissions through our business activities by setting revenue targets for environmental contribution products and expanding sales of these products. (Scope 3)

### iii) Organizational transformation

Aiming to realize frameworks able to foster individuals and organizational growth, we have set three tasks and implemented multiple measures. Specifically, we are engaged in 1) Developing and empowering human resource (introduction of a new human resource system, promotion of diverse human resources, development of systems and infrastructure to support diverse work styles, etc.), 2) Organizational growth (improvement of productivity in indirect departments, delegation of authority to expedite organizational decision making, strengthening dialogue between management and employees, etc.), and 3) Strengthening corporate governance (enhance the effectiveness of the Board meeting, strengthening mid- to long-term incentives for Members of the Board, etc.).

[Promotion of DX]

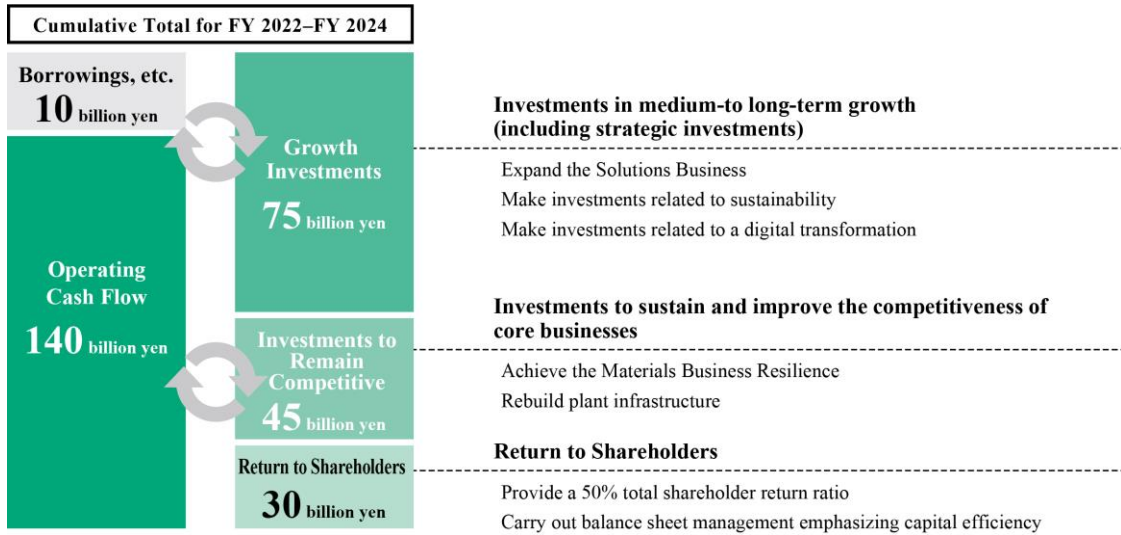
A DX promotion organization has been established to lead and support activities across the Group and accelerate DX promotion.





[Capital policy]

By striking an ideal balance between investment for growth, investment to maintain competitiveness, and shareholder returns, we aim to achieve ROE of 7.5% and ROA of 6.9% by the end of the mid-term management plan period (FY2024).



**[Progress of the Mid-term Management Plan “TechnoAmenity for the future-I” and future initiatives]**

[Progress in FY2022]

In “Business transformation,” we have introduced a sales support system in the Solutions divisions in March 2023 to start visualization and sharing of customer information to expand the Solutions business. In addition, for the purpose of establishing a timely production system, we have started operation of a system to share the progress of R&D and commercialization with related divisions as needed in December 2022, and set three development themes as cross-company projects to promote development. In the initiative to strengthen the Materials business, we have established the DX Promotion Department at Himeji Plant and started to promote related cost reduction projects utilizing various DX methods, including the development and operation of a production planning optimization solution for SAP using AI (algorithm). In the development of acrylic acid and SAP using biomass raw materials, we have succeeded in obtaining small-scale samples of 100% biomass-based acrylic acid and the derived SAP.

In the “Strategic transformation for environmental initiatives” area, we have adopted internal carbon pricing (ICP) to promote low carbonization and decarbonization in the Nippon Shokubai Group. In addition, we obtained an ISCC PLUS certification to allocate biomass raw materials using the mass balance method for 19 items, including acrylic acid, SAP, and EO.

In the area of “Organizational transformation,” we have started operating a new human resources system in April 2022, as well as conducting an engagement survey aimed at increasing employee engagement. In addition, we have introduced a Performance-linked Stock Compensation Plan for the Company’s Members of the Board, etc., to strengthen mid- to long-term incentives for officers.

As for DX promotion, we have created a DX Human Resource Definition Document and initiated a training program for all employees to develop human resources who are proficient in the use of digital technology. In addition, in May 2022, the Ministry of Economy, Trade and Industry certified the Company as a “DX-certified operator.”

[Initiatives in FY2023 and beyond]

In “Business transformation,” we will build a system that can respond to small-volume production in a timely manner in order to expand the Solutions business. In the initiative to strengthen the Materials business, following Himeji Plant, which is already working on initiatives, a DX Promotion Department will be established also in Kawasaki Plant to promote cost reduction projects that utilize DX methods. Furthermore, in the development of acrylic acid and SAP using biomass raw materials, we aim to establish technology to scale up 100% biomass acrylic acid and the derived SAP step by step.

In the “Strategic transformation for environmental initiatives” area, we will establish a system to manufacture and sell ISCC PLUS-certified products, and promote the proposals of a wider range of low environmental impact products.

In the area of “Organizational transformation,” we will promote the implementation of various measures to promote diversity and inclusion, utilize senior human resources, and strengthen corporate governance.

As for DX promotion, we will continue to implement programs to develop DX human resources to raise the level of DX knowledge of all employees and develop specialized human resources.

We would like to ask all our shareholders for your continued support for the future.

## 2. Financial Condition, Profit and Loss

### Financial Condition, Profit and Loss of the Group

	108th Term (April 2019 - March 2020)	109th Term (April 2020 - March 2021)	110th Term (April 2021 - March 2022)	111th Term (April 2022 - March 2023)
Revenue (¥ millions)	302,150	273,163	369,293	419,568
Operating profit (loss) (¥ millions)	13,178	-15,921	29,062	23,528
Profit (loss) before tax (¥ millions)	15,748	-12,926	33,675	26,175
Profit (loss) attributable to owners of parent (¥ millions)	11,094	-10,899	23,720	19,392
Basic earnings (loss) per share (¥)	278.21	-273.33	594.86	488.29
Total assets (¥ millions)	475,641	471,617	518,151	523,319
Total equity (¥ millions)	326,108	323,725	351,123	369,998
Equity attributable to owners of parent per share (¥)	8,017.17	7,959.07	8,624.02	9,213.91
ROA (Ratio of profit before tax to total assets) (%)	3.3	-2.7	6.8	5.0
ROE (Ratio of profit to equity attributable to owners of parent) (%)	3.5	-3.4	7.2	5.5

Note: In the calculation of basic earnings per share, the Company's shares held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers are treated as treasury shares, and the number of such shares is deducted in the calculation of the average number of shares outstanding during the period.

- (1) For the fiscal year ended March 31, 2020 (108th Term), revenue decreased due to a decline in sales prices on account of a fall in raw material prices and weak market conditions for products outside of Japan, and a decline in sales volume. With regard to profits, narrowed spreads owing to a decline in product prices in excess of the decrease in raw materials prices, as well as lower sales volume and increased processing costs such as depreciation associated with the introduction of additional facilities led to lower operating profit. Profit before tax decreased due to decreases in operating profit and share of profit of investments accounted for using equity method. As a result, profit attributable to owners of parent declined.
- (2) For the fiscal year ended March 31, 2021 (109th Term), revenue decreased due to a decline in sales prices on account of a fall in raw material costs and weak market conditions for products outside of Japan due to COVID-19, along with slowdown in the global economy and a decline in sales volume. With regard to profits, operating loss was recorded due to lower production and sales volume, as well as narrowed spreads owing to a decline in product prices in excess of the decrease in raw materials costs, impairment losses of non-current assets recorded by the Company's consolidated subsidiary NIPPON SHOKUBAI EUROPE N.V., impairment losses of goodwill and technology-related assets, etc., associated with SIRRUS Inc., and business integration expenses associated with the cancellation of the business integration between the Company and Sanyo Chemical Industries, Ltd. Profit before tax decreased due to decreases in operating profit and share of profit of investments accounted for using equity method, despite decreased foreign exchange loss. As a result, profit attributable to owners of parent declined.

- (3) For the fiscal year ended March 31, 2022 (110th Term), revenue increased due to higher selling prices on account of higher raw material prices and weak market conditions for products outside of Japan, as well as an increase in sales volume. With regard to profits, operating profit increased, due to an increase in profit resulting from factors such as a widening of the spread due to higher overseas market prices for some products, increases in production and sales volumes, and the impact of inventory valuation differences due to higher raw material prices, despite an increase in selling, general and administrative expenses due to soaring marine transportation costs and other factors. In addition, there were no more impairment losses on fixed assets of NIPPON SHOKUBAI EUROPE N.V. and on goodwill and technology-related assets related to SIRRUS Inc., and costs related to the cancellation of the business integration between the Company and Sanyo Chemical Industries, Ltd., which were recorded in the 109th Term. Profit before tax increased due to increases in operating profit and share of profit of investments accounted for using the equity method. As a result, profit attributable to owners of parent increased.
- (4) For information concerning the fiscal year ended March 31, 2023 (111th Term), please refer to “1. Progress and Results of Operation” above.

(Reference) Financial Condition, Profit and Loss of the Company

	108th Term (April 2019 - March 2020)	109th Term (April 2020 - March 2021)	110th Term (April 2021 - March 2022)	111th Term (April 2022 - March 2023)
Net sales (¥ millions)	204,690	181,073	224,366	257,041
Operating profit (¥ millions)	10,178	4,884	18,148	14,860
Ordinary profit (¥ millions)	18,677	11,280	24,444	23,075
Profit (loss) (¥ millions)	14,776	-19,650	17,609	17,183
Basic earnings (loss) per share (¥)	370.54	-492.78	441.60	432.67
Total assets (¥ millions)	355,380	332,494	356,044	361,632
Net assets (¥ millions)	268,014	250,569	260,212	266,555
Net assets per share (¥)	6,721.06	6,283.76	6,525.71	6,780.24
ROA (Return on Assets) (%)	5.3	3.3	7.1	6.4
ROE (Return on Equity) (%)	5.6	-7.6	6.9	6.5

### 3. Significant Subsidiaries

Name	Capital (¥ millions, unless otherwise quoted)	Nippon Shokubai's Shareholding Percentage (%)	Major Businesses
Nippon Chemicals Co., Ltd.,	517	84.70	Manufacture and sale of iodine, iodine compounds, raw materials for pharmaceuticals and agricultural chemicals, and natural gas
NIPPON NYUKAZAI CO., LTD.	1,000	100.00	Manufacture and sale of surfactants and chemical products
Nisshoku Butsuryu Co., Ltd.	100	100.00	General distribution of chemicals
Nippon Shokubai America Industries, Inc.	* (US\$ thousands) 100,000	100.00	Manufacture and sale of superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders
PT. NIPPON SHOKUBAI INDONESIA	(US\$ thousands) 120,000	99.99	Manufacture and sale of acrylic acids, acrylates, and superabsorbent polymers
NIPPON SHOKUBAI EUROPE N.V.	(€ thousands) 243,000	100.00	Manufacture of acrylic acids and manufacture and sale of superabsorbent polymers
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	(US\$ thousands) 52,820	100.00	Manufacture and sale of superabsorbent polymers
NIPPON SHOKUBAI (ASIA) PTE. LTD.	* (US\$ thousands) 4,175	100.00	Manufacture and sale of glacial acrylic acids and sale of other chemicals
Singapore Acrylic PTE LTD	(US\$ thousands) 27,007	79.42	Manufacture and sale of crude acrylic acids

(Note 1) Asterisk mark (\*) in the above list means "paid-in capital".

(Note 2) Figures listed with respect to the Company's shareholding percentage in the above list are truncated.

#### 4. Description of Principal Businesses

The Group mainly manufactures and sells the following products:

Business	Principal Products
Materials	Acrylic acid, acrylates, ethylene oxide, ethylene glycol, ethanolamine, special acrylates, superabsorbent polymers, maleic anhydride, process catalysts
Solutions	Polymers for concrete admixtures, glycol ether, secondary alcohol ethoxylates, water-soluble polymers such as raw materials for detergents, intermediates for pharmaceuticals, electronic and information materials, iodine compounds, resins for adhesives/paints, ethyleneimine derivatives, processed adhesive products, automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, equipment for waste gas treatment, wet air oxidation catalysts, materials for batteries

#### 5. Principal Offices and Plants

##### (1) The Company

Office		Location
Head Offices	Osaka Office	Osaka, Osaka Prefecture
	Tokyo Office	Chiyoda-ku, Tokyo
Plants	Kawasaki Plant	Kawasaki, Kanagawa Prefecture
	Himeji Plant	Himeji, Hyogo Prefecture
Laboratories	Suita Research Center	Suita, Osaka Prefecture
	Himeji Research Center	Himeji, Hyogo Prefecture

##### (2) Subsidiaries

Company name	Location
Nippoh Chemicals Co., Ltd.	Head Office: Chuo-ku, Tokyo Plant: Isumi, Chiba Prefecture
NIPPON NYUKAZAI CO., LTD.	Head Office: Chuo-ku, Tokyo Plant: Kawasaki, Kanagawa Prefecture and Kamisu, Ibaraki Prefecture
Nisshoku Butsuryu Co., Ltd.	Head Office: Osaka, Osaka Prefecture
Nippon Shokubai America Industries, Inc.	Head Office & Plant: U.S.A.
PT. NIPPON SHOKUBAI INDONESIA	Head Office & Plant: Indonesia
NIPPON SHOKUBAI EUROPE N.V.	Head Office & Plant: Belgium
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	Head Office & Plant: China
NIPPON SHOKUBAI (ASIA) PTE. LTD.	Head Office & Plant: Singapore
Singapore Acrylic PTE LTD	Head Office & Plant: Singapore

## 6. Employees of the Company and Group Companies

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year
4,574	Increase of 48 persons

(Note) “Number of Employees” includes those who were reemployed.

(Reference) Employees of the Company

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year	Average Age	Average Length of Service
2,443	Increase of 31 persons	38.8 years old	16.0 years

(Note 1) “Number of Employees” includes employees seconded from affiliates of the Company, but excludes employees seconded to affiliates of the Company and temporary employees.

(Note 2) “Number of Employees” includes those who were reemployed.

(Note 3) Average age and average length of service do not include reemployed employees.

## 7. Principal Lenders

(Millions of yen)

Name of Lender	Amount Outstanding
Resona Bank, Limited	11,256
Japan Bank for International Cooperation	10,255
MUFG Bank, Ltd.	8,574
Mizuho Bank, Ltd.	6,860
Development Bank of Japan Inc.	4,025

(Note) Figures in “Amount Outstanding” above include figures from overseas local subsidiaries of each lender.

## II. Matters Concerning the Company

### 1. Matters Concerning the Company's Shares as of March 31, 2023

- (1) Total Number of Authorized Shares: 127,200,000 (common stock)  
(2) Total Number of Issued and Outstanding Shares: 40,800,000 (common stock)  
(3) Number of Shareholders: 11,476  
(4) Major Shareholders (Top 10 shareholders)

Name	Number of Shares Owned (thousand shares)	Ratio of Capital Contribution (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,060	10.31
Sumitomo Chemical Company, Limited	2,727	6.93
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,391	6.07
ENEOS Holdings, Inc.	2,129	5.40
Custody Bank of Japan, Ltd. (Trust Account)	1,756	4.46
Resona Bank, Limited.	1,373	3.48
Sanyo Chemical Industries, Ltd.	1,267	3.22
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,015	2.58
Mizuho Bank, Ltd.	948	2.41
Toyo Ink SC Holdings Co., Ltd.	904	2.29

(Note 1) There are treasury shares of 1,437 thousand shares held by the Company, which are not included in the above table. Treasury shares do not include 48,600 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) in connection with the performance-linked stock compensation plan.

(Note 2) Treasury share is excluded from the calculation for "Shareholding Ratio of the Total Shares Outstanding" above.

(Note 3) Figures in "Number of Shares Owned" and "Shareholding Ratio of the Total Shares Outstanding" are truncated.

- (5) Shares Delivered to the Company Officers as Compensation for the Execution of Their Duties During the Current Fiscal Year:

Not applicable.



## 2. Executives of the Company

### (1) Members of the Board and Statutory Corporate Auditors of the Company

Position	Name	Responsibility in the Company and/or Important Positions Concurrently held at Other Companies
Member of the Board, Chairman	Yujiro Goto	
Member of the Board, President & CEO	Kazuhiro Noda	
Member of the Board, Senior Managing Executive Officer	Jiro Iriguchi	Production & Technology, DX Promotion Division, Engineering Division, Indonesia Project and IONEL Construction Team
Member of the Board, Managing Executive Officer	Kuniaki Takagi	Administration, HR, Finance, Accounting, Director of General Affairs & HR Division
Member of the Board, Managing Executive Officer	Masahiro Watanabe	Sales, Marketing, Purchasing, Logistics, Energy & Electronics Solutions Division, President and Representative Director of Nisshoku Butsuryu Co., Ltd.
Member of the Board, Managing Executive Officer	Yasutaka Sumida	Innovation & Business Development, Corporate Research Division, Health & Medical Business Development Office, Cosmetics Business Office, Director of Innovation & Business Development Division, R&D Management Department
Member of the Board	Shinji Hasebe	Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University
Member of the Board	Tetsuo Setoguchi	Advisor to Osaka Gas Co., Ltd., Chairman and Director of OGIS-RI Co., Ltd. and Outside Auditor of YOMIURI TELECASTING CORPORATION
Member of the Board	Miyuki Sakurai	Attorney-at-law, External Director of Nippon Shinyaku Co., Ltd., Outside Auditor of MBS MEDIA HOLDINGS, INC., Auditor of Osaka University and Auditor of Nissay Life Foundation
Statutory Corporate Auditor	Takashi Kobayashi	(Full-time)
Statutory Corporate Auditor	Teruhisa Wada	(Full-time)
Statutory Corporate Auditor	Yoritomo Wada	Certified public accountant, Outside Audit & Supervisory Board Member of Sekisui House, Ltd. and Outside corporate auditor of TRUSCO NAKAYAMA Corporation
Statutory Corporate Auditor	Tsukasa Takahashi	Attorney-at-law, Non-Executive Auditor of AEON DELIGHT CO., LTD. and Part-time Lecturer of Kyoto University Law School

(Note 1) Mr. Yoshihiro Arita retired from Statutory Corporate Auditor at the conclusion of the 110th Ordinary General Meeting of Shareholders held on June 21, 2022.

(Note 2) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai are Outside Members of the Board.

(Note 3) Mr. Yoritomo Wada and Mr. Tsukasa Takahashi are External Statutory Corporate Auditors.

(Note 4) Statutory Corporate Auditor Mr. Takashi Kobayashi has years of experience in the Finance & Accounting Division of the Company and Statutory Corporate Auditor Mr.

Yoritomo Wada has years of experience as a certified public accountant. Both of them possess considerable knowledge in finance and accounting.

(Note 5) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai, Outside Members of the Board, and Mr. Yoritomo Wada and Mr. Tsukasa Takahashi, External Statutory Corporate Auditors, are registered at Tokyo Stock Exchange Markets as independent officers.

(Note 6) There was a change in positions, responsibilities in the Company and/or important positions concurrently held at other companies of Members of the Board of the Company as follows:

As of April 1, 2023

Position	Name	Responsibility in the Company
Member of the Board, Managing Executive Officer	Masahiro Watanabe	Sales, Marketing, Purchasing, Logistics, Battery Business Solutions Division, President and Representative Director of Nisshoku Butsuryu Co., Ltd.
Member of the Board, Managing Executive Officer	Yasutaka Sumida	Innovation & Business Development, Corporate Research Division, GX Research & Development Division, Health & Medical Business Development Office, Cosmetics Business Office, R&D Management Dept., Water & Environment Solutions Business Dept.

**(Reference)**

Executive officers, except individuals who are also Members of the Board, are as follows.

(As of April 1, 2023)

Position	Name	Responsibility in the Company
Managing Executive Officer	Yukihiro Matsumoto	Director of Production Division
Managing Executive Officer	Katsunori Kajii	Director of Acrylic Business Division
Executive Officer	Gun Saito	Director of Responsible Care Division
Executive Officer	Naoki Hijikuro	Basic Materials Business Division
Executive Officer	Yoshihisa Oka	Plant Manager of Kawasaki Plant
Executive Officer	Kenta Kanaida	President of Nippon Shokubai America Industries, Inc.
Executive Officer	Kazuhiro Sakuma	Director of Industrial & Household Solutions Division
Executive Officer	Shinya Kataoka	Director of Purchasing & Logistics Division
Executive Officer	Tokihiro Yokoi	Plant Manager of Himeji Plant
Executive Officer	Kenjiro Komoda	Director of Business Planning Division
Executive Officer	Shigeru Harada	Director of Finance & Accounting Division
Executive Officer	Tomiyuki Sawada	Director of Electronics & Environmental Solutions Division

**(2) Outline of the Contents of the Directors' and Officers' Liability Insurance Policy**

The Company has concluded a directors and officers liability insurance (D&O Insurance) contract as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, which insures the principal executive officers of Members of the Board, Statutory Corporate Auditors, and Executive Officers of the Company and its subsidiaries and sub-subsidiaries.

The insurance policy is designed to cover damages, litigation costs, and other losses incurred by the insured in the event of a claim by a shareholder or third party. However, there are certain exclusions, such as the insured's criminal acts, etc., which will not be covered.

The premiums for such insurance policies are borne entirely by the Company.

(3) Remuneration to Members of the Board and Statutory Corporate Auditors

1) Aggregate Amount of Remuneration to Members of the Board and Statutory Corporate Auditors

Category of positions	Aggregate Amount of Remuneration (¥ millions)	Aggregate Amount of Remuneration by Type (¥ millions)			Number of persons to be paid (persons)
		Fixed Remuneration	Performance-linked Remuneration		
		Basic Remuneration	Bonuses	Stock compensation	
Members of the Board (Outside Members of the Board)	429 (39)	259 (39)	131 (—)	39 (—)	9 (3)
Statutory Corporate Auditors (External Statutory Corporate Auditors)	72 (20)	72 (20)	— (—)	— (—)	5 (2)
Total (Outside Officers)	501 (59)	331 (59)	131 (—)	39 (—)	14 (5)

(Note 1) The number of persons and the amounts of remuneration above include one Statutory Corporate Auditor who retired during the fiscal year 2022.

(Note 2) The basic remuneration includes 8 million yen of basic remuneration of the performance-linked remuneration for the period from April 2022 to June 2022. The amount of such performance-linked remuneration was calculated in accordance with the determination policy for the contents of remuneration, etc. for individual Members of the Board, which was resolved at the Board meeting held on February 26, 2021.

(Note 3) The amount of bonuses represents the amount of provision for directors' bonuses for the current fiscal year.

(Note 4) The amount of stock compensation is the amount posted for the current fiscal year.

2) Matters concerning Determination Policy for the Contents of Remuneration for Individual Members of the Board

The remuneration system for Members of the Board of the Company is intended to have them put the Company's mission into practice, give them an incentive to sustainably enhance the corporate value, and have them share interests with shareholders according to the Company's business results and commensurate with their responsibilities. The remuneration is, as its basic policy, set at a reasonable level in light of the Company's business results, the level of employee salary, and that of other companies. Specific components of the remuneration are basic remuneration of the fixed remuneration, and bonuses and stock compensation, performance-linked remuneration. However, Outside Members of the Board receive only basic remuneration of the fixed remuneration because they oversee business operations from an independent standpoint.

Furthermore, the Company has established a voluntary Nomination and Remuneration Committee with a majority of Independent Outside Members of the Board, from which the Company is to obtain advice on remuneration for Members of the Board, thereby securing transparency and fairness.

The aggregate amount of basic remuneration for Members of the Board is determined by the Board meetings based on the calculation of the amount to be paid to each Member of the Board within the aggregate amount of remuneration determined in accordance with the resolution of the General Meeting of Shareholders. Basic remuneration is comprised of a basic salary and a salary for duties performed, and is calculated based on a predetermined formula according to the position and work responsibility. The amount of basic remuneration for Outside Members of the Board is determined by comprehensively considering the level of remuneration for the Company's officers and that of other companies. Basic remuneration is paid in cash monthly.

The aggregate amount of bonuses paid to Members of the Board is determined by the Board meetings based on the calculation of the amount to be paid to each Member of the Board within the aggregate amount of remuneration determined in accordance with the resolution of the General Meeting of Shareholders. The bonus amount is calculated based on a predetermined formula in accordance with the degree of achievement of KPI (key performance indicators) and the degree of achievement of targets by each individual as assessed by the target management system in order to raise awareness of the need to improve business performance for each fiscal year, in addition to the standard bonus amount for each position. The KPI used in the calculation are "profit before tax" and "ROA (ratio of profit before tax to total assets)." For "profit before tax," in addition to the achievement level of the target value, the actual level is also taken into account. The achievement ratings of these indicators range from 0 to 150% of the target or actual values. The reasons for selecting these indicators are that profit before tax is all income earned from business activities during the fiscal year and has long been used as an indicator for determining the amount of bonuses paid, and ROA is based on the fact that the Company is in the equipment industry and has long emphasized profitability and asset efficiency and worked to improve ROA. In addition, the achievement rating for target management by each individual ranges from 80 to 120%. The evaluation weights for each indicator are 20% for "profit before tax (target)," 30% for "profit before tax (actual)," 20% for "ROA," and 30% for "target management." Changes in profit before tax and ROA, including the current fiscal year, are shown in "2. Financial Condition, Profit and Loss" on page 27. Bonuses are paid in cash at a certain time after the annual general meeting of shareholders each year.

Towards the realization of the Company's mid-term management plan, the purpose of stock compensation for Members of the Board is, by clarifying the linkage between remuneration for Members of the Board and the Company's business performance and stock value, and enabling Members of the Board not only to enjoy the benefits of higher stock prices, but also to share the risk of stock price declines with shareholders, to motivate Members of the Board to contribute to the medium and long-term growth of the Company's performance and corporate value. Specifically, utilizing the share benefit trust mechanism, in accordance with the share delivery rules, Members of the Board are granted points to benefit shares (each point is converted into one share of the Company's stock) according to their position in the Company. For points granted, performance-linked points, which are linked to the achievement level of the mid-term management plan, and fixed points, which are for the purpose of holding shares to share stock value, are to be granted at a ratio of 1:1. Performance-linked points will vary depending on the degree of achievement of KPI results in the final year of the mid-term management plan against the targets of the mid-term management plan set as KPI. KPI achievement ratings range from 0 to 150%. KPI consists of "operating profit" and "ROE (ratio of profit to equity attributable to owners of parent)," with evaluation weights of 50% for "operating profit" and 50% for "ROE." The reasons for selecting these indicators are that operating profit is an indicator of a company's growth potential and its earning power in its core business, and ROE is an indicator to assess profitability and capital efficiency improvement. Changes in operating profit and ROE, including for the current fiscal year, are shown in "2. Financial Condition, Profit and Loss" on page 27. As a general rule, stock compensation is paid in the form of Company shares and money in proportion to the number of points granted to Members of the Board through the Trust upon their retirement from office, if they satisfy certain beneficiary requirements stipulated in the share delivery rules.

The ratio by type of remuneration for Members of the Board (excluding Outside Members of the Board) is determined based on the standards of other companies, etc. The ratio of basic compensation, bonuses, and stock compensation is roughly 60%, 30%, and 10%. However, the ratio is subject to

change according to the Company's business results, stock market conditions and degrees of achievement of targets by each individual as assessed by the target management system.

Determination policy for the contents of remuneration, etc. for individual Members of the Board was deliberated at the Nomination and Remuneration Committee, which received consultation from the Board meeting, and was resolved at the Board meeting held on May 12, 2022 upon receiving a report from the Nomination and Remuneration Committee. In addition, in the determination of the contents of remuneration, etc. for individual Members of the Board for the fiscal year 2022, the Nomination and Remuneration Committee discussed the contents of the remuneration, etc., including conformity of remuneration to the determination policy. The Board meeting therefore believes that the contents of the remuneration, etc., are in line with the determination policy.

### 3) Matters concerning Delegation of Determination of Contents of Remuneration, etc. for Individual Members of the Board

With regard to the amounts of remuneration for individual Members of the Board for the fiscal year 2022, for the period from April 2022 to June 2022, Yujiro Goto, then Member of the Board, President, reserves the right to determine its specific contents and, for the period from July 2022 to March 2023, Kazuhiro Noda, Member of the Board, President, reserves the right to determine its specific contents. The scope of this right is to determine the amounts of basic remuneration and bonuses for individual Members of the Board. The reason for delegating this authority to Member of the Board, President is because it was determined that Member of the Board, President would be the most appropriate to evaluate the operations and work responsibilities of each Member of the Board, while at the same time taking into account the business results of the entire Company. The amount of stock compensation for individual Members of the Board is determined in accordance with the share delivery rules established by the Board meeting. In order to ensure that the authority is executed by Member of the Board, President in an appropriate manner, policy for determination of remuneration for Members of the Board, remuneration systems and issues thereof, as well as appropriateness of the level of remuneration and the amount of remuneration for individual Members of the Board are deliberated by the Nomination and Remuneration Committee upon receiving consultation from the Board meeting, and the deliberation outcome is reported to the Board meeting before the determination is made by Member of the Board, President based on such authority.

### 4) Matters concerning Remuneration, etc. for Statutory Corporate Auditors

Statutory Corporate Auditors receive only basic remuneration of fixed remuneration because they oversee business operations from an independent standpoint.

### 5) Matters concerning Resolution of General Meeting of Shareholders on Remuneration, etc. for Members of the Board and Statutory Corporate Auditors

The aggregate amount of remuneration (basic remuneration and bonuses) for Members of the Board of the Company was resolved to be not more than 550 million yen per year (of which not more than 75 million per year for Outside Members of the Board) at the 110th Ordinary General Meeting of Shareholders held on June 21, 2022. The number of Members of the Board at the closing of the said Ordinary General Meeting of Shareholders was 9 (of which 3 Outside Members of the Board).

Separately from the above amount of remuneration for Members of the Board, the 110th Ordinary General Meeting of Shareholders held on June 21, 2022 resolved that the maximum amount of trust funds to be contributed by the Company to the Trust shall be 63 million yen per fiscal year, and the maximum number of points to be granted to Members of the Board (excluding Outside Members of the Board) shall be 9,600 points (each point is converted into one share of the Company's stock). The number of Members of the Board (excluding Outside Members of the Board) at the closing of the said Ordinary General Meeting of Shareholders was 6.

The aggregate amount of remuneration for Statutory Corporate Auditors was resolved to be not more than 100 million yen per year at the 110th Ordinary General Meeting of Shareholders held on June 21

2022. The number of Statutory Corporate Auditors at the closing of the said Ordinary General Meeting of Shareholders was 4.

(4) Matters Concerning the Company's Outside Members of the Board and Statutory Corporate Auditors

1) Important positions held concurrently such as executive Members of the Board (*gyoumu shikko torishimariyaku*) of other companies

Name	Important Positions Concurrently Held at Other Companies
Shinji Hasebe (Outside Member of the Board)	Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University
Tetsuo Setoguchi (Outside Member of the Board)	Advisor to Osaka Gas Co., Ltd., Chairman and Director of OGIS-RI Co., Ltd., and Outside Auditor of YOMIURI TELECASTING CORPORATION
Miyuki Sakurai (Outside Member of the Board)	Attorney-at-law, External Director of Nippon Shinyaku Co., Ltd., Outside Auditor of MBS MEDIA HOLDINGS, INC., Auditor of Osaka University, and Auditor of Nissay Life Foundation
Yoritomo Wada (External Statutory Corporate Auditor)	Certified public accountant, Outside Audit & Supervisory Board Member of Sekisui House, Ltd., and Outside corporate auditor of TRUSCO NAKAYAMA Corporation
Tsukasa Takahashi (External Statutory Corporate Auditor)	Attorney-at-law, Non-Executive Auditor of AEON DELIGHT CO., LTD., and Part-time Lecturer of Kyoto University Law School

(Note) There are no special interests between the Company and either of the entities referred to above.

## 2) Principal activities during the fiscal year 2022

Name	Activities Undertaken as Part of Expected Roles of Outside Members of the Board
Shinji Hasebe (Outside Member of the Board)	Mr. Shinji Hasebe attended all of the 15 Board meetings that were held during the fiscal year 2022. From the perspective of a specialist in chemical engineering who is familiar with the chemical industry, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Tetsuo Setoguchi (Outside Member of the Board)	Mr. Tetsuo Setoguchi attended all of the 15 Board meetings that were held during the fiscal year 2022. Based on his wealth of experience in corporate management in the manufacturing industry and at a company with high public utility properties, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Miyuki Sakurai (Outside Member of the Board)	Ms. Miyuki Sakurai attended all of the 15 Board meetings that were held during the fiscal year 2022. Based on her highly professional expertise and a wealth of experience as an attorney-at-law and achievements as External Director of other companies, she provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Yoritomo Wada (External Statutory Corporate Auditor)	<p>Mr. Yoritomo Wada attended all of the 15 Board meetings that were held during the fiscal year 2022. At these meetings, he provides useful opinions that contribute to the Company's management as required from the perspective of an accounting expert and based on his achievements as External Statutory Corporate Auditor of other companies.</p> <p>Mr. Wada also attended all of the 15 Auditors meetings that were held during the fiscal year 2022, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.</p>
Tsukasa Takahashi (External Statutory Corporate Auditor)	<p>Mr. Tsukasa Takahashi attended all of the 15 Board meetings that were held during the fiscal year 2022. At these meetings, he provides useful opinions that contribute to the Company's management as required from the perspective of a legal expert and based on his achievements as External Statutory Corporate Auditor of other companies.</p> <p>Mr. Takahashi also attended all of the 15 Auditors meetings that were held during the fiscal year 2022, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.</p>

## 3) Summary of Contract for Limitation of Liability

The Company has signed liability limitation contracts with Outside Members of the Board and External Statutory Corporate Auditors concerning liability as prescribed in Article 423, Paragraph 1 of the Companies Act of Japan. The contracts limit liability to the total of the monetary amounts in all items of Article 425, Paragraph 1 of this act as long as Outside Members of the Board and External Statutory Corporate Auditors perform their duties in good conscience and without any gross negligence.



### 3. Matters Concerning Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Remuneration Paid to Accounting Auditor

Classification	Amount Paid
(1) Total amount payable by the Company to the Accounting Auditor	¥62 million
(2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the Accounting Auditor	¥83 million

(Note 1) Because no distinction is made between remuneration for audit services rendered pursuant to the Companies Act and remuneration for audit services rendered pursuant to the Financial Instruments and Exchange Act of Japan under the agreement between the Company and the Accounting Auditor, the amount of remuneration paid to the Accounting Auditor listed above in “(1) Total amount payable by the Company to the Accounting Auditor” is the sum of these two.

(Note 2) Among the significant subsidiaries of the Company, Nippon Shokubai America Industries, Inc., PT. NIPPON SHOKUBAI INDONESIA, NIPPON SHOKUBAI EUROPE N.V., NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd., NIPPON SHOKUBAI (ASIA) PTE. LTD. and Singapore Acrylic PTE LTD have been audited by auditing firms other than the Accounting Auditor of the Company.

(Note 3) After receiving an explanation of this fiscal year’s audit plan from the Accounting Auditor, the Auditors meeting considered risks that would require special consideration based on the Company’s risk approach as well as methods to deal with other auditing items of importance and the auditing time and personnel scheduling they would require, audit plans and results from years past, audit quality, audit time, and changes in auditor remuneration. Upon this consideration, the remuneration for this fiscal year’s Accounting Auditor was determined to be of an amount not in conflict with retaining audit quality and conducting more in-depth audits, and was thus approved.

(3) Content of Non-auditing Services

The Company pays fees for the advisory service associated with the development of internal control concerning changes in accounting systems, etc. and advisory service related to the translation of financial statements into English.

(4) Policies on Dismissal or Non-reappointment of the Accounting Auditor

In the event that the Auditors meeting determines that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Auditors meeting will dismiss the Accounting Auditor upon unanimous consent of the Statutory Corporate Auditors.

Additionally, if it is deemed that it is difficult for the Accounting Auditor to adequately execute its duties, or if it is determined that a change in Accounting Auditor would be appropriate in order to further increase auditing suitability, the Auditors meeting will determine an agenda item regarding the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

### **III. Systems and Policies of the Company**

#### **1. Systems to Ensure Proper Business Activities**

At the Board meeting held in June 2022, the Company resolved to partially amend the basic policy with respect to the development of internal control system which would be introduced on July 1, 2022. The amended basic policy with respect to the internal control system is as follows:

The Company is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we have established the following fundamental policy for the creation of internal control systems. This policy reflects the understanding that the establishment and operation of a system for conducting business operations properly is vital to the continuous preservation and growth of corporate value.

- (1) Systems to ensure that Members of the Board and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation
  1. The Code of Conduct serves as a norm to be observed by Members of the Board, executive officers and employees of the Group.
  2. Establish a compliance system pursuant to the Compliance Regulation and prevent the violation of laws and regulations.
  3. Executive officer of Administration, HR, Finance, Accounting serves as an officer in charge of compliance. Under the officer in charge of compliance, Legal Department promotes compliance activities.
  4. As an internal auditing division, establish the Internal Audit Department, which is to be independent from other executive sections.
  5. Establish the Internal Reporting System under which facts with respect to the violation of laws and regulations and other compliance-related matters will be reported internally.
- (2) Systems for storing and managing information concerning the execution of duties by the Members of the Board

Information concerning the execution of duties by Members of the Board shall be stored and managed, as the minutes of the Board meeting (*torishimariyakukai gijiroku*), internal memo to obtain approval (*ringisho*) and other documents, pursuant to the Regulations of the Board meeting (*torishimariyakukai kitei*), the Rules on Administrative Authority (*shokumukengen kitei*) and the Rules for Document Control (*bunsho kanri kisoku*).
- (3) Rules and systems with respect to the management of the risks of loss
  1. Clarify risk management systems, risk recognition and risk management procedures in the Risk Management Regulations (*risuku kanri kitei*), and prevent such risks from occurring.
  2. Pursuant to the Risk Management Regulations (*risuku kanri kitei*), the director of each division conducts risk management of each division on an ongoing basis. Executive officers responsible for each division report at the Board meetings as necessary on such matters as the contents of material risks associated with their respective divisions and the controlling status of such risks.
  3. The Board meeting identifies risks that may significantly affect the management of the entire Group. To address the risks identified by the Board meetings, the corporate management meeting determines the person in charge of control and systems for controlling such risks. In addition, an executive officer responsible for the division which the person in charge of controlling risks belongs to reports at the Board meetings as necessary on the controlling status of such risks.
  4. Upon the occurrence of an unexpected event, establish a special headquarters with the Company president as its head and take prompt and appropriate measures pursuant to the rules concerning measures for unexpected events.
- (4) Systems to ensure that Members of the Board execute their duties efficiently
  1. In order to deliberate and determine matters with respect to the execution of duties by Members of the Board, the Board meeting shall, in principle, be held once a month so that prompt decision-making may be carried out.

2. The Board meeting shall select executive officers. The Board meeting is responsible for reaching decisions involving management and supervising business operations, and the executive officers are responsible for conducting business operations. Separating these functions increases the efficiency of management and clearly defines accountability.
  3. The Company shall have Outside Members of the Board for the purpose of ensuring the suitability of decisions and the oversight of business operations by the Board meeting.
  4. The Company shall conduct a corporate management meeting consisting of the Company president and executive officers. In principle, this committee shall meet once a month for the purpose of discussing subjects involving fundamental management policies and actions involving important matters.
- (5) Systems to ensure proper business activities by the Group, which consists of the Company and its subsidiaries
1. In order to achieve sound management of the Group companies and overall development of the Group through mutual cooperation of each company, the Company's officers and employees in charge of group companies (hereinafter "Group Company Administrative Managers"), who are stipulated in the affiliated company's administration codes, request the Group companies to have the Company's prior consent on important matters. The Group Company Administrative Managers also obtain approval for the important matters from the corporate management meeting and the Board meeting of the Company as needed.
  2. The Group companies shall report the overview of business and status of profit and loss to the Group Company Administrative Managers. The Group Company Administrative Managers shall provide advice as needed.
  3. In order to properly understand the operational status of the group companies, the Group Company Administrative Managers shall promptly report managerial and other issues to the corporate management meeting and the Board meeting.
  4. In order to ensure proper business activities by the group companies, the Internal Audit Department and the Responsible Care Division shall audit each group company as appropriate.
  5. Under the executive officer of Administration, HR, Finance, Accounting, Legal Department shall promote compliance activities for the entire Group.
  6. The Group companies manage their respective risks on an ongoing basis and report to Group Company Administrative Managers on such matters as contents of significant risks and the controlling status of such risks. In addition, the Group Company Administrative Managers or the executive officer responsible for Group Company Administrative Managers shall report at the Board meeting as necessary on such matters as contents of significant risks associated with the group companies and the controlling status of such risks.
- (6) Matters concerning employees who are allocated to assist the Statutory Corporate Auditors, matters concerning the independence of these employees from the Members of the Board and matters concerning ensuring the effectiveness of instructions of the Statutory Corporate Auditors to the employees who assist the Statutory Corporate Auditors
1. The Auditor Office, which shall be established under the direct control of the Statutory Corporate Auditors of the Company, and the employees thereof shall assist the Statutory Corporate Auditors in their duties.
  2. The Auditor Office shall be independent from the Board meeting, and the employees assigned thereto shall, pursuant to the Business Segregation Rules (*gyoumu bunshou*) and instructions of the Statutory Corporate Auditors, perform their duties independent from the Board meeting, the respective Members of the Board and executive officers. The personnel affairs of the employees who belong to the Auditor Office shall be determined after obtaining the consent of the Statutory Corporate Auditors.

(7) Systems for submitting reports from Members of the Board and employees to the Statutory Corporate Auditors, for posting other reports to Statutory Corporate Auditors and for ensuring effective of audits by the Statutory Corporate Auditors

1. In order to understand important decision-making processes and the status of executing operations executed/to be executed, the Statutory Corporate Auditors shall attend important meetings such as the corporate management meetings and budget meetings, in addition to the Board meetings.
2. Members of the Board, executive officers, and employees shall report to Statutory Corporate Auditors important information associated with the status of the Company's and its Group companies' internal audits, compliance, risk management and internal reporting.
3. The director of each division shall report the status of executing operations in accordance with the audit plan (annual plan) prepared by Statutory Corporate Auditors.
4. Members of the Board, Statutory Corporate Auditors and employees of the Group companies shall immediately report to the Statutory Corporate Auditors when the Statutory Corporate Auditors request them to report matters concerning the execution of business, internal audit status, compliance, risk control and internal reporting.
5. Those who reported to the Statutory Corporate Auditors shall not receive any disadvantageous treatment due to their reporting.
6. In the case that Statutory Corporate Auditors make claims to the Company regarding costs incurred during the execution of their duties, the Company shall bear those costs excluding cases where those costs are assessed as not necessary for the execution of the Statutory Corporate Auditor's duties.

(8) Basic policy on the elimination of anti-social forces

No relations, including those for business transactions, shall be had with anti-social forces that serve to disturb the order and safety of civil society and threaten wholesome corporate activities, and these anti-social forces shall be firmly dealt with in cooperation with outside specialists such as the police, etc.

### **Outline of the State of Operations of Internal Control Systems**

(1) Legal Compliance

Under the supervision of the person responsible for compliance, the Legal Department has implemented activities such as holding educational activities through the internal portal site, compliance training sessions on laws, regulations, and corporate ethics, as well as legal training on company newsletter and observing a legal compliance manual and the Nippon Shokubai Group Code of Conduct, thereby strengthening the Company and group companies' legal compliance structures.

Additionally, steps in order to disseminate this information are being taken, such as printing the Code of Conduct and distributing it in the relevant guidebooks and TechnoAmenity Report, and through database records and internal notices.

(2) Execution of Duties by Members of the Board

The Board meeting convened a total of 15 times throughout this fiscal year, and by reporting, deliberating, and deciding on items regarding to the execution of their duties, the Board meeting supervises the execution of its members' duties.

By separating the Board meeting, which is responsible for reaching decisions involving management and supervising business options, with executive officers, who are responsible for conducting business operations, attempts are being made to establish efficient management and clear definition of accountability.

Additionally, three Outside Members of the Board were elected, and through their opinions and proposals benefitting the Company's management based on their wealth of experience and specialized knowledge as managers, as well as their supervision from a position independent of management, the Board meeting decision-making process and the executive officers' appropriateness is being ensured.

During the fiscal year, the corporate management meeting convened 19 times to deliberate on matters regarding basic management policies and the execution of items of importance. Attempts are being made to realize more efficient business operations, and measures are being taken regarding the execution of important business duties.

(3) Management of Risks of Loss

In accordance with the Risk Management Regulations, each division appropriately manages the risks of its own division and reports the results, etc., to the Board meeting. In addition, through deliberations by all Members of the Board, the Company identifies risks that could have a significant impact on the management of the entire Group.

In addition, in order to respond quickly and appropriately to unforeseen circumstances, we regularly review our business continuity plan (BCP) and conduct comprehensive earthquake response drills.

(4) Ensuring Suitability of the Group's Business Activities

Group companies issue regular reports to the Group Company Administrative Managers on the overview of business and status of profit and loss, and the Group Company Administrative Managers provides advice as needed. Additionally, the Corporate Planning Division reports to the corporate management meeting and the Board meeting regarding managerial and other issues as necessary.

Also, the Internal Audit Office and the Responsible Care Division each audit Group companies based on their auditing plans.

(5) Ensuring the Efficacy of Auditor Audits

The Auditors meeting convened a total of 15 times over the course of this fiscal year to report, deliberate, and decide on matters of importance related to audit.

Statutory Corporate Auditors also attend important meetings such as the corporate management meetings and TechnoAmenity Promotion Committee meetings, in addition to the Board meeting in order to understand important decision-making processes and the status of executing operations, and also receive reports from the Accounting Auditor, Members of the Board, and other individuals in order to deliberate and present auditing opinions.

Also, Statutory Corporate Auditor interview locations are determined according to audit plans where Statutory Corporate Auditors receive reports on the execution of business duties from General Managers of each department as well as from management executives of subsidiary companies.

(6) The Elimination of Anti-Social Forces

Information is regularly gathered from the police and other external specialist agencies so that no relations are had with anti-social forces, and internal calls for caution are also made by taking action based on the manual for responding to unreasonable demands. Additionally, contracts formed with major clients include items stating that no relations shall be had with anti-social forces.

## 2. Basic Policies Concerning Control of the Company

The Group is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we devise and execute management strategies and work on becoming more competitive and profitable. The objective of these activities is to increase corporate value and the common interests of shareholders.

When there is a proposal by a third party for a large-scale purchase of the Company’s stock, the Company believes that its shareholders at that time should be entrusted with reaching the final decision about whether or not to accept the proposed acquisition. However, it is assumed that, in large-scale purchases of the Company’s stock, there are those that may distort the Company’s mission and management strategies, such as these that solely in pursue the purchaser’s interests without concern for the corporate value and common interests of its shareholders, , or these that may effectively force shareholders to sell their shares, or those that do not provide sufficient time and information for shareholders or the Board meeting to consider the terms of the large-scale purchase, or for the Board meeting to offer an alternative proposal, and ultimately impair the corporate value of the Company and the common interests of its shareholders.

For the benefit of common interests of shareholders by maintaining and increasing corporate value in a stable and consistent manner, the Company strives to request those who conducting or intending to conduct a large-scale purchase of the Company’s stock to provide sufficient information necessary for the shareholders to properly judge whether or not to accept such a large-scale purchase. In addition, the Company will disclose the opinions of its Board meeting and secure time and information to enable the shareholders’ examination, while taking appropriate measures pursuant to the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

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Note: Unless otherwise noted in this business report, amounts and ratios are rounded to the nearest unit.

## Consolidated Statements of Financial Position

(As of March 31, 2023)

(Unit: Millions of yen)

[Assets]	
<b>Current assets</b>	<b>244,053</b>
Cash and cash equivalents	39,035
Trade receivables	98,571
Inventories	86,056
Other financial assets	14,151
Other current assets	6,239
<b>Non-current assets</b>	<b>279,266</b>
<b>Property, plant and equipment</b>	<b>189,520</b>
Intangible assets	8,358
Investments accounted for using equity method	27,088
Other financial assets	40,195
Retirement benefit asset	9,129
Deferred tax assets	3,404
Other non-current assets	1,573
<b>Total assets</b>	<b>523,319</b>

<b>[Liabilities]</b>	
<b>Current liabilities</b>	<b>101,641</b>
Trade payables	53,138
Borrowings	23,044
Other financial liabilities	9,539
Income taxes payable	3,970
Provisions	6,672
Other current liabilities	5,278
<b>Non-current liabilities</b>	<b>51,681</b>
Borrowings	27,867
Other financial liabilities	5,961
Retirement benefit liability	8,941
Provisions	2,582
Deferred tax liabilities	6,330
<b>Total liabilities</b>	<b>153,321</b>
<b>[Equity]</b>	
<b>Total equity attributable to owners of parent</b>	<b>362,231</b>
Share capital	25,038
Capital surplus	22,520
Treasury shares	-9,298
Retained earnings	301,940
Other components of equity	22,030
<b>Non-controlling interests</b>	<b>7,767</b>
<b>Total equity</b>	<b>369,998</b>
<b>Total liabilities and equity</b>	<b>523,319</b>

Note: Amounts in the Consolidated Statements of Financial Position are rounded to the nearest million yen.



Consolidated Statements of Profit or Loss  
(April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

<b>Revenue</b>	<b>419,568</b>
Cost of sales	339,176
<b>Gross profit</b>	<b>80,392</b>
Selling, general and administrative expenses	56,844
Other operating income	3,057
Other operating expenses	3,076
<b>Operating profit</b>	<b>23,528</b>
Finance income	1,856
Finance costs	1,134
Share of profit of investments accounted for using equity method	1,925
<b>Profit before tax</b>	<b>26,175</b>
Income tax expense	6,015
<b>Profit</b>	<b>20,160</b>
Profit attributable to	
Owners of parent	19,392
Non-controlling interests	769
<b>Profit</b>	<b>20,160</b>

Note: Amounts in the Consolidated Statements of Profit or Loss are rounded to the nearest million yen.

Consolidated Statements of Changes in Equity  
(April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	-6,291	288,124	4,874	—
Profit	—	—	—	19,392	—	—
Other comprehensive income	—	—	—	—	-201	1,664
Comprehensive income	—	—	—	19,392	-201	1,664
Purchase of treasury shares	—	—	-3,007	—	—	—
Share-based payment transactions	—	41	—	—	—	—
Dividends	—	—	—	-7,581	—	—
Increase (decrease) in non-controlling interests	—	8	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	2,005	-342	-1,664
Total transactions with owners	—	49	-3,007	-5,575	-342	-1,664
Balance at end of period	25,038	22,520	-9,298	301,940	4,331	—

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	9,664	14,538	343,882	7,241	351,123
Profit	—	—	19,392	769	20,160
Other comprehensive income	8,035	9,497	9,497	351	9,848
Comprehensive income	8,035	9,497	28,889	1,120	30,009
Purchase of treasury shares	—	—	-3,007	—	-3,007
Share-based payment transactions	—	—	41	—	41
Dividends	—	—	-7,581	-571	-8,152
Increase (decrease) in non-controlling interests	—	—	8	-24	-16
Transfer from other components of equity to retained earnings	—	-2,005	—	—	—
Total transactions with owners	—	-2,005	-10,539	-595	-11,134
Balance at end of period	17,699	22,030	362,231	7,767	369,998

Note: Amounts in the Consolidated Statements of Changes in Equity are rounded to the nearest million yen.

(Reference)

Consolidated Statements of Cash Flows  
(April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Profit before tax	26,175
	Depreciation and amortization	29,312
	Loss (gain) on sale of property, plant and equipment	-22
	Impairment losses	1,554
	Decrease (increase) in retirement benefit asset	4,845
	Increase (decrease) in retirement benefit liability	-4,137
	Interest and dividend income	-1,837
	Interest expenses	558
	Share of loss (profit) of investments accounted for using equity method	-1,925
	Decrease (increase) in trade receivables	7,371
	Decrease (increase) in inventories	-8,926
	Increase (decrease) in trade payables	-5,923
	Other	-637
	Subtotal	46,407
	Interest and dividends received	5,401
	Interest paid	-454
	Income taxes paid	-9,907
	Net cash provided by (used in) operating activities	41,447
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-21,652
	Proceeds from sale of property, plant and equipment	331
	Purchase of intangible assets	-1,433
	Purchase of investments	-383
	Proceeds from sale and redemption of investments	821
	Payments for investments in capital of subsidiaries and associates	-3,963
	Other	302
	Net cash provided by (used in) investing activities	-25,976
III	Cash flows from financing activities	
	Net increase (decrease) in short-term borrowings	544
	Proceeds from long-term borrowings	9,000
	Repayments of long-term borrowings	-13,621
	Repayments of lease liabilities	-2,110
	Purchase of treasury shares	-3,007
	Dividends paid	-7,581
	Dividends paid to non-controlling interests	-571
	Other	25
	Net cash provided by (used in) financing activities	-17,321
IV	Effect of exchange rate changes on cash and cash equivalents	1,522
V	Net increase (decrease) in cash and cash equivalents	-327
VI	Cash and cash equivalents at beginning of period	39,363
VII	Cash and cash equivalents at end of period	39,035

Note: Amounts in the Consolidated Statements of Cash Flows are rounded to the nearest million yen.

## Notes to Consolidated Financial Statements

### ◆ Significant Accounting Policies

#### 1. Basis of Preparation for Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (hereinafter the “Group”) are prepared in accordance with the International Financial Reporting Standards (hereinafter “IFRS”), pursuant to the provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. In compliance with the second sentence of the said Paragraph, certain disclosures and notes required by IFRS are omitted.

#### 2. Scope of Consolidation

Consolidated subsidiaries are as follows:

(1) Number of consolidated subsidiaries: 15 companies (8 in Japan and 7 overseas)

- (Japan) NIPPOH CHEMICALS CO., LTD.  
Nisshoku Butsuryu Co., Ltd.  
Tokyo Fine Chemical Co., Ltd.  
CHUGOKU KAKO CO., LTD.  
NIPPON SHOKUBAI TRADING CO., LTD.  
NISSHOKU TECHNO FINE CHEMICAL CO., LTD.  
NIPPON NYUKAZAI CO., LTD.  
NIPPON POLYMER INDUSTRIES CO., LTD.
- (Overseas) Nippon Shokubai America Industries, Inc.  
NIPPON SHOKUBAI (ASIA) PTE. LTD.  
PT. NIPPON SHOKUBAI INDONESIA  
NIPPON SHOKUBAI EUROPE N.V.  
SINGAPORE ACRYLIC PTE LTD  
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.  
SINO-JAPAN CHEMICAL CO., LTD.

(2) Associates accounted for by the equity method: 13 companies

Name of the principal company: Umicore Shokubai S.A.

#### 3. Accounting Policies

(1) Basis and methods of valuation of financial assets

1) Non-derivative financial assets

(i) Initial recognition and measurement and subsequent measurement

The Group initially recognizes trade receivables and other receivables on the date of occurrence. All other non-derivative financial assets are recognized at the transaction date, on which the Group becomes a party to the contract.

(a) Financial assets measured at amortized cost

Financial assets are classified as “financial assets measured at amortized cost” if they meet the following two conditions:

- The financial assets are held with a business model of the Group whose objective is to collect contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value (including transaction cost directly attributable to the acquisition of such financial assets). These financial assets are subsequently measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through profit or loss or other comprehensive income

Financial assets that fail to meet either of the above two conditions are classified as “financial assets measured at fair value through profit or loss” or “financial assets measured at fair value through other comprehensive income.” In addition, the Group has made an irrevocable decision and changes in fair value of equity financial instruments, such as shares held with the purpose to maintain and strengthen business relationships with investees, which are recognized through other comprehensive income instead of profit or loss.

Debt instruments are classified as “financial assets measured at fair value through other comprehensive income” when the following two conditions are met.

- The debt instruments are held with a business model of the Group whose objective is to both collect contractual cash flows and sell such instruments.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value. The Group includes in fair value any transaction costs directly attributable to the acquisition of such financial assets, with the exception of financial assets measured at fair value through profit or loss.

Regarding equity financial instruments measured at fair value through other comprehensive income, loss or gain attributable to changes in realized fair value is not reclassified to profit or loss. However, dividend income from such investments is recognized as “financial income” as a part of profit or loss, except in cases where it is clear that such dividends are the repayment of the investment principal.

(ii) Derecognition

When the rights to the cash flows from a financial asset expire or when a financial asset is transferred and substantially all of the risks and rewards of ownership of such financial asset are transferred, the Group derecognizes such financial asset.

(iii) Impairment of financial assets

When recognizing the impairment of financial assets measured at amortized cost, the Group evaluates whether or not credit risk associated with such financial assets has increased significantly since the initial recognition at the end of each reporting period.

When credit risk has increased significantly, the Group measures provisions for such financial assets at an amount equivalent to lifetime expected credit losses. When credit risk has not increased significantly, the Group measures provisions for such financial assets at an amount equivalent to the 12-month expected credit losses. However, the Group always measures provisions for trade receivables at an amount equivalent to lifetime expected credit losses. Furthermore, the Group measures expected credit losses of financial instruments by considering the time value of the difference between contractual cash flows and the expected cash flows and recognizes it in profit or loss.

The Group determines whether or not credit risk associated with such financial assets has increased significantly since the initial recognition by basing the judgment on changes in the risk of a default occurring. When determining such changes, the Group mainly considers past due information.

When measuring expected credit losses, the Group estimates in a way that reflects the following elements.

(a) Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes

- (b) Time value of money
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

## 2) Derivatives and hedge accounting

The Group designates certain derivative instruments as cash flow hedges to hedge foreign exchange risk, interest rate risk, or other risks.

At the inception of a transaction, the Group documents the relationship between the hedging instrument and hedged item and the risk management objectives and strategies for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group also documents its assessment of whether derivatives used for hedge transactions can be highly effective in offsetting changes in cash flows of the hedged item. Furthermore, the Group verifies that such forecast transactions are highly probable to apply cash flow hedge accounting.

Changes in fair value of derivative instruments are recognized in profit or loss. The effective portion of changes in fair value of derivative instruments that are designated as cash flow hedges and meet the qualifying criteria is recognized in other components of equity. The ineffective portion is recognized in profit or loss.

Any amount incurred with respect to hedging instruments that is recognized in other components of equity is reclassified to profit or loss in the period when hedged items affect profit or loss. When hedged forecast transactions result in the recognition of non-financial assets, any amount that has been recognized in other comprehensive income is reclassified and included in the initial carrying amount of such assets.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting. Any amount incurred with respect to hedging instruments that have already been recognized in other components of equity is further recognized until forecast transactions are eventually recognized in profit or loss. When forecast transactions are no longer expected to occur, any amount incurred with respect to hedging instruments that has been recognized in other components of equity is immediately recognized in profit or loss.

## (2) Basis and methods of valuation of inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is principally calculated based on the moving-average method. In addition, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

## (3) Basis and methods of valuation of and methods of depreciation or amortization of property, plant and equipment, goodwill and intangible assets

### 1) Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes cost directly attributable to the acquisition of assets, dismantling and removal costs, restoration costs, and borrowing costs that meet requirements for asset capitalization.

Each asset (excluding assets that are not subject to depreciation such as land) is depreciated using the straight-line method over its estimated useful life. The estimated useful lives of main asset items are as follows:

- Buildings and structures: 3 to 50 years
- Machinery and vehicles: 2 to 15 years

Estimated useful lives and the method of depreciation are reviewed at the end of each fiscal year. Any change in estimated useful lives and the depreciation method is accounted for on a prospective basis as a change in accounting estimate.

## 2) Goodwill and intangible assets

### (i) Goodwill

The Group accounts for business combinations using the acquisition method. If the consideration exceeds the net of the fair value of identifiable assets acquired and liabilities assumed, the Group records it as goodwill in the consolidated statement of financial position.

The Group does not amortize goodwill but conducts impairment tests every fiscal year or whenever there is an indication of impairment. The impairment loss on goodwill is recognized in profit or loss and is not subsequently reversed.

Furthermore, goodwill is stated at cost less accumulated impairment losses in the consolidated statement of financial position.

### (ii) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Individually acquired intangible assets are measured at a cost at the time of initial recognition, while intangible assets acquired through business combination are measured at fair value at the date of the acquisition. Intangible assets are amortized using the straight-line method over their estimated useful lives. The estimated useful lives of main asset items are as follows:

- Software: 5 years

## 3) Leases

Lease liabilities in lease transactions are measured at the discounted present value of the residual amount of total lease payments at the lease commencement date. Right-of-use assets are initially measured based on the initially measured amount of the lease liability adjusted for initial direct costs and prepaid lease payments, etc., and added costs such as obligations of restoration to original conditions requested by lease contracts. Right-of-use assets are depreciated regularly over the estimated useful lives of the respective assets or lease terms, whichever is shorter.

The discount rate that shall be used in calculating the discounted present value of the residual amount of total lease payments is the interest rate implicit in the lease, if this is practicably possible, and if not, the lessee's incremental borrowing rate.

Lease payments are distributed between finance costs and repayment of lease liabilities so that interest rates will be constant on the remaining balance of the lease liability. Finance costs are presented separately from the depreciation and amortization of right-of-use assets in the consolidated statements of profit or loss.

Whether or not a contract is, or contains, a lease is determined based on the substance of a contract, even when it does not take the legal form of a lease.

Lease payments for leases that have a lease term of twelve months or less and leases for which the underlying assets are of low value are recognized as expenses on either a straight-line basis over the lease term or another systematic basis.

## (4) Impairment of non-financial assets

Every fiscal year, the Group assesses non-financial assets for any indications of impairment. In case there is an indication of impairment or in case the impairment test is required every fiscal year, the recoverable amount of the asset is estimated. When the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash-generating unit to which such assets are allocated is estimated. The Group conducts impairment tests of goodwill every fiscal year or whenever there is an indication of impairment. Goodwill is allocated to each cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the business combination.

#### (5) Method of providing major allowances and provisions

Provisions are recognized when the Group has present obligations (legal or constructive) as a result of past events, it is probable that the outflow of economic resources will be required to settle the obligations, and the amounts of the obligations can be reliably estimated.

##### 1) Provision for bonuses

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

##### 2) Asset retirement obligations

To provide for obligations to restore plant and equipment and premises that the Group uses and removal of hazardous materials, the Group records asset retirement obligations based on estimated amounts to be paid in the future based on past results. Although these expenses are estimated to be mainly paid after one year or more, they may be affected by future business plans.

#### (6) Method of accounting for post-employment benefits

##### 1) Defined benefit plans

The Company and some of its subsidiaries have defined benefit pension plans and severance lump-sum payment plans as defined benefit plans. Under the defined benefit plans, the net present value of defined benefit obligations less the fair value of plan assets is recognized in assets or liabilities in the consolidated statement of financial position. The present value of defined benefit obligations is calculated using the projected unit credit method.

The difference in the remeasurement of net defined benefit assets or obligations is recognized in other comprehensive income in the fiscal year as incurred. Furthermore, past service cost is recognized in profit or loss in the fiscal year it is incurred.

##### 2) Defined contribution plans

Some of the Company's subsidiaries have defined contribution pension plans. Defined contribution pension plans are post-employment benefit plans, under which the employer pays a certain amount of contributions to another independent entity and will have no legal or constructive obligations to pay further contributions. Contributions to the defined contribution pension plans are expensed in the period in which employees render services.

#### (7) Revenue recognition

The Group recognizes revenue in accordance with the following five-step approach, except interest and dividend income under IFRS 9.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations in the contract

Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation

The Group's main business includes manufacturing and sales of products in the Materials business and the Solutions business. The Group recognizes revenue from the sale of these products upon delivery of the products to the customer, since the performance obligation is fulfilled because the customer obtains control over such products upon delivery of the products. Revenue is measured at the amount obtained after deducting price reductions, rebates, and sales returns from the transaction price in the contract with the customer.

Meanwhile, as the performance obligation for the sale of equipment for waste gas treatment in the Solutions business is satisfied over time, revenue is recognized in proportion to the progress of the performance obligations. The measurement of progress is based on the cost-to-cost method (an amount in proportion to the ratio of accumulated actual costs incurred to the estimated total costs at end of current period) as the Group believes that the accrual of cost is an appropriate measure of the degree of progress of the performance obligations.



## (8) Foreign currency translation

### 1) Foreign currency transactions

The Group measures items included in the financial statements of each group company using the currency used in the main economic environment where each group company conducts its operating activities (functional currency).

Foreign currency transactions are converted into the functional currency using the exchange rates at the date of the transactions. When remeasuring items included in the financial statements, the Group converts them into the functional currency using the exchange rates at the date of the remeasurement. Exchange differences arising from the settlement of these transactions or the translation of monetary assets or liabilities in a foreign currency using the exchange rates at the date of the settlement are recognized in profit or loss. However, translation differences arising from equity financial instruments measured at fair value through other comprehensive income or cash flow hedges are recognized in other comprehensive income.

### 2) Foreign operations

Regarding foreign operations using a functional currency that differs from the presentation currency, assets and liabilities (including goodwill arising from the acquisition and revision of fair value) are translated to Japanese yen using the exchange rates at the end of the reporting period, while income and expenses are translated to Japanese yen at the average rate during the period unless the exchange rates fluctuate significantly during that period.

Exchange differences arising from the translation of financial statements of a foreign operation are recognized in other comprehensive income. When a foreign operation is disposed of, the cumulative translation differences related to the foregoing operation are recognized in profit or loss at the time of the disposal.

## ◆ Notes to Accounting Estimates

In preparing consolidated financial statements, the management applies accounting policies, and makes judgement, estimates and assumptions that affect the reporting amounts of assets, liabilities, revenue and costs. Actual results may differ from these estimates. We review estimates and assumptions that serve as the basis for the estimates on an ongoing basis. The impact from reviews in accounting estimates is recognized over the accounting period in which the estimate was reviewed, and future accounting periods.

In the current fiscal year, the Group has appropriately examined the uncertainties that the spread of novel coronavirus infection may pose to these estimates and assumptions. Although it is difficult to accurately predict how the new coronavirus infection will spread and when it will be contained, the impact on the Group's business activities and performance will be limited. Therefore, the Group judges that it is unlikely that the carrying amount of assets or liabilities and related income and expenses will require material revisions in the following fiscal year.

Material estimates and judgements made by the management are as described below.

### 1. Impairment of non-financial assets

#### (1) NIPPON SHOKUBAI EUROPE N.V.

The Group conducted impairment reviews on property, plant and equipment of 24,103 million yen owned by NIPPON SHOKUBAI EUROPE N.V. (hereinafter, "NSE"), a consolidated subsidiary of the Company under the Materials business segment, based on its business plan, market interest rates and other factors during the current fiscal year. The business environment for superabsorbent polymers in Europe, where NSE is located, continues to be harsh due to continued high raw material and fuel prices and high inflation amid the escalating situation in Ukraine. However, as sales prices are rising in line with higher raw material and fuel prices and product market conditions, we believe that the supply-demand balance for superabsorbent polymers will improve over the medium to long term.

In light of these circumstances, as a result of the impairment review of NSE's property, plant and equipment based on NSE's business plan, trends in market interest rates, and other factors, the Company has determined that there are no indications of impairment.

Key assumptions used in performing the impairment review are sales volumes and sales prices underlying the business plan and discount rates established based on market interest rates and other factors. Future sales volumes and sales prices are set based on information obtained from customers, future market forecasts and other information. If sales volumes or sales prices are affected by changes in the supply-demand balance or the market outlook for superabsorbent polymers that differ from expectations, or if the discount rate is affected by changes in uncertain future economic conditions, it could have a significant impact on the valuation of property, plant and equipment.

#### (2) Printing material products

In the current fiscal year, the Group conducted an impairment test for property, plant and equipment, etc. of 1,532 million yen related to certain printing material products in the Solutions business segment as the assets showed signs of impairment due to a decline in profitability caused by changes in the business environment. The recoverable amount of the relevant cash-generating unit was measured at the value in use based on the business plan, which was calculated by discounting future cash flows. As a result, no impairment loss was recognized since the recoverable amount exceeded the carrying amount.

The key assumptions used in the valuation of such cash-generating units are sales volumes and sales prices. Future sales volumes and sales prices are based on information obtained from customers, future market forecasts and other information. If the outlook of the future business environment differs from the assumptions, it may have a significant impact on the estimate of the recoverable amount.

### 2. Measurement of defined benefit obligations

To provide for retirement benefits to employees, the Group has defined benefit plans and defined contribution plans which are funded and unfunded schemes. The present value of defined benefit obligations and relevant service cost, etc. are calculated based on actuarial assumptions. Actuarial assumptions necessitate estimates and judgements in discount rates, retirement rates, mortality rates and other various coefficients. The Group obtains advice of external pension actuaries regarding the appropriateness of the actuarial assumptions including those coefficients.

Actuarial assumptions are determined based on the best estimates and judgements of the management, but the results of fluctuations in future uncertain economic conditions as well as revisions or promulgation of applicable laws and regulations may have an impact on these assumptions. If it becomes necessary to review the assumptions, amounts to be recognized in the consolidated financial statements in the following fiscal year onward may be significantly affected.

(1) Reconciliation of the ending balance of defined benefit obligations and plan assets and amounts recorded on Consolidated Statements of Financial Position

Amounts recorded on Consolidated Statements of Financial Position are as follows.

(Unit: Millions of yen)

Present value of defined benefit obligations	-38,925
Fair value of plan assets	39,113
Net amount of liability and asset recorded on Consolidated Statements of Financial Position	188
Amounts recorded on Consolidated Statements of Financial Position	
Retirement benefit liability	-8,941
Retirement benefit asset	9,129
Net amount of liability and asset recorded on Consolidated Statements of Financial Position	188

(2) Major actuarial assumptions

Major actuarial assumption used in the calculation of the present value of defined benefit obligations is as follows.

Discount rate	1.42%
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(3) Sensitivity analysis of defined benefit obligations

Sensitivity analysis of defined benefit obligations to the fluctuations in weighted-average major actuarial assumptions is as follows.

(Unit: Millions of yen)

Discount rate	In case of 0.5% increase	-2,268
	In case of 0.5% decrease	2,530

Sensitivity analysis shown above is the result of fluctuation in one assumption, assuming that all other assumptions are invariable. In actuality, multiple assumptions may change by interacting each other.

In the calculation of sensitivity of defined benefit obligations to major actuarial assumptions, the same method for calculating the defined benefit obligations to be recognized in the Consolidated Statements of Financial Position (present value of defined benefit obligations calculated using the projected unit credit method as of the end of the reporting period) has been applied.

#### ◆ Notes to Consolidated Statements of Financial Position

(Unit: Millions of yen)

1.	Accumulated depreciation and accumulated impairment losses on property, plant and equipment	519,247
2.	Collateral assets and secured liabilities:	
	Assets pledged as collateral	281
	Cash and cash equivalents	8
	Property, plant and equipment	273
	Obligations corresponding to the above items	422
	Trade payables	12
	Borrowings	410
3.	Allowance for doubtful accounts directly deducted from assets	15
4.	Balance of guaranteed debt, etc.	
	Balance of guaranteed debt	1,620
	Balance of guaranteed debt includes 810 million yen of debt that has been re-guaranteed by other companies.	

#### ◆ Notes to Consolidated Statements of Profit or Loss

##### Impairment of non-financial assets

The Group groups its assets in the smallest units that generate largely independent cash flows based on the classification of business. For assets that are not expected to be used in the future, individual properties are grouped as a single unit.

In the current fiscal year, an impairment loss of 1,517 million yen was recorded for property, plant and equipment, etc. related to certain electronic information material products in the Solutions business segment.

The Company judged that it would take some time for display-related demand to recover. As a result of reviewing the business plan for products with declining profitability due to changes in the business environment and examining the future recoverability of property, plant and equipment, etc., the Company reduced the book value of buildings and structures, machinery and vehicles, etc. to memorandum value in the current fiscal year. The impairment loss is included in other operating expenses in the Consolidated Statements of Profit or Loss.

The recoverable amounts are measured by value in use based on the business plan. Key assumptions used in the calculation of value in use are sales volumes and sales prices, which are based on information obtained from customers and future market forecasts. Information about the discount rate is omitted because the undiscounted future cash flows are negative.

◆ **Notes to Consolidated Statements of Changes in Equity**

1. Number of issued and outstanding shares of the Company's stock at end of the fiscal year 2022

Common stock: 40,800,000 shares

2. Matters related to distribution of retained earnings

- (1) Dividend payment

Resolution	Class of Shares	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2022	Common Stock	3,987	100.00	March 31, 2022	June 22, 2022
The Board meeting held on November 7, 2022	Common Stock	3,593	90.00	September 30, 2022	December 5, 2022

Note: The total amount of dividends resolved at the Board meeting held on November 7, 2022 includes a 4 million yen dividend for the Company's shares held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers.

- (2) Dividends with a record date in the fiscal year 2022 but an effective date in the following fiscal year

Resolution	Class of Shares	Source of Dividends	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2023	Common Stock	Retained Earnings	3,543	90.00	March 31, 2023	June 22, 2023

Note: The total amount of dividends includes a 4 million yen dividend for the Company's shares held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers.

## ◆ Notes to Financial Instruments

### 1. Conditions of financial instruments

The Group's business activities may be affected by various risks, including market risk, credit risk, and liquidity risk. While recognizing the possibility of occurrence of such risks, the Group makes every possible effort to prevent their occurrence and to manage them if they occur. Furthermore, at the Board meetings, the Group implements company-wide measures as appropriate in response to its exposure to various risks.

#### (1) Market risk

##### 1) Foreign exchange risk

As the Group operates its business globally, it owns trade receivables and payables denominated in foreign currencies. These trade receivables and payables are exposed to the risk of fluctuations of foreign exchange rates. The Group enters into forward exchange contracts to hedge the risk of the trade receivables and the payables denominated in foreign currencies.

##### 2) Interest rate risk

The Group covers working capital and capital expenditures using its own capital, bonds, and borrowings. As certain interest rates on its borrowings are floating rates, the Group is exposed to the risk of changes in interest rates. The Group enters into interest rate swap contracts to reduce such risk as necessary.

The effect of changes in market interest rates on the Group's operating profit is immaterial.

##### 3) Share price fluctuation risk

As the Group owns shares of business partners for reinforcing business collaboration or capital tie-ups, it is exposed to the risk of market price fluctuations. To reduce such risk, the Group periodically assesses the market value and financial condition of issuers (business partners) and continually reviews the shareholding status by considering its relationships with business partners.

##### 4) Derivative transactions

The Group enters into forward exchange contracts to hedge the risk of fluctuation in foreign exchange rates pertaining to trade receivables and payables denominated in foreign currencies, and interest rate swap contracts to hedge the risk of fluctuation in interest rates related to borrowings. The Finance & Accounting Division, etc. is responsible for managing derivative contracts and report the status of such transactions to directors in charge every month.

#### (2) Credit risk

Credit risk is the risk of incurring losses where an obligor, an issuer of financial assets owned by the Group, fails to honor its obligations. With regard to trade receivables, each business division regularly monitors the condition of major business partners, manages due dates and balances for each business partner, and assesses the credit condition of major business partners every six months. The consolidated subsidiaries also manage their credit risk in accordance with the above-mentioned procedures.

With regard to derivative transactions, the Group judges that credit risk is minimal since the counterparties are financial institutions with high credit ratings.

There is no excessive concentration of the credit risk that requires special management.

The carrying amount of financial assets after deducting provisions for doubtful accounts in the consolidated statement of financial position is the maximum exposure to the credit risk of the Company's financial assets that does not take into account collateral held and other credit enhancements.

### (3) Liquidity risk

Liquidity risk is the risk that the Group will be unable to perform its repayment obligations for financial liabilities on the due date. Each group company manages liquidity risk by preparing their funding plans in a timely manner.

## 2. Fair value of financial instruments

The carrying amount and fair value of financial assets and financial liabilities measured at amortized cost are as follows:

Financial assets whose carrying values approximate their fair values are not included in the table below.

(Unit: Millions of yen)

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Long-term borrowings	39,508	39,263
Total financial liabilities	39,508	39,263

The fair value of long-term borrowings is calculated by discounting the total amounts of principal and interest to the present value using the incremental borrowing rate.

## 3. Matters relating to the breakdown of financial instruments by level of fair value, etc.

The following table presents an analysis of financial instruments carried at fair value. Each level is defined as follows.

Level 1: Fair value measured at quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured using direct or indirect observable inputs other than those in Level 1

Level 3: Fair value measured using unobservable inputs

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Debt instruments	1,338	—	—	1,338
Derivative assets	—	7	—	7
Other	—	109	816	925
Financial assets at measured fair value through other comprehensive income				
Equity financial instruments	35,416	—	3,172	38,588
Other	—	—	0	0
Total assets	36,753	116	3,988	40,857
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	216	—	216
Total liabilities	—	216	—	216

Fair value of listed shares is measured at quoted market prices on the stock exchange and is classified as Level 1 of the fair value hierarchy.

Fair value of derivative transactions is measured at an estimated value calculated using observable inputs such as exchange rates provided by counterparty financial institutions, and is classified as Level 2 of the fair value hierarchy.

Fair value of unlisted shares is measured using valuation techniques based on net asset value and is classified as Level 3 of the fair value hierarchy. The reasonableness of such valuations is verified by the accounting department and approved by the department manager. No significant changes in fair value due to changes in unobservable inputs are expected.

No material transfers between Level 1 and Level 2 of the fair value hierarchy were made during the current fiscal year.

The following table presents a reconciliation from the beginning balance to the ending balance of fair value measurements classified as Level 3 of the fair value hierarchy.

(Unit: Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Total
Beginning balance	3,444	546	3,990
Purchase	—	300	300
Profit (loss)	—	-5	-5
Other comprehensive income	-251	—	-251
Sale	-21	—	-21
Other	—	-25	-25
Ending balance	3,172	816	3,988

Profit (loss) related to the above financial assets is included in “finance income” and “finance costs” in the Consolidated Statements of Profit or Loss.

#### ◆ Per Share Information

Equity attributable to owners of parent per share: ¥9,213.91

Basic profit per share: ¥488.29

#### ◆ Notes to Significant Subsequent Events

Not applicable.



## ◆ Notes to Revenue Recognition

### 1. Revenue disaggregation

The Group's organization consists of divisions by business, namely Materials business and Solutions business, of which operating results are reviewed regularly by the Board meetings of the Company in order to allocate management resources and assess performance of operations. Earnings to be recorded from these businesses are presented as revenue. Revenue is disaggregated by region, according to the customers' locations. The relationship between disaggregated revenue and revenue posted under each of the reporting segments is as follows.

(Unit: Millions of yen)

	Japan	Asia	Europe	North America	Others	Total
Materials	108,437	87,223	70,280	23,392	16,357	305,689
Solutions	73,619	21,863	4,139	11,488	2,771	113,879
Total	182,056	109,085	74,418	34,880	19,128	419,568

Notes: 1. Revenue is classified by the customer's location, and country and regional segmentation is based on geographical proximity.

2. Major countries and regions of each area:

- (1) Asia: East and South East Asian countries
- (2) Europe: European countries
- (3) North America: North American countries
- (4) Others: Countries and regions except Asia, Europe, North America, and Japan

In the sales of products in the Materials business and the Solutions business, mainly when the control of product is transferred to the customer, that is, when the product is delivered to the customer, the legal and physical ownership of the product and material risks and rewards of ownership of such product are transferred to the customer, and the Group becomes entitled to receive payment from the customer. Therefore, revenue is recognized at that timing. Meanwhile, as the performance obligation for the sale of equipment for waste gas treatment in the Solutions business is satisfied over time, revenue is recognized in proportion to the progress of the performance obligations. The measurement of progress is based on the cost-to-cost method (an amount in proportion to the ratio of accumulated actual costs incurred to the estimated total costs at end of current period) as the Group believes that the accrual of cost is an appropriate measure of the degree of progress of the performance obligations.

Revenue from the sales of these products is measured at the transaction price according to the contract with customers. In addition, consideration for transactions are received within a year after satisfying performance obligations, and do not involve significant financial elements.

Effective from the current fiscal year, the Group has changed the three segments of Basic Chemicals, Functional Chemicals, and Environment & Catalysts to the two segments of Materials and Solutions. This is in line with the formulation of a new mid-term management plan that begins in the current fiscal year. The initiative is based on a change in the management control system to clarify the goals and strategies of the Materials business and the Solutions business and leverage their respective strengths in an aim to transform the business portfolio.

### 2. Contract balance outstanding

(Unit: Millions of yen)

Receivables arising from contract with customers	
Notes and accounts receivable - trade	96,666
Electronically recorded monetary claims - operating	1,914
Contract liability	97

For the current fiscal year, there is no materiality in the amount of revenue recognized from the performance obligation satisfied in past periods.

## Nonconsolidated Balance Sheets

(As of March 31, 2023)

(Unit: Millions of yen)

[Assets]	
<b>Current assets</b>	<b>161,910</b>
Cash and deposits	24,171
Notes receivable - trade	100
Accounts receivable - trade	73,200
Merchandise and finished goods	29,021
Work in process	4,094
Raw materials and supplies	18,987
Prepaid expenses	667
Short-term loans receivable from subsidiaries and associates	4,789
Accounts receivable - other	3,520
Other	3,360
<b>Non-current assets</b>	<b>199,722</b>
<b>Property, plant and equipment</b>	<b>81,139</b>
Buildings	19,987
Structures	8,299
Machinery and equipment	24,792
Vehicles	50
Tools, furniture and fixtures	2,643
Land	24,369
Construction in progress	5,238
Accumulated depreciation	-4,240
<b>Intangible assets</b>	<b>5,550</b>
Patent right	288
Leasehold right	120
Software	3,940
Telephone subscription right	15
Right of using facilities	6
Other	1,181
<b>Investments and other assets</b>	<b>113,034</b>
Investment securities	36,956
Shares of subsidiaries and associates	50,522
Investments in capital of subsidiaries and associates	9,696
Long-term loans receivable	418
Long-term loans receivable from subsidiaries and associates	3,505
Long-term prepaid expenses	1,212
Deferred tax assets	541
Lease and guarantee deposits	410
Prepaid pension cost	10,005
Other	198
Allowance for doubtful accounts	-428
<b>Total assets</b>	<b>361,632</b>

<b>[Liabilities]</b>	
<b>Current liabilities</b>	<b>67,173</b>
Accounts payable - trade	36,033
Short-term loans payable	6,267
Current portion of long-term loans payable	3,472
Accounts payable - other	9,671
Accrued expenses	1,285
Income taxes payable	2,863
Advances received	65
Deposits received	334
Provision for bonuses	3,303
Provision for directors' bonuses	131
Provision for repairs	3,506
Other	243
<b>Non-current liabilities</b>	<b>27,904</b>
Long-term loans payable	18,505
Provision for share-based payments	58
Provision for retirement benefits	8,628
Other	712
<b>Total liabilities</b>	<b>95,077</b>
<b>[Net assets]</b>	
<b>Shareholders' equity</b>	<b>254,716</b>
Capital stock	25,038
Capital surplus	22,071
Legal capital surplus	22,071
Retained earnings	216,833
Legal retained earnings	3,920
Other retained earnings	212,913
Reserve for dividends	760
Reserve for advanced depreciation of non-current assets	483
General reserve	157,665
Retained earnings brought forward	54,006
Treasury shares	-9,226
<b>Valuation and translation adjustments</b>	<b>11,839</b>
Valuation difference on available-for-sale securities	11,839
<b>Total net assets</b>	<b>266,555</b>
<b>Total liabilities and net assets</b>	<b>361,632</b>

Note: Amounts in the Nonconsolidated Financial Statements are rounded to the nearest million yen.

## Nonconsolidated Statements of Income

(April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

<b>Net sales</b>	<b>257,041</b>
Cost of sales	199,105
<b>Gross profit</b>	<b>57,936</b>
Selling, general and administrative expenses	43,076
<b>Operating profit</b>	<b>14,860</b>
<b>Non-operating income</b>	<b>10,172</b>
Interest and dividend income	5,898
Miscellaneous income	4,273
<b>Non-operating expenses</b>	<b>1,956</b>
Interest expenses	302
Miscellaneous loss	1,655
<b>Ordinary profit</b>	<b>23,075</b>
<b>Extraordinary income</b>	<b>463</b>
Gain on sales of investment securities	463
<b>Extraordinary losses</b>	<b>2,105</b>
Impairment losses	1,554
Loss on valuation of shares of subsidiaries and associates	551
<b>Profit before income taxes</b>	<b>21,433</b>
<b>Income taxes</b>	<b>4,250</b>
Income taxes - current	4,714
Income taxes - deferred	-463
<b>Profit</b>	<b>17,183</b>

Note: Amounts in the Nonconsolidated Statements of Income are rounded to the nearest million yen.

Nonconsolidated Statements of Changes in Equity  
(April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

	Shareholders' equity									
	Capital stock	Capital Surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other Retained earnings				Total Retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	25,038	22,071	0	22,071	3,920	760	484	157,665	44,474	207,302
Changes of items during period										
Dividends of surplus				—					-7,581	-7,581
Profit				—					17,183	17,183
Reversal of reserve for advanced depreciation of non-current assets				—			-1		1	—
Purchase of treasury shares				—						—
Disposal of treasury shares			-72	-72						—
Transfer from retained earnings brought forward to other capital surplus			71	71					-71	-71
Net changes of items other than shareholders' equity				—						—
Total changes of items during period	—	—	-0	-0	—	—	-1	—	9,532	9,531
Balance at end of current period	25,038	22,071	—	22,071	3,920	760	483	157,665	54,006	216,833

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-6,291	248,121	12,091	12,091	260,212
Changes of items during period					
Dividends of surplus		-7,581		—	-7,581
Profit		17,183		—	17,183
Reversal of reserve for advanced depreciation of non-current assets		—		—	—
Purchase of treasury shares	-3,007	-3,007		—	-3,007
Disposal of treasury shares	72	—		—	—
Transfer from retained earnings brought forward to other capital surplus		—		—	—
Net changes of items other than shareholders' equity		—	-252	-252	-252
Total changes of items during period	-2,935	6,595	-252	-252	6,343
Balance at end of current period	-9,226	254,716	11,839	11,839	266,555

Note: Amounts in the Nonconsolidated Statements of Changes in Equity are rounded to the nearest million yen.

(Reference)

Nonconsolidated Statements of Cash Flows  
(April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Profit before income taxes	21,433
	Depreciation	10,371
	Loss (gain) on sales of investment securities	-463
	Impairment losses	1,554
	Loss on valuation of shares of subsidiaries and associates	551
	Increase (decrease) in provision for retirement benefits	-310
	Decrease (increase) in prepaid pension costs	-819
	Interest and dividend income	-5,898
	Interest expenses	302
	Amortization of intangible assets	1,120
	Decrease (increase) in notes and accounts receivable - trade	4,203
	Decrease (increase) in inventories	-7,180
	Increase (decrease) in notes and accounts payable - trade	-1,186
	Other, net	-1,436
	Subtotal	22,242
	Interest and dividend income received	5,910
	Interest expenses paid	-301
	Income taxes (paid) refund	-4,795
	Net cash provided by (used in) operating activities	23,055
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-8,208
	Purchase of intangible assets	-1,382
	Proceeds from sales of investment securities	800
	Payments for investments in capital of subsidiaries and associates	-4,050
	Payments of loans receivable	-1,662
	Collection of loans receivable	5,710
	Other, net	-38
	Net cash provided by (used in) investing activities	-8,831
III	Cash flows from financing activities	
	Net increase (decrease) in short-term loans payable	-3,683
	Proceeds from long-term borrowings	9,000
	Repayments of long-term loans payable	-5,457
	Purchase of treasury shares	-3,007
	Cash dividends paid	-7,581
	Net cash provided by (used in) financing activities	-10,727
IV	Net increase (decrease) in cash and cash equivalents	3,497
V	Cash and cash equivalents at beginning of period	20,589
VI	Cash and cash equivalents at end of period	24,086

Note: Amounts in the Nonconsolidated Statements of Cash Flows are rounded to the nearest million yen.

## Notes to Nonconsolidated Financial Statements

### ◆ Significant Accounting Policies

#### 1. Basis and methods of valuation of assets

##### (1) Basis and methods of valuation of securities

###### 1) Shares of subsidiaries and associates:

Stated at cost, determined by the moving-average method.

###### 2) Other securities:

Securities other than nonmarketable securities, etc.:

Carried at fair value, based on market prices at fiscal year-end. (Unrealized holding gain or loss, net of the applicable income taxes, is reported as a separate component of net assets. Cost of securities sold is primarily determined by the moving average method).

Nonmarketable securities, etc.:

Primarily stated at cost, determined mainly by the moving average method.

##### (2) Basis and methods of valuation of inventories:

Inventories held for sale in the ordinary course:

Valued at cost, determined by the moving-average method (The book values are written down due to decreased profitability).

#### 2. Depreciation methods applicable to depreciable assets

##### (1) Property, plant and equipment:

By the straight-line method. Useful lives and residual values are calculated based on the same criteria as those stipulated under the Corporate Income Tax Law of Japan.

##### (2) Intangible assets:

By the straight-line method. Software (for internal use) is amortized by the straight-line method over the estimated useful life for internal use (five years).

#### 3. Method of providing allowances and provisions

##### (1) Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company reserves an amount based on the historical write-off ratio for normal accounts and amounts projected to be unrecoverable based on assessments for specific doubtful accounts such as claims with default possibility.

##### (2) Provision for bonuses:

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

##### (3) Provision for directors' bonuses:

To provide for payment of bonuses to directors, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

##### (4) Provision for repairs:

The Company provides an allowance for the cost of periodic repairs to large-scale production equipment based on estimates of the future cost of such repairs.

##### (5) Provision for share-based payments:

The Company provides an allowance for payments to Members of the Board and Executive Officers under the performance-linked stock compensation plan based on the estimated amount of benefits to be paid at the end of the current fiscal year.

##### (6) Provision for retirement benefits:

The Company provides an allowance for accrued retirement benefits to employees based on the retirement benefit obligation and the fair value of the pension plan assets as of the end of the fiscal year.

1) Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the way of attributing expected benefit to the periods up to this fiscal year-end.

2) Prior service cost is amortized by the straight-line method over a period (mostly over five years) which is within the estimated average remaining years of service of the eligible employees.



Actuarial gain or loss is amortized and charged to income in the year following the year in which such gain or loss is recognized by the straight-line method over a period (mostly over ten years) which is within the estimated average remaining years of service of the eligible employees.

#### 4. Standard for recognizing revenues and expenses

The Company's main business includes manufacturing and sales of products in the Materials business and the Solutions business. The Company recognizes revenue from the sale of these products upon delivery of the products to the customer, since the performance obligation is fulfilled because the customer obtains control over such products upon delivery of the products. Revenue is measured at the amount obtained after deducting price reductions, rebates, and sales returns from the transaction price in the contract with the customer.

Meanwhile, as the performance obligation for the sale of equipment for waste gas treatment in the Solutions business is satisfied over time, revenue is recognized in proportion to the progress of the performance obligations. The measurement of progress is based on the cost-to-cost method (an amount in proportion to the ratio of accumulated actual costs incurred to the estimated total costs at end of current period) as the Company believes that the accrual of cost is an appropriate measure of the degree of progress of the performance obligations.

#### 5. Other significant matters pertaining to the preparation of the financial statements

##### (1) Method of material hedge accounting

###### 1) Hedging method:

Deferred hedge treatment is adopted.

###### 2) Hedging instruments and risks hedged:

Hedging methods to which hedge accounting is applied and hedge targets are as follows.

###### a. Hedging instruments : Forward exchange contracts

Hedged risk: Foreign currency-denominated monetary assets and liabilities

###### b. Hedging instruments : Interest rate swaps

Hedged risk: Borrowing

###### 3) Hedging policy:

Our policy is to establish hedges for risks associated with movements in foreign exchange rates and interest rates. Derivatives are not used for more than the actual amount of the associated transactions and are never used for speculation.

###### 4) Evaluation method for the effectiveness of hedges:

The Company evaluates the effectiveness of hedges by directly linking the hedging instruments with market changes in hedging methods or changes in cash flows.

##### (2) Translation of assets and liabilities denominated in foreign currencies into Japanese Yen:

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate in effect at the consolidated balance sheet date, and any gains and losses resulting from the translation are credited or charged to income.

◆ Changes in Presentation

(Nonconsolidated Balance Sheets)

The Company renewed its core system in the current fiscal year, and took the opportunity to reclassify “accounts payable - trade” and “accounts payable - other” for better managing debt. Accordingly, 5,935 million yen presented in “accounts payable - trade” in the previous fiscal year is presented under “accounts payable - other.”

◆ Notes to Accounting Estimates

(Impairment of non-current assets)

In the current fiscal year, the Company conducted an assessment of recognition of impairment loss on property, plant and equipment, etc. of 1,532 million yen related to certain printing material products as the assets showed signs of impairment due to a decline in profitability caused by changes in the business environment. As a result, no impairment loss was recognized because the undiscounted future cash flows of the asset group exceeded the carrying amount.

The key assumptions used in the valuation of such undiscounted future cash flows are sales volumes and sales prices. Future sales volumes and sales prices are based on information obtained from customers, future market forecasts and other information. If the outlook of the future business environment differs from the assumptions, it may have a significant impact on the estimate of the recoverable amount of the above asset group.

◆ Notes to Nonconsolidated Balance Sheets

1. Monetary claims and liabilities relating to subsidiaries and associates	
Short-term monetary claims:	35,508 million yen
Long-term monetary claims:	3,516 million yen
Short-term monetary liabilities:	11,472 million yen
Long-term monetary liabilities:	22 million yen
2. Accumulated depreciation on property, plant and equipment:	302,922 million yen
3. Guarantee obligations and guarantee reservations and obligations	
Outstanding balance of guarantee obligations:	11,875 million yen
Outstanding balance of guarantee reservations and obligations:	3,060 million yen

With regard to 810 million yen within the guarantee obligations, reinsurance from another company has been secured.

◆ Notes to Nonconsolidated Statements of Income

Balance of transactions with subsidiaries and associates

Balance of operating transactions	
Net sales:	67,270 million yen
Total purchase of goods:	42,569 million yen
Balance of non-operating transactions:	7,216 million yen

◆ Notes to Nonconsolidated Changes in Shareholder's Equity

Class and number of shares of treasury stock at end of current period

Common stock: 1,486,460 shares

Note: The above shares includes 48,600 shares of the Company held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers.

◆Notes to Tax Effect Accounting

Major factors for deferred tax assets and liabilities

Deferred tax assets	
Shares of subsidiaries and associates	8,480 million yen
Depreciation (including impairment loss)	1,260 million yen
Provision for repairs	1,073 million yen
Land	1,015 million yen
Provision for bonuses	1,011 million yen
Investment securities	539 million yen
Other	1,505 million yen
Deferred tax assets subtotal:	14,883 million yen
Valuation allowance:	-9,003 million yen
Total deferred tax assets:	5,881 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	-4,706 million yen
Reserve for advanced depreciation of non-current assets	-213 million yen
Other	-421 million yen
Total deferred tax liabilities	-5,340 million yen
Deferred tax assets (liabilities), net	541 million yen

◆Notes with Regard to Business Partners

Subsidiaries and associates

Type	Subsidiary			Associates		
Name	NIPPON SHOKUBAI EUROPE N.V.	PT. NIPPON SHOKUBAI INDONESIA		Umicore Shokubai Japan Co., Ltd.		
Location	Antwerp, Kingdom of Belgium	Banten, Indonesia		Tokoname City, Aichi Prefecture, Japan		
Paid-in capital or equity stake	€243,000,000	US\$120,000,000		750 million yen		
Business description	Manufacturing of chemicals	Manufacturing of chemicals		Wholesale of chemicals		
Holding/held ratio of voting rights	Ownership Direct 100.0%	Ownership Direct 99.9%		Ownership Indirect 40.0%		
Relationship	Guarantor of obligations	Financial assistance Guarantor of obligations Concurrent director (1 director)		Supply of Nippon Shokubai Products (automotive catalysts) and related transactions		
Transactions	Guarantee reservations	Collection of loans	Guaranty of loans	Sale of automotive catalysts (Note 1)	Procurement of raw materials (Note 1)	
Amount (millions of yen)	3,060	3,457	10,255	28,177	27,261	
Category	—	Short-term loans receivable from subsidiaries and associates	Long-term loans receivable from subsidiaries and associates	—	Accounts receivable - trade	Accounts payable - trade
Amount at end of term (millions of yen)	—	3,472	3,505	—	10,187	6,986

(Note 1) Sales of products and procurement of raw materials have been determined with negotiated prices in light of market prices and costs.

(Note 2) In the above amount, consumption tax and other taxes are not included in the transaction amount or loans at the end of the fiscal period. Consumption tax and other taxes are included in accounts receivable-trade and accounts payable-trade in the amount at the end of the fiscal period.

◆Notes with Regard to Information Per Share

Net assets per share: 6,780.24 yen

Basic earnings per share: 432.67 yen

◆Notes on Significant Subsequent Events

Not applicable.

◆Notes on Revenue Recognition

The information that forms the basis for understanding revenues arising from contracts with customers is omitted as the same information is provided in “Notes to Revenue Recognition” in the Notes to Consolidated Financial Statements.