

To Shareholders

We would like to express our appreciation for your ongoing support of our business activities.

The world has rapidly adopted environmental policies with the aim of achieving carbon neutrality by 2050. The automotive industry, which represents our core business, is undergoing revolutionary change including year-on-year increases in vehicle electrification. In 2022, against the backdrop of these changes in the business environment, the Group introduced a new 10-year medium-term management plan called DK-One Next. This plan will increase our competitiveness in the automotive exhaust gas purifying catalyst business, which is projected to remain strong in the near future. Additionally, we have identified and are intensively allocating management resources to the strategic areas such as the energy area that contributes to carbon neutrality and the semiconductors/electronics and healthcare areas that are expecting growth. We will promote innovation and build an earnings base that is not dependent on specific industries through further strengthening our R&D system by opening a new R&D center at our Osaka Site, etc. In addition, through manufacturing intermediate materials in Vietnam, we are building a sustainable raw material procurement system that is resilient to geopolitical risks and further strengthening our unique integrated manufacturing system that begins with crude zirconium ore. These DK-One Next initiatives will create a business foundation of a 100-year company that will allow us to get over major changes in the business environment and to become an organization continuing to grow far into the future.

We appreciate the continued understanding and support of our shareholders.

Hiroshi Kokubu
Representative Director, Member of the Board;
President, Executive Officer

Management Philosophy

To pursue a continuous supply of valuable products for society, we need to utilize the hands of individuals who live a fulfilling life. In order to live a fulfilling life, we need to create a rewarding workplace – a place where we spend a significant part of our lives.

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Security Code 4082)

June 1, 2023

(Date of commencement of measures for electronic provision: May 26, 2023)

To Shareholders with Voting Rights:

Hiroshi Kokubu
Representative Director, Member of the
Board; President, Executive Officer
Daiichi Kigenso Kagaku Kogyo Co., Ltd.
4-4-9, Kitahama, Chuo-ku, Osaka

**NOTICE OF
THE 67TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

Please be informed that the 67th Annual General Meeting of Shareholders of Daiichi Kigenso Kagaku Kogyo Co., Ltd. (the “Company”) will be held as described below.

In convening this General Meeting of Shareholders, measures for electronic provision have been taken and, matters to be provided electronically are posted as materials for the General Meeting of Shareholders (excluding Voting Rights Exercise Form) on the Company’s website on the Internet indicated below.

- The Company’s website:

<https://www.dkkk.co.jp/english/ir/library/>

In addition to the above, the information is also posted on the website on the Internet indicated below. Please access the website indicated below, enter “Daiichi Kigenso Kagaku Kogyo” in the “Issue name (company name)” field or the Company’s securities code “4082” in the “Code” field and click “Search,” select “Basic information,” then “Documents for public inspection/PR information,” and read the information.

- Tokyo Stock Exchange website (TSE Listed Company Search):

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

Instead of attending the meeting, you can exercise your voting rights in writing or via electromagnetic means (such as the Internet). Please review the Reference Documents for the General Meeting of Shareholders included in the matters to be provided electronically, and exercise your voting rights by following the Guide to Exercising Voting Rights on page 4 of the Notice by 5:30 p.m. on Wednesday, June 21, 2023, Japan time.

1. Date and Time: Thursday, June 22, 2023 at 10:00 a.m. Japan time (reception starts at 9:30 a.m.)

2. Place: 1-20 Oyodo-Naka 1-Chome, Kita-ku, Osaka
The Westin Osaka (banquet room Karin on the 4th floor)
(Please refer to the “Access to the Venue of General Meeting of Shareholders” attached at the end of this document.)

3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company’s 67th Fiscal Year (April 1, 2022 - March 31, 2023) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 67th Fiscal Year (April 1, 2022 - March 31, 2023)

Proposals to be resolved:

- Proposal 1:** Election of Six Directors
Proposal 2: Election of Three Audit & Supervisory Board Members
Proposal 3: Election of One Substitute Audit & Supervisory Board Member
- ~~~~~

- ◎Should matters to be provided electronically require revisions, the revised versions will be posted on the websites indicated above.
- ◎Pursuant to the provisions of applicable laws and regulations and Article 13 of the Articles of Incorporation of the Company, documents sent to shareholders who have requested the paper copy do not include the matters listed below. Therefore, the said documents are part of the documents that were audited by Audit & Supervisory Board Members and the Accounting Auditor to prepare the respective audit reports. Consolidated Statement of Changes in Equity, Non-consolidated Statement of Changes in Equity, and Notes to the Non-consolidated Financial Statements
- ◎Courtesy gifts to attending shareholders are abolished. We ask for your kind understanding.

[Request for shareholders attending the meeting]

1. Please note that we may take reasonable measures during the operation of the General Meeting of Shareholders, etc., if deemed unavoidable, in order to prevent the spread of COVID-19.
2. Operating staff members at the General Meeting of Shareholders will be wearing face masks during the event.

We would appreciate your understanding and cooperation in light of the current situation.

Guide for Shareholders Who Wish to Ask Questions

The Company will accept questions in advance through one of the following methods.

Of the questions received, those that we believe will be of great interest to shareholders will be discussed at the General Meeting of Shareholders.

Please access the dedicated question website from the URL or QR Code, and fill in the “Inquiry Form.”

URL: <https://q.srdb.jp/4082/>

QR Code:

Period for Pre-questions: **Friday, June 2, 2023 to Wednesday, June 14, 2023, by 5:30 p.m. (Japan time)**

*Please note that we will not respond to individual inquiries received in advance.

*Questions that could not be addressed at the General Meeting of Shareholders will be used for future reference.

*Any costs arising from accessing the question website (Internet connection fees, telecommunication fees, etc.) shall be the responsibility of shareholders.

Guide to Exercising Voting Rights

Exercising voting rights via the Internet

Please access the Voting Right Exercise Website designated by the Company and indicate your vote for or against the proposals **by 5:30 p.m. on Wednesday, June 21, 2023 (Japan time)**.

Please refer to “Guide to Exercising Voting Rights via the Internet” in the Japanese version of this document.

Exercising voting rights in writing

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and send the Form back so that it will be received **no later than 5:30 p.m. on Wednesday, June 21, 2023 (Japan time)**.

If your vote for or against a proposal is not indicated on the Voting Rights Exercise Form, it will be treated as if you voted for that proposal.

Exercising voting rights by attending the Meeting in person

Please submit the enclosed Voting Rights Exercise Form at the reception desk.

(Reception will be opened at 9:30 a.m.)

Please also bring this notice with you on the day.

Please be advised that persons other than shareholders (e.g., a proxy who is not a shareholder, a non-shareholder accompanying a shareholder) are not allowed to attend the General Meeting of Shareholders.

* For multiple exercises of voting rights:

- (1) If voting rights are exercised both via the Internet and in writing, only the exercise via the Internet shall be treated as valid.
- (2) If voting rights are exercised multiple times via the Internet, the last exercise will be treated as valid. If voting rights are exercised more than once on your computer, smartphone, etc., the last exercise will be treated as valid.

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Election of Six Directors

The terms of office of all of the six Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of six Directors is proposed.

The candidates are as follows:

No.		Name	Current positions, responsibilities and significant concurrent positions
1	Reappointment	Hiroshi Kokubu	Representative Director, Member of the Board; President, Executive Officer
2	Reappointment	Kimio Ouchi	Director, Member of the Board; Managing Executive Officer Representative Director, I.D.U. Co., Ltd. Representative Director, DKK Logistics Corporation
3	Reappointment	Tsuyoshi Inoue	Director, Member of the Board; Senior Advisor
3	Reappointment Outside Independent	Toshiyuki Umehara	Outside Director, Member of the Board Independent Officer Outside Director, Fuji Oil Holdings Inc. Outside Director, ShinMaywa Industries, Ltd. Representative Director, UNIRAKU Co., Ltd. Executive Director of National University Corporation Hokkaido University Project Professor of Keio University
4	Reappointment Outside Independent	Junichi Tanaka	Outside Director, Member of the Board Independent Officer
6	New appointment Outside Independent	Naomi Tobita	Outside Director, T.D.I. CO., LTD.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	<p data-bbox="197 629 403 689">Hiroshi Kokubu (February 26, 1972)</p> <p data-bbox="197 723 403 801">Term of office as Director: 10 years (at close of this meeting)</p> <p data-bbox="197 835 403 913">Attendance at Board of Directors meetings: 14/14 (100%)</p>	<p data-bbox="432 320 1278 376">Apr. 1995 Joined the Sanwa Bank, Ltd. (currently the MUFG Bank, Ltd.)</p> <p data-bbox="432 383 863 409">Oct. 2004 Joined the Company</p> <p data-bbox="432 416 1177 465">June 2009 Branch Manager (Tokyo sales Office), Sales and Marketing Division</p> <p data-bbox="432 472 1086 499">Mar. 2011 General Manager, Procurement Division</p> <p data-bbox="432 506 1198 555">June 2013 Director, Member of the Board; General Manager, Procurement Division</p> <p data-bbox="432 562 1278 611">Jul. 2014 Vice President, Shandong Guangyin DKK New Materials Co., Ltd.</p> <p data-bbox="432 618 1262 674">Jul. 2014 Vice President, Shandong Guangyin DKK Environment Technology Co., Ltd.</p> <p data-bbox="432 680 911 707">Apr. 2016 Director, I.D.U. Co., Ltd.</p> <p data-bbox="432 714 1278 801">Apr. 2016 Director, Member of the Board; General Manager, Sales and Marketing Division and Responsible for Procurement Division, the Company</p> <p data-bbox="432 808 1246 835">Dec. 2017 President, DKK (Shanghai) Materials Trading Co., Ltd.</p> <p data-bbox="432 842 1198 891">Apr. 2019 Director, Member of the Board; General Manager, Operational Unit, the Company</p> <p data-bbox="432 898 1198 947">Apr. 2020 Managing Director, Member of the Board; General Manager, Operational Unit</p> <p data-bbox="432 954 1230 1010">June 2020 Director, Member of the Board; Managing Executive Officer, General Manager, Operational Unit</p> <p data-bbox="432 1016 1230 1066">Apr. 2022 Director, Member of the Board; Managing Executive Officer</p> <p data-bbox="432 1072 1278 1128">Jun. 2022 Representative Director, Member of the Board; President, Executive Officer (current position)</p>	91,894
<p data-bbox="197 1211 703 1238">[Reason for nomination as candidate for Director]</p> <p data-bbox="197 1245 1461 1469">Hiroshi Kokubu was elected as Director in June 2013 and has been serving as Representative Director, Member of the Board; President, Executive Officer since June 2022. Previously, he was responsible for the sales and procurement divisions and was widely involved in the management of overseas affiliated companies, and has contributed to the development of the Company's global management. Moreover, he made efforts as the leader in the formulation of the current medium-term management plan, "DK-One Next," and has been energetically promoting the "six pillars" since May 2022 in his capacity as the person responsible for its execution. We nominate Hiroshi Kokubu as a Director, Member of the Board of the Company for re-election because we believe that his leadership is necessary to achieve "DK-One Next" and "Becoming a 100-year Company" and to continuously enhance the Group's corporate value.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	<p data-bbox="225 674 373 734">Kimio Ouchi (July 1, 1967)</p> <p data-bbox="193 768 405 853">Term of office as Director: 15 years (at close of this meeting)</p> <p data-bbox="188 891 413 976">Attendance at Board of Directors meetings: 14/14 (100%)</p>	<p data-bbox="432 320 549 349">Apr. 1992</p> <p data-bbox="432 349 549 378">Sep. 2006</p> <p data-bbox="432 416 549 445">Apr. 2008</p> <p data-bbox="432 445 549 474">June 2008</p> <p data-bbox="432 512 549 542">Apr. 2011</p> <p data-bbox="432 580 549 609">Apr. 2013</p> <p data-bbox="432 674 549 703">Sep. 2013</p> <p data-bbox="432 768 549 797">Apr. 2016</p> <p data-bbox="432 925 549 954">Jul. 2017</p> <p data-bbox="432 992 549 1021">Apr. 2018</p> <p data-bbox="432 1117 549 1146">Apr. 2019</p> <p data-bbox="432 1184 549 1214">June 2020</p> <p data-bbox="416 1245 759 1274">[Significant concurrent positions]</p> <ul data-bbox="416 1274 1174 1335" style="list-style-type: none"> • Representative Director, Member of the Board, I. D. U. Co., Ltd. • Representative Director, Member of the Board, DKK Logistics Co., Ltd. 	77,305
<p data-bbox="193 1341 708 1370">[Reason for nomination as candidate for Director]</p> <p data-bbox="193 1370 1437 1576">Kimio Ouchi was elected as Director in June 2008. He has been supervising the technology and marketing divisions. Moreover, he was early to recognize global logistics issues as important business issues and contributed to the establishment of DKK Logistics Co., Ltd. In July 2017, he assumed the office of Representative Director, Member of the Board of DKK Logistics Co., Ltd., and has been contributing to the Group's global development. In 2023, he has also become responsible for risk management. We nominate Kimio Ouchi as a Director, Member of the Board of Directors of the Company for re-election because we believe that his experience and track record in terms of both business promotion and risk management are necessary for the Group's sustainable development.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	<p>Tsuyoshi Inoue (May 27, 1960)</p> <p>Term of office as Director: 16 years (at close of this meeting)</p> <p>Attendance at Board of Directors meetings: 14/14 (100%)</p>	<p>Apr. 1986 Joined Sumitomo Electric Industries, Ltd.</p> <p>Sep. 2000 Joined the Company</p> <p>Mar. 2005 General Manager, Equipment Division</p> <p>June 2007 Director, Member of the Board; General Manager, Equipment Division</p> <p>June 2008 Director, Member of the Board; General Manager, Corporate Planning Office</p> <p>Mar. 2010 Executive Vice President, Member of the Board</p> <p>June 2010 President</p> <p>June 2020 Representative Director, Member of the Board; President, Executive Officer</p> <p>June 2022 Director, Member of the Board; Senior Advisor (current position)</p> <p>[Significant concurrent positions]</p> <ul style="list-style-type: none"> • Outside Director (Audit & Supervisory Committee Member), TAYCA CORPORATION (scheduled to assume the office on June 27, 2023) 	799,954
<p>[Reason for nomination as candidate for Director]</p> <p>Tsuyoshi Inoue assumed the office of the Company's Representative Director, Member of the Board, and President in June 2010 and has been responsible for the management of the Group for 12 years. During that period, he played a central role in promoting management structure reform and improvement of the revenue base, and achieved the recovery of financial performance after its slump, despite a challenging business environment amid the COVID-19 pandemic, by executing the medium-term management plan. Since he assumed the office of Director, Member of the Board and Senior Advisor in 2022, he has been vigorously involved in activities in business circles, such as the Kansai Economic Federation. We nominate Tsuyoshi Inoue as a Director, Member of the Board of the Company for re-election because we believe that his extensive experience, track record, and knowledge will contribute to the Group's sustainable development.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	<p>Toshiyuki Umehara (September 3, 1957)</p> <p>Term of office as Director: 1 year (at close of this meeting)</p> <p>Attendance at Board of Directors meetings: 11/11 (100%)</p>	<p>Apr. 1984 Joined Nitto Denko Corporation</p> <p>June 2010 Vice President</p> <p>June 2015 Board Member, Executive Vice President, General Manager of Automotive Products Sector</p> <p>Apr. 2018 Board Member, Senior Executive Vice President, CTO, CIO, General Manager of Corporate Technology Sector</p> <p>June 2019 Representative Director, Senior Executive Vice President, CTO, General Manager of Corporate Technology Sector</p> <p>July 2020 Executive Director of National University Corporation Hokkaido University (current position)</p> <p>Aug. 2020 Project Professor of Keio University (current position)</p> <p>June 2021 Outside Director, Fuji Oil Holdings Inc. (current position)</p> <p>June 2022 Outside Director, Member of the Board, the Company (current position)</p> <p>June 2022 Outside Director, ShinMaywa Industries, Ltd. (current position)</p> <p>Dec. 2022 Representative Director, UNIRAKU Co., Ltd. (current position)</p> <p>[Significant concurrent positions]</p> <ul style="list-style-type: none"> • Outside Director, Fuji Oil Holdings Inc. • Outside Director, ShinMaywa Industries, Ltd. • Representative Director, UNIRAKU Co., Ltd. • Executive Director of National University Corporation Hokkaido University • Project Professor of Keio University 	0
<p>[Reason for nomination as candidate for Outside Director and overview of expected roles]</p> <p>Toshiyuki Umehara is a candidate for Outside Director as set forth in Article 2, Paragraph 3, Item 7 of the Regulations for Enforcement of the Companies Act. At Nitto Denko Corporation, he worked for many years as an engineer and as a business director, contributing to the promotion of that company's business. Further, he promoted the implementation of technology-oriented management, which is a strength of Nitto Denko Corporation, as CTO and promoted the strengthening of the information area as CIO, and he possesses abundant experience and a high degree of insight in these areas. The Company expects that, at the Group, from an independent stance as an Outside Director, he will draw on his abundant experience and wide-ranging knowledge as a manager of a manufacturing company that deploys global business to contribute to the decision-making and supervisory functions of the Board of Directors in the promotion of the Company's business going forward, and nominates Toshiyuki Umehara as an Outside Director, Member of the Board of the Company for re-election.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
	Junichi Tanaka (January 2, 1957) Term of office as Director: 1 year (at close of this meeting) Attendance at Board of Directors meetings: 11/11 (100%)	Apr. 1979 Jan. 2008 June 2013 June 2016 June 2022	Joined Fukui Murata Manufacturing Co., Ltd. General Manager of Finance Department, Murata Manufacturing Co., Ltd. Standing Statutory Auditor Director, Audit and Supervisory Committee Member (Full-time, Chief of the Committee) Outside Director, Member of the Board, the Company (current position)	0
5	<p>[Reason for nomination as candidate for Outside Director and overview of expected roles]</p> <p>Junichi Tanaka is a candidate for Outside Director as set forth in Article 2, Paragraph 3, Item 7 of the Regulations for Enforcement of the Companies Act.</p> <p>He was engaged in accounting, finance, and other areas for many years at Murata Manufacturing Co., Ltd. and that company's Group companies in Europe and Asia. He served as General Manager of the Finance Department of Murata Manufacturing, and he had abundant operational experience, mainly in the finance field. Also, as a standing statutory auditor and as a director and audit and supervisory committee member, he worked on the strengthening of that company's audit structure, and he has abundant experience and a high degree of insight into corporate governance. The Company expects that, at the Group, from an independent stance as an Outside Director, he will draw on his experience and a high degree of expertise in administration and operational systems overseas and as a standing statutory auditor and director, audit and supervisory committee member to supervise the Company's global management and Group control in the administrative divisions that support it, and that he will contribute to the strengthening of the decision-making and supervisory functions of the Board of Directors, and nominates Junichi Tanaka as an Outside Director, Member of the Board of the Company for re-election.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
6	Naomi Tobita (July 3, 1962)	<p>Apr. 1986 Joined BANDAI CO., LTD.</p> <p>Aug. 2009 Executive Officer, General Manager, Girls Toy Division, BANDAI CO., LTD.</p> <p>Apr. 2012 Director; General Manager, Play Toy Division; Chief Tamagotchi Officer (CTO), BANDAI CO., LTD.</p> <p>Apr. 2018 Managing Director, Bandai Namco Business Arc Inc.; Deputy Division General Manager, Administrative Headquarters, Bandai Namco Holdings Inc.</p> <p>Sep. 2022 Outside Director, T.D.I. CO., LTD. (current position)</p> <p>[Significant concurrent positions] • Outside Director, T.D.I. CO., LTD.</p>	0
<p>[Reason for nomination as candidate for Outside Director and overview of expected roles]</p> <p>Naomi Tobita is a candidate for Outside Director as set forth in Article 2, Paragraph 3, Item 7 of the Regulations for Enforcement of the Companies Act. She worked at BANDAI CO., LTD. for many years and served as a manager of a development division and a business division and a director of BANDAI CO., LTD. and its affiliated companies. The Company expects that she will contribute to the strengthening of the decision-making and supervisory functions of the Board of Directors, as well as to the vitalization of the organization and the development of human resources, drawing on her extensive experience in business operations and corporate management and based on a female approach and perspective, and nominates her as an Outside Director, Member of the Board of the Company for election.</p>			

(Notes)

- No conflict of interest exists between the Company and any of the above Director candidates.
- The number of shares of the Company held does not include the number of shares held through the Officers Stock Ownership Plan.
- Toshiyuki Umehara, Junichi Tanaka and Naomi Tobita are candidates for Outside Director. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company entered into agreements with Toshiyuki Umehara and Junichi Tanaka to limit their liability for damages prescribed in Article 423, Paragraph 1 of the same Act. The amount of their respective total maximum liability for damages under the said agreement is the higher of 5,000,000 yen or the minimum liability amount prescribed in Article 425, Paragraph 1 of the same Act. The Company plans to continue the said agreement with Toshiyuki Umehara and Junichi Tanaka if they are reelected as proposed and the Company plans to enter into a similar agreement with Naomi Tobita if she is elected as proposed.
The Company has designated Toshiyuki Umehara and Junichi Tanaka as independent officers of the Company pursuant to the rules of the Tokyo Stock Exchange with appropriate filings of the designation with the Exchange, and plans to make the same filing for Naomi Tobita.
- The Company has concluded a directors and officers liability insurance contract with an insurance company as set forth in Article 430-3, Paragraph 1 of the Companies Act to cover statutory damages and litigation fees incurred by the insured. Each candidate will be insured under the insurance contract. The Company plans to retain the insurance contract with the same terms and conditions at the time of renewal.
- If the candidates for Director are elected as proposed, the Company plans to enter into an indemnification agreement with each of them pursuant to the provisions of Article 430-2, Paragraph 1 of the Companies Act, under which the Company will indemnify them for the expenses set forth in Paragraph 1 and losses set forth in Paragraph 2 of the same article to the extent provided by laws and regulations.

(Reference) Skills Matrix

The Company implements the basic policy of nominating candidates for Director mainly considering the balance of credentials and experience, diversity, etc. In addition to the procedure, this is set forth in “Rules for Officers.” To achieve sustainable growth and enhance corporate value toward becoming a 100-year company and to prepare for changes in the business environment, we have identified the six pillars to work on (new business creation, earnings structure reform, innovative manufacturing, results-oriented organization, corporate culture advancement, and sustainability initiatives) under the new medium-term management plan, “DK-One Next.” The Company has identified the skills that are necessary to achieve these goals and has nominated candidates with appropriate knowledge and experience in these areas. The skills matrix of candidates for Director concerning the identified skills is as follows.

Position	Name		Business Management	Sales, Marketing	Research, Development	Production, Technology	Global Business	Finance, Accounting	Law, Risk Management	Organizations, Human Resources Development	Sustainability, Environment	DX
	Independent	Outside										
Representative Director, Member of the Board; President, Executive Officer			○	○			○				○	
Director, Member of the Board; Managing Executive Officer			○	○	○		○		○		○	
Director, Senior Advisor			○			○						
Outside Director, Member of the Board	●	●	○		○	○	○				○	○
Outside Director, Member of the Board	●	●	○				○	○				
Outside Director, Member of the Board	●	●	○							○		

(Notes) 1. The system is after the resolution of the 67th Annual General Meeting of Shareholders and the Board of Directors meeting held on the same day.

2. The knowledge and experience listed above show only typical skills instead of all the knowledge and experience.

Proposal 2: Election of Three Audit & Supervisory Board Members

The terms of office of all of the three Audit & Supervisory Board Members will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of three Audit & Supervisory Board Members is proposed.

The consent of the Audit & Supervisory Board has been obtained for this proposal.

The candidates are as follows:

No.		Name	Significant concurrent positions
1	Reappointment Outside Independent	Hiroshi Kawaguchi	
2	Reappointment Outside Independent	Yoshinori Tsuda	Representative Director and Partner, ASUKA Consulting INC. Representative, Yoshinori Tsuda CPA Office Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION
3	New appointment Outside Independent	Ayako Oura	Partner attorney-at-law, Noguchi & Partners

No.	Name (Date of birth)	Past experience, positions, and significant concurrent positions		Number of shares of the Company held
1	Hiroshi Kawaguchi (December 17, 1955)	Jan. 1979	Joined Watabe Ishoten K.K. (currently WATABE Wedding Corporation)	6,400
	Term of office as Audit & Supervisory Board member: 4 years (at close of this meeting)	May 1995	General Manager, Accounting Department, Administration Division, Watabe Wedding Corporation	
		Dec. 2000	General Manager, Financial Department, Administration Division, Watabe Wedding Corporation	
	Attendance at Board of Directors meetings: 14/14 (100%)	Jun. 2002	Full-time Corporate Auditor, Watabe Wedding Corporation	
		Jun. 2005	Director & Director of Executive Office, Watabe Wedding Corporation	
		Jun. 2011	Standing Auditor, SHINOBU FOODS PRODUCTS CO., LTD.	
	Attendance at Audit & Supervisory Board meetings: 13/13 (100%)	Jun. 2019	Standing Audit & Supervisory Board Member, the Company (current position)	
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member]</p> <p>Hiroshi Kawaguchi is a candidate for Outside Company Auditor as set forth in Article 2, Paragraph 3, Item 8 of the Regulations for Enforcement of the Companies Act. He has a wealth of knowledge of not only financial affairs and accounting but also corporate management in general, having had many years of experience in financial and administration divisions at a company and having served as director and auditor. Since he assumed the office of Audit & Supervisory Board Member of the Company in 2019, he has conducted operational audits including auditing the execution of duties by Directors as well as accounting audits, etc. as the Company's Standing Audit & Supervisory Board Member, making the most of his extensive knowledge and experience, broad personal connections and deep insight. We expect that he can continue to appropriately fulfill the duties of Audit & Supervisory Board Member and thus nominate Hiroshi Kawaguchi as an Outside Audit & Supervisory Board Member for re-election.</p>				

No.	Name (Date of birth)	Past experience, positions, and significant concurrent positions		Number of shares of the Company held
2	<p>Yoshinori Tsuda (August 18, 1972)</p> <p>Term of office as Audit & Supervisory Board member: 12 years (at close of this meeting)</p> <p>Attendance at Board of Directors meetings: 14/14 (100%)</p> <p>Attendance at Audit & Supervisory Board meetings: 13/13 (100%)</p>	<p>Apr. 1995</p> <p>Apr. 1998</p> <p>Aug. 2007</p> <p>Aug. 2007</p> <p>June 2011</p> <p>June 2013</p> <p>June 2016</p> <p>[Significant concurrent positions]</p>	<p>Joined Chuo Audit Corporation (Renamed to Misuzu Audit Corporation in September 2006)</p> <p>Registered as Certified Public Accountant</p> <p>Representative Director and Partner, ASUKA Consulting INC. (current position)</p> <p>Established Yoshinori Tsuda CPA Office (current position)</p> <p>Audit & Supervisory Board Member, the Company (current position)</p> <p>Outside Audit & Supervisory Board Member, YAMAZEN CORPORATION</p> <p>Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION (current position)</p> <ul style="list-style-type: none"> • Representative Director and Partner, ASUKA Consulting INC. • Representative, Yoshinori Tsuda CPA Office • Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION 	10,800
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member] Yoshinori Tsuda is a candidate for Outside Company Auditor as set forth in Article 2, Paragraph 3, Item 8 of the Regulations for Enforcement of the Companies Act. He has advanced accounting, tax and financial knowledge and experience, having served as a Certified Public Accountant for many years. In addition, he is also in a management executive position at a company, playing an active role as a representative director of a consulting firm in the field of accounting. Since assuming the office of Outside Audit & Supervisory Board Member of the Company in 2011, he has conducted operational and accounting audits by making the most of his extensive knowledge and experience, broad personal connections and deep insight especially in the field of accounting. We expect that he can continue to appropriately fulfill the duties of Outside Audit & Supervisory Board Member of the Company and thus nominate Yoshinori Tsuda as an Outside Audit & Supervisory Board Member for re-election.</p>				

No.	Name (Date of birth)	Past experience, positions, and significant concurrent positions	Number of shares of the Company held
3	Ayako Oura (July 4, 1979)	<p>Oct. 2004 Registered as attorney-at-law (Osaka Bar Association)</p> <p>Oct. 2004 Attorney-at-law, Amano Law Offices</p> <p>May 2010 Graduated with an LLM degree from Boston University School of Law</p> <p>Sep. 2010 In-house counsel at a foreign company</p> <p>Apr. 2011 Admitted to the New York State Bar Association</p> <p>Nov. 2011 Returned to Amano Law Offices</p> <p>Aug. 2012 Partner, Noguchi & Partners (current position)</p> <p>[Significant concurrent positions]</p> <ul style="list-style-type: none"> • Partner, Noguchi & Partners 	0
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member]</p> <p>Ayako Oura is a candidate for Outside Company Auditor as set forth in Article 2, Paragraph 3, Item 8 of the Regulations for Enforcement of the Companies Act. She is an attorney-at-law and we believe that she will be able to conduct audits by utilizing her sophisticated legal expertise concerning the legal compliance of the decision-making process of the Company's Board of Directors and the execution of duties by Directors and others. Moreover, because she specializes in labor law and has experience as an in-house counsel, we expect that she will vigorously offer her opinions to strengthen the labor management and compliance of the Group and to hedge risk appropriately in order to further develop the Group's global management, and thus nominate Ayako Oura as an Outside Audit & Supervisory Board Member for election.</p>			

(Notes)

1. No conflict of interest exists between the Company and any of the above Audit & Supervisory Board Member candidates.
2. The number of shares of the Company held does not include the number of shares held through the Officers Stock Ownership Plan.
3. Hiroshi Kawaguchi, Yoshinori Tsuda and Ayako Oura are candidates for Outside Audit & Supervisory Board Member.
4. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company entered into agreements with Hiroshi Kawaguchi and Yoshinori Tsuda to limit their liability for damages prescribed in Article 423, Paragraph 1 of the same Act. The amount of their respective total maximum liability for damages under the said agreement is the higher of 5,000,000 yen or the minimum liability amount prescribed in Article 425, Paragraph 1 of the same Act. The Company plans to continue the said agreement with Hiroshi Kawaguchi and Yoshinori Tsuda if they are reelected as proposed and the Company plans to enter into a similar agreement with Ayako Oura if she is elected as proposed.
5. The Company has designated Hiroshi Kawaguchi and Yoshinori Tsuda as independent officers of the Company pursuant to the rules of the Tokyo Stock Exchange with appropriate filings of the designation with the Exchange, and plans to make the same filing for Ayako Oura.
6. The Company has concluded a directors and officers liability insurance contract with an insurance company as set forth in Article 430-3, Paragraph 1 of the Companies Act to cover statutory damages and litigation fees incurred by the insured. Each candidate will be insured under the insurance contract. The Company plans to retain the insurance contract with the same terms and conditions at the time of renewal.
7. If the candidates for Audit & Supervisory Board Member are elected as proposed, the Company plans to enter into an indemnification agreement with each of them pursuant to the provisions of Article 430-2, Paragraph 1 of the Companies Act, under which the Company will indemnify them for the expenses set forth in Paragraph 1 and losses set forth in Paragraph 2 of the same article to the extent provided by laws and regulations.

(Reference) Criteria for Independence of Outside Officers

1. The Board of Directors of the Company recognizes that its Outside Directors*¹ or Outside Audit & Supervisory Board Members*² pursuant to the provisions of the Companies Act and the Regulation for Enforcement of the Companies Act (hereinafter collectively referred to as “Outside Officers”) are independent in cases where Outside Officers do not fall under any of the following:
 - (1) An executive*³ of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”);
 - (2) A counterparty to whom the Group is a major business client*⁴ or an executive thereof;
 - (3) A major business client of the Group*⁵ or an executive thereof;
 - (4) A major shareholder (i.e., a shareholder whose direct or indirect holding of voting rights accounts for 10% or more of the total number of voting rights) of the Company or an executive thereof;
 - (5) An executive of an investee in which the Group is a large investor (i.e., investee whose voting rights held by the Company account for 10% or more of the total number of voting rights);
 - (6) A director (limited to a person who executes operations) or other executive of an organization that receives a donation or grant exceeding a certain amount (i.e., 10 million yen per year on average over the past three years or 30% of the annual total expenses of such organization, whichever is higher) from the Group;
 - (7) An executive of a financial institution or other major creditor that is indispensable for the Company in raising funds and depended upon by the Company to the extent that there is no substitute;
 - (8) An attorney, certified public accountant, certified tax accountant or consultant who has received monetary or other property benefits in the amount of 10 million yen or more per year on average over the past three years other than officer compensation from the Group;
 - (9) A certified public accountant or an executive, partner or employee of an audit corporation serving as an accounting auditor or accounting advisor of the Company or its subsidiaries;
 - (10) An executive at another company in which an executive of the Group is currently serving or has served in the past three years as an outside officer;
 - (11) A person who has fallen under (1) above in the past ten years;
 - (12) A person who has fallen under (2) through (10) above in the past three years; or
 - (13) A person who falls under (1) through (12) above who is a close relative, etc.*⁶ of an important executive.*⁷
2. Being an independent officer requires that the person essentially be free of risk of conflict of interest with ordinary shareholders of the Company as a whole at all times in circumstances other than the factors taken into consideration in (1) through (12) above.
3. Upon the election of an independent officer, the recommendation or consent of at least one independent Director or independent Audit & Supervisory Board Member must be obtained.

*1 “Outside Director” means “Outside Director” as defined in Article 2, item (xv) of the Companies Act.

*2 “Outside Audit & Supervisory Board Member” means “Outside Company Auditor” as defined in Article 2, item (xvi) of the Companies Act.

*3 “Executive” means “Executive” as defined in Article 2, paragraph (3), item (vi) of the Regulation for Enforcement of the Companies Act.

*4 “A counterparty to whom the Group is a major business client” means a party who received from the Group payments accounting for 2% or more of said party’s annual consolidated gross sales in the latest fiscal year.

*5 “A major business client of the Group” means a business client to whom the amount of sales of the Group to such business client in the latest fiscal year accounted for 2% or more of the Group’s consolidated net sales.

*6 “Close relative, etc.” means a relative within the second degree of kinship and an interested person who shares living expenses.

*7 “Important executive” means an executive director, person responsible for a division, or other people who execute important operations.

Proposal 3: Election of One Substitute Audit & Supervisory Board Member

In order for the Company to maintain uninterrupted auditing activities even in the event where the number of Audit & Supervisory Board Members fails to meet the quorum requirement, the Company proposes the election of Takao Mizuno as substitute Outside Audit & Supervisory Board Member.

This resolution may be canceled by the Board of Directors' resolution with the consent of Audit & Supervisory Board only before Takao Mizuno's assumption of office.

This Proposal has obtained the Audit & Supervisory Board's prior consent.

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

Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
Takao Mizuno (February 14, 1962)	Mar. 1987 Joined the Company Apr. 2012 General Manager, Quality Assurance Division Apr. 2013 General Manager, General Affairs Division Apr. 2019 Deputy General Manager, Administration Unit; Site Manager, Osaka Site Apr. 2020 Deputy General Manager, Administration Unit (current position)	26,100
[Reason for nomination as candidate for substitute Audit & Supervisory Board Member] Since joining the Company, Takao Mizuno has experienced technology divisions serving as General Manager of Production Management Center, and Assistant General Manager of Technology Division, having held key positions in management divisions including General Manager of Quality Assurance Division, General Manager of General Affairs Division, Deputy General Manager of Administration Unit, and Site Manager of Osaka Site. The Company considers that he has sufficient knowledge and experience in taking up the role of Audit & Supervisory Board Member of the Company, and thus nominates Takao Mizuno again as a candidate for substitute Audit & Supervisory Board Member.		

(Notes)

1. The number of shares of the Company held does not include the number of shares held through the Employee Stock Ownership Plan.
2. Takao Mizuno has been elected as a substitute Audit & Supervisory Board Member at the 66th Annual General Meeting of Shareholders.
3. No conflict of interest exists between the Company and the above candidate.
4. Should Takao Mizuno assume office as Audit & Supervisory Board Member, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to enter into an agreement with him to limit his liability for damages prescribed in Article 423, Paragraph 1 of the same Act. The amount of his respective total maximum liability for damages under the said agreement is the minimum liability amount prescribed in Article 425, Paragraph 1 of the same Act.
5. The Company has concluded a directors and officers liability insurance contract with an insurance company as set forth in Article 430-3, Paragraph 1 of the Companies Act to cover statutory damages and litigation fees incurred by the insured. Should Takao Mizuno assume office as Audit & Supervisory Board Member, he will be included among the insureds under this contract.
6. If Takao Mizuno assumes office as Audit & Supervisory Board Member, the Company plans to enter into an indemnification agreement with him pursuant to the provisions of Article 430-2, Paragraph 1 of the Companies Act, under which the Company will indemnify him for the expenses set forth in Paragraph 1 and losses set forth in Paragraph 2 of the same article to the extent provided by laws and regulations.

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Business Report

(April 1, 2022 - March 31, 2023)

1. Overview of the Corporate Group

(1) Business Progress and Results

In the fiscal year ended March 31, 2023, while the economic and social turmoil caused by the spread of COVID-19 remained unresolved, the global economy experienced supply chain disruptions spurred by economic sanctions in line with the persistent Russian invasion of Ukraine and restrictions on activities in China under its zero-COVID policy. In addition, tight monetary policy became the norm in order to curb rising inflation, raising concerns about a global economic slowdown.

In the automotive industry, which is the Group's major customer, each automaker was forced to cut automotive production compared to their plans due to prolonged supply chain disruptions, but improvement was seen supported by tax reduction policies such as the Vehicle Purchase Tax in China. As a result, cumulative global sales volume of light vehicles in 2022 was virtually unchanged from the previous year (down 0.6% from the previous year).

In the Group, in addition to a recovery in in-vehicle applications such as automotive catalysts, secondary batteries, oxygen sensors, and brakes, sales of structural members for industrial use and kitchen ceramics materials remained strong.

As a result of the above, net sales for the fiscal year under review were 35,748 million yen (up 21.7% from the previous year, achievement rate was 98.8%, but 1.2% short of the forecast of 36,200 million yen) due mainly to increases in sales prices resulting from sharp rises in raw material prices and the impact of exchange rate changes attributable to a weaker yen, despite a 6.1% year-on-year decrease in sales volume. Operating profit was 5,391 million yen (up 43.0% from the previous year and 5.7% over the forecast of 5,100 million yen) due mainly to the impact of sales of inventories, which were strategically increased in the previous fiscal year and not affected by raw material market conditions and yen depreciation, and the foreign exchange impact. Ordinary profit was 5,969 million yen (down 0.5% from the previous year and 8.5% over the forecast of 5,500 million yen) and profit attributable to owners of parent was 4,020 million yen (up 117.4% from the previous year and 13.3% over the forecast of 3,550 million yen) due mainly to the recording of foreign exchange gains on foreign currency denominated assets.

Financial Highlights of the 67th term (Fiscal Year Ended March 31, 2023 (Consolidated))

	Results	Year-on-year Change
Net sales	35.7 billion yen	21.7%
Operating profit	5.3 billion yen	43.0%
Operating profit margin	15.1%	2.3%
Profit before income taxes	5.8 billion yen	64.3%
Profit attributable to owners of parent	4.0 billion yen	117.4%
Basic earnings per share	165.40 yen	117.2%

Notes: 1. The Company plans to issue year-end dividends of 16 yen per share for the fiscal year ended March 31, 2023

2. The year-on-year change in operating profit margin of 2.3% is the difference from the previous fiscal year's result of 12.8%.

Catalysts

Major Applications

Environmental Catalysts

- Automotive exhaust gas purification catalysts
- NOx removal catalysts

Industrial Catalysts

- Petroleum refining catalysts
- Reforming/shift/partial oxidation catalysts

Sales volume of the Group's core product, materials for exhaust gas purifying catalysts, was below the previous year's level, owing to the sluggish automobile sales in Europe and the United States, and the shift to electrification of automobiles in China in line with the government's tax reduction policy. On the other hand, net sales increased due to higher sales prices resulting from sharp rises in raw material prices and the foreign exchange impact of a weaker yen.

As a result of the above, net sales of catalyst applications in the consolidated fiscal year under review were 22,370 million yen (up 26.6% compared with the previous fiscal year, and achievement rate was 99.9%, but 0.1% short of the forecast of 22,400 million yen).

Electronic materials and oxygen sensors

Major Applications

Electronic materials

- Ceramic capacitors
- Piezoelectric elements

Oxygen sensors

- Oxygen sensors for automobiles
- Oxygen sensors for steelmaking

Optical applications

- Lens coatings
- Lens materials
- Antireflective coatings

Sales volume of electronic materials was below the previous year's level, reflecting a downturn in the telecommunication device market, especially in China, in addition to the fact that the worldwide stay-at-home demand in the COVID-19 pandemic has nearly saturated for electronic components such as piezoelectric elements and layered ceramic capacitors (MLCC) and optical materials.

Sales of secondary battery materials increased from the previous year, thanks to higher sales volume driven by the enforcement of the Inflation Reduction Act in the United States, despite the impact of the existence of two types of cathodes and inventory adjustments due to lockdowns, mainly in the Chinese market.

Oxygen sensor materials, which are used in combination with materials for exhaust gas purifying catalysts, were also affected by the common market environment and sales volume weakened compared with automobile sales volume.

As a result of the above, net sales of electronic materials and oxygen sensor applications in the consolidated fiscal year under review were 3,193 million yen (up 10.9% compared with the previous fiscal year, but 6.1% short of the forecast of 3,400 million yen).

Fine ceramics

Major Applications

Structural materials

- Cutting tools for household use (kitchen knives, scissors)
- Cutting tools for industrial use (paper converting machines, textile machines)
- Grinding media
- Ferrules
- Dental materials
- Bearings

Fuel cells

- Solid electrolytes for fuel cells

Sales of structural members for industrial use were firm, capturing the increased demand in growth fields. Sales of dental materials were above the pre-pandemic levels in line with economic normalization in developed countries and market expansion in emerging countries. Sales volume of kitchen ceramics materials continued to increase owing to a recovery in demand from inbound visitors, in addition to the expansion of sales channels of the final products.

Sales volume of fuel cell materials exceeded the previous year's level, driven by increased demand in the North American market.

As a result of the above, net sales of fine ceramics applications in the consolidated fiscal year under review were 3,965 million yen (up 14.9% compared with the previous fiscal year and 1.7% over the forecast of 3,900 million yen).

Refractories and brake materials

Major Applications

Refractories

- Continuous-casting nozzles
- Setters for firing electronic parts

Brake materials

- Automobile brake pads

Ceramic pigments

- Pigments for ceramics

Sales volume of refractory materials were lower than the previous year as a result of inventory adjustments in the supply chain, as a result excess inventory in 2021 when global crude steel production exceeded demand.

Sales of brake materials increased due to higher sales prices resulting from sharp rises in raw material prices, although sales volume was lower than the previous year due to the impact of automotive production cutbacks and also largely affected by restrictions on activities under China's zero-COVID policy.

As a result of the above, net sales of refractories and brake materials applications in the consolidated fiscal year under review were 3,482 million yen (up 14.1% compared with the previous fiscal year, but 2.2% short of the forecast of 3,930 million yen).

Other

Major Applications

Cesium flux

- Flux for aluminum brazing

Other

- High-quality paper coatings
- Adsorbents
- Paint drying materials

Sales volume of cesium compounds, including cesium flux used in the brazing of aluminum pipes, exceeded the previous year's level as their demand is recovering both for household appliance and automobile applications.

Although sales volume of the products other than cesium-related products was below the previous year's level, net sales increased, affected by higher sales prices resulting from sharp rises in raw material prices.

As a result of the above, net sales of other applications in the consolidated fiscal year under review were 2,376 million yen (up 18.9% year-on-year and 7.5% short of the forecast of 2,570 million yen).

(2) Capital Expenditures

The total amount of capital expenditures conducted in the fiscal year under review was 4,385 million yen. The main expenditures were as follows:

- | | |
|--|-------------------|
| · Redevelopment of Osaka Site | 1,187 million yen |
| · Construction of new factory at Vietnamese subsidiary | 1,796 million yen |

(3) Financing

In the fiscal year under review, the Group procured 7,120 million yen in long-term borrowings, and repaid 500 million yen in short-term borrowings and 3,448 million yen in long-term borrowings.

(4) Issues to Be Addressed

Initiatives by individual countries toward achieving global carbon neutrality are accelerating, and sales volume of internal combustion engine vehicles is bound to decline.

Amid such major changes in the business environment, the Company will promote the creation of new business, reforms of its revenue structure, the realization of innovative manufacturing, the implementation of organization-building that will continue to produce results, the further cultivation of the Kigenso way, and sustainability initiatives in its efforts to respond to changes in the environment.

Under these circumstances, we will address the following issues in our efforts toward further business expansion and the strengthening of our earnings foundations.

1) Strengthening activities to create new businesses and to develop strategic areas

In response to carbon neutrality initiatives worldwide and the shift toward electric vehicles in the automotive industry, the Company has positioned the energy field, which will contribute to carbon neutrality, and the semiconductor, electronics, and healthcare fields, which are expected to grow, as strategic areas, and is channeling resources into these fields. We will open an R&D Center at the Osaka Site to further strengthen our R&D system so as to promote innovation and establish an earnings base that is not dependent on specific industries.

2) Strengthening of the capability to generate cash and improvement of profitability

We will enhance our profitability and asset efficiency to continue to maintain the Group's stable management foundations over the medium- to long-term. We will further promote the improvement and reform of production processes to reduce costs, and work on the enhancement of the operation efficiency and optimization of inventories and receivables and payables by utilizing IT systems, etc.

3) Strengthening of supply chain for procurement of zirconium compounds

To address the current situation, in which production of zirconium oxychloride, a zirconium intermediate, is skewed toward China, we have been promoting a business in Vietnam for the production of zirconium oxychloride using zirconium ore mined in Vietnam, thus strengthening the Group's supply chain for zirconium compounds. To achieve this, we will establish production systems at the new site and strive for stable procurement of zirconium ore.

* Refer to "Allowance for doubtful accounts on long-term accounts receivable - other" for the information on the loss concerning the investment in the Vietnamese mine, which was recorded for the fiscal year ended March 31, 2023 on page 49 of this Report.

4) Response to reduce greenhouse gas emissions

The reduction of greenhouse gas emissions to counter climate change is a global challenge, and we consider it as a key issue for the Group to address. While steadily engaging in ongoing activities to reduce energy consumption, we will identify emissions across the entire supply chain and pursue specific initiatives to reduce our greenhouse gas emissions over the medium- to long-term to achieve the medium- to long-term reduction targets.

5) Building foundations where our diverse people can shine

For the Group to continue to grow while creating new values, it is essential that it secure and develop diverse human resources. Therefore, we will promote the active participation of women, the internationalization of our workforce, and the active promotion of young personnel. To build the foundations to enable our diverse people to play active roles, we will enhance the systems to facilitate diverse workstyles and conduct education and training to encourage them to make the best use of their

abilities.

- 6) Strengthening of organizational capabilities and human resources development to continue growth
For the Group to continue growth while achieving good results, we believe it is important to strengthen the organizational capabilities, develop human resources, and create a corporate culture that values a challenging spirit. To this end, we will promote organizational reform, strengthening of management capabilities, establishment of systems that promote growth and taking up challenges, creation of a mechanism for development of next-generation leaders, and reform and cultivation of the corporate culture.

(5) Trends in Assets and Income

(In millions of yen, unless otherwise specified.)

Item	The 64th fiscal year ended March 31, 2020	The 65th fiscal year ended March 31, 2021	The 66th fiscal year ended March 31, 2022	The 67th fiscal year ended March 31, 2023 (Fiscal year under review)
Net sales	26,518	23,465	29,365	35,748
Operating profit	3,102	2,131	6,000	5,969
Profit attributable to owners of parent	2,348	1,235	1,849	4,020
Basic earnings per share (yen)	96.90	50.91	76.15	165.40
Total assets	51,201	56,256	58,043	66,004
Total net assets	29,531	30,784	31,816	36,151

Notes: 1. Basic earnings per share is calculated based on the average number of shares outstanding (excluding treasury shares) during the fiscal year.

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and "Implementation Guidance on Revenue Recognition" (ASBJ Guidance No.30, March 26, 2021) from the beginning of the 66th fiscal year.

(6) Material Subsidiaries

Company name	Capital or Equity	Ratio of voting rights	Principle business
VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY	VND 808,618 million	99.99%	Manufacture and sale of zirconium oxychloride
DKK (Shanghai) Materials Trading Co., Ltd.	CNY 4.2 million	66.67%	Sale of zirconium compounds
DKK Thai Materials Trading Co., Ltd.	THB 10 million	99.99%	Sale of zirconium compounds, etc.
DKK America Materials, Inc.	USD 1 million	100.00%	Sale of zirconium compounds, etc.
DKK Logistics Corporation	JPY 50 million	51.00%	Warehousing, general cargo trucking

(7) Principal Business (as of March 31, 2023)

The Group manufactures and sells zirconium, cesium, and rare earth compounds.

(8) Principal Business Locations (as of March 31, 2023)

Business location name		Location	
Head Office		Osaka-shi, Osaka	
Sales offices and distributors			
Business location name		Location	
Tokyo Office		Chiyoda-ku, Tokyo	
DKK (Shanghai) Materials Trading Co., Ltd.		Shanghai, People's Republic of China	
DKK Thai Materials Trading Co., Ltd.		Bangkok, Thailand	
DKK America Materials, Inc.		Michigan, USA	
Factories			
Business location name		Location	
Osaka Site		Osaka-shi, Osaka	
Gotsu Site		Gotsu-shi, Shimane	
Fukui Site		Fukui-shi, Fukui	
VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY		Bà Rịa-Vũng Tàu Province, Vietnam	
Associated Companies			
Company name	Location	Capital or Equity	Business purposes
I.D.U. Co., Ltd.	Kochi-shi, Kochi	JPY 50 million	Manufacture of electromelting stabilized zirconium oxide
Shandong Guangyin DKK New Materials Co., Ltd.	Shandong, China	CNY 98.00 million	Production and sale of materials for fine ceramics
Shandong Guangyin DKK Environment Technology Co., Ltd.	Shandong, China	CNY 27.86 million	Collection, production and sale of rare metals

(9) Employees (as of March 31, 2023)

1) Employees of the Corporate Group

Number of employees	Year-on-year increase (decrease)
569	+36

Notes: 1. The number of employees is the number of people employed in the Group.

2. The number of employees does not include 31 contract workers, 17 part-timers, and 57 temporarily dispatched workers.

2) Employees of the Company

	Number of employees	Year-on-year increase (decrease)	Average age	Average years of service
Male	385	+3	38.8	14.7 years
Female	50	+7	37.4	10.7 years
Total or Average	435	+10	38.7	14.2 years

Notes: 1. The number of employees is the number of people employed in the Company.

2. The number of employees does not include 31 contract workers, 17 part-timers, and 57 temporarily dispatched workers.

3. 17 people on temporary assignment to associated companies are not included.

(10) Major Lenders (as of March 31, 2023)

Lender	Borrowing outstanding (million yen)
MUFG Bank, Ltd.	5,635
Japan Bank for International Cooperation	4,005
Sumitomo Mitsui Banking Corporation	3,359
Development Bank of Japan Inc.	3,133
THE SAN-IN GODO BANK, LTD.	2,850
Resona Bank, Limited	2,187
The Fukui Bank, Ltd.	1,988
Nippon Life Insurance Company	1,175
Sumitomo Mitsui Trust Bank, Limited	896

(11) Other important matters concerning the current state of the Group
Not applicable

2. Shares of the Company (as of March 31, 2023)

(1)	Total number of shares authorized to be issued	97,600,000 shares
(2)	Total number of shares outstanding	24,400,000 shares
(3)	Number of shareholders	13,866 persons
(4)	Major shareholders (top ten shareholders)	

Shareholder's name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,559,100	10.52
Katsuhiko Kokubu	1,210,000	4.98
Daiichi Kigenso Kagaku Kogyo CO., Ltd. Employees Stock Ownership Plan	1,149,400	4.73
Custody Bank of Japan, Ltd. (Trust account)	1,090,300	4.48
Iwatani Corporation	861,000	3.54
Junko Inoue	810,000	3.33
Tsuyoshi Inoue	799,954	3.29
Tomoyuki Kokubu	687,700	2.83
Tadashi Terada	383,001	1.58
Koji Nakamara	340,000	1.40

Note: Shareholding ratio has been calculated after exclusion of treasury shares (83,180 shares) and rounded to two decimal places.

- (5) Shares granted to Company officers in the fiscal year under review as consideration for execution of duties

Category	Number of shares held	Number of persons granted shares
Directors (excluding Outside Directors)	16,865 shares	3
Outside Directors	—	—

3. Share Acquisition Rights, etc. (as of March 31, 2023)

Not applicable.

4. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2023)

Position	Name	Responsibilities and significant concurrent positions
Representative Director, Member of the Board; President, Executive Officer	Hiroshi Kokubu	
Director, Member of the Board; Managing Executive Officer	Kimio Ouchi	Representative Director, I.D.U. Co., Ltd. Representative Director, DKK Logistics Corporation
Director, Senior Advisor	Tsuyoshi Inoue	
Director, Member of the Board	Akira Okumura	
Director, Member of the Board	Toshiyuki Umehara	Outside Director, Fuji Oil Holdings Inc. Outside Director, ShinMaywa Industries, Ltd. Representative Director, UNIRAKU Co., Ltd. Executive Director of National University Corporation Hokkaido University Project Professor of Keio University
Director, Member of the Board	Junichi Tanaka	
Standing Audit & Supervisory Board Member	Hiroshi Kawaguchi	
Audit & Supervisory Board Member	Nobuhiro Nishii	Representative Director, KJS Company LTD. Representative Director, TCS Ltd.
Audit & Supervisory Board Member	Yoshinori Tsuda	Representative Director and Partner, ASUKA Consulting INC. Representative, Yoshinori Tsuda CPA Office Outside Director (Audit and Supervisory Committee Member), YAMAZEN CORPORATION

- Notes: 1. Directors Akira Okumura, Toshiyuki Umehara and Junichi Tanaka are Outside Directors. Furthermore, the Company has registered each of them as independent officers pursuant to the regulations set forth by the Tokyo Stock Exchange.
2. Audit & Supervisory Board Members Hiroshi Kawaguchi, Nobuhiro Nishii, and Yoshinori Tsuda are Outside Audit & Supervisory Board Members. Furthermore, the Company has registered each of them as independent officers pursuant to the regulations set forth by the Tokyo Stock Exchange.
3. There are no special relationships of particular note with the corporations, etc. where Director Toshiyuki Umehara and Audit & Supervisory Board Members Nobuhiro Nishii and Yoshinori Tsuda hold significant concurrent positions.
4. Audit & Supervisory Board Members Hiroshi Kawaguchi, Nobuhiro Nishii, and Yoshinori Tsuda have a considerable amount of knowledge about finance and accounting, as detailed below.
- Audit & Supervisory Board Member Hiroshi Kawaguchi has experience serving as General Manager of the Accounting Department and General Manager of the Financial Department at his previous concurrent employer, Watabe Ishoten K.K. (currently Watabe Wedding Corporation).
 - Audit & Supervisory Board Member Nobuhiro Nishii has experience serving as General Manager of the Accounting Department and Director and General Manager of the Accounting Department at his previous concurrent employer, NICHINOKEN Kansai Co., Ltd.
 - Audit & Supervisory Board Member Yoshinori Tsuda is the Representative Director and Partner of ASUKA Consulting INC. and is qualified as a certified public accountant.

5. The Company has introduced an executive officer system, and the Executive Officers are as follows.

Position	Name	Responsibilities and significant concurrent positions
Representative Director, Member of the Board; President, Executive Officer	Hiroshi Kokubu	
Director, Member of the Board; Managing Executive Officer	Kimio Ouchi	Representative Director, I.D.U. Co., Ltd. Representative Director, DKK Logistics Corporation
Managing Executive Officer	Isao Okazaki	General Manager, Operational Unit Vice President, Shandong Guangyin DKK New Materials Co., Ltd. Vice President, Shandong Guangyin DKK Environment Technology Co., Ltd. Director, VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY
Senior Executive Officer	Tadashi Terada	General Manager, Administration Unit
Senior Executive Officer	Masayuki Itahashi	General Manager, Corporate Planning Division Director, VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY
Executive Officer	Hiroshi Okamoto	General Manager, R&D Unit
Executive Officer	Keita Kodama	President, VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY

(2) Agreement on Limitation of Liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with Akira Okumura, Toshiyuki Umehara, Junichi Tanaka, Hiroshi Kawaguchi, Nobuhiro Nishii, and Yoshinori Tsuda to limit their liability for damages prescribed in Article 423, Paragraph 1 of the same Act. The amount of their total maximum liability for damages under these agreements is the higher amount of 5,000,000 yen or the minimum liability amount prescribed in Article 425, Paragraph 1 of the same act.

(3) Summary of Directors and Officers Liability Insurance Contract

The Company and the Directors, Audit & Supervisory Board Members, and Executive Officers have concluded a directors and officers liability insurance contract with an insurance company as set forth in Article 430-3, Paragraph 1 of the Companies Act, with the Company paying all insurance premiums.

The contents of this contract are as follows: with the major executives, including the Directors, Audit & Supervisory Board Members, and Executive Officers, as the insured and the entire world as the applicable territory, in the event that a claim for damages is made by a shareholder, company, employee, or other third party against the insured based on an act that the insured committed in the course of his or her duties, the policy will cover the damages and costs of litigation. However, damages, etc., caused by criminal acts such as bribery or an intentional breach are not covered by the policy, and as such, measures have been implemented to ensure that the properness of the execution of duties by the insured is maintained.

(4) Compensation of Officers

1) Policy for the determination of compensation of Directors

The Company considers the officers' compensation system to be a key pillar of its corporate governance. To ensure that the officers' compensation system leads to the ongoing enhancement of corporate value, the Compensation Committee, chaired by an Outside Director, has formulated an officers' compensation policy, incorporating objective perspectives and the suppression of an over-emphasis on short-term intent, and this policy has been decided by the Board of Directors.

A summary of the contents of the policy is as follows:

- a. the system should be designed to reflect the Company's medium- to long-term management strategies, while at the same time providing strong motivation for medium- to long-term growth;
- b. the system's level of compensation and design should enable the Company to secure outstanding talent globally, stimulate motivation for growth among that talent, who will be the next generation of management, and be able to increase the dynamism of the organization;
- c. the system should be one in which company performance and individual performance are reflected directly and quantitatively in compensation, to strengthen the links to performance and raise incentive.

Compensation of inside (full-time) Directors comprises fixed, variable, and share-based compensation. The variable compensation comprises performance-linked compensation, using the degree of achievement of net sales and ordinary profit as indicators, and individual evaluation-based compensation. The percentage of performance-linked compensation is set higher the higher ranked the position, in proportion with management responsibilities. The Compensation Committee conducts ongoing deliberation and monitoring of the suitability of the level and composition of officers' compensation and the appropriateness of the compensation determination process, etc.

Regarding the decisions on individual compensation amounts for the fiscal year under review, based on recommendations from the Compensation Committee and upon deliberation of the Board of Directors, the Board of Directors has determined that those decisions are in line with the policy.

Due to the need to ensure independence so that they will fulfill their respective roles appropriately, compensation of Outside Directors is by fixed compensation only. Compensation of Audit & Supervisory Board Members is also by fixed compensation only, from a perspective of emphasizing independence from management and objectivity. Compensation for Audit & Supervisory Board Members is decided by consultation of the Audit & Supervisory Board.

2) Resolution of the General Meeting of Shareholders regarding compensation of Directors and Audit & Supervisory Board Members

The amount of monetary compensation for Directors of the Company was approved at the 47th Annual General Meeting of Shareholders held on May 14, 2003 to be no more than 500 million yen per year. There were six (6) Directors at the time of the conclusion of that General Meeting. Further, at the 63rd Annual General Meeting of Shareholders held on June 25, 2019, a resolution was passed for compensation by granting restricted stock of up to 100 million yen per year to Directors (excluding Outside Directors), separately from the aforementioned 500 million yen compensation limit. There were six (6) Directors at the time of the conclusion of that General Meeting.

The amount of monetary compensation for Audit & Supervisory Board Members was approved at the 47th Annual General Meeting of Shareholders held on May 14, 2003 to be no more than 100 million yen per year. There was one (1) Audit & Supervisory Board Member at the time of the conclusion of that General Meeting. The number of Audit & Supervisory Board Members was increased to three (3) at an Extraordinary General Meeting of Shareholders held on November 7, 2003.

3) Delegation of decisions on the compensation, etc. of individual directors

Not applicable.

4) Compensation, etc. of officers

Officer Category	Total compensation amount (Thousand yen)	Total amount by type of compensation, etc. (Thousand yen)			Number of eligible officers
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors [of whom Outside Directors]	162,009 [32,400]	90,550 [32,400]	53,361 [—]	18,098 [—]	8 [5]
Audit & Supervisory Board Members [of whom Outside Audit & Supervisory Board Members]	27,000 [27,000]	27,000 [27,000]	— [—]	— [—]	3 [3]

Note: The two Outside Directors who retired at the conclusion of the 66th Annual General Meeting of Shareholders held on June 23, 2022 are included in the above table.

5) Performance-linked compensation

Variable compensation for inside (full-time) Directors is paid based on company performance and individual evaluation.

Indicators of company performance are ones that directly show company performance. The indicators used for internal targets, namely net sales and ordinary profit, are used as the indicators for performance-linked compensation. Net sales and ordinary profit were chosen because they are the most appropriate indicators of contribution to the improvement of the Group's performance and to the enhancement of corporate value and also because the Company determined that, being clear and objective indicators, they would enable greater transparency of performance-linked compensation. Net sales for the fiscal year under review amounted to 35,748 million yen and ordinary profit to 5,969 million yen. The forecasts for net sales and ordinary profit disclosed at the beginning of the fiscal year are set as "net sales criterion" and "ordinary profit criterion" respectively, and compensation amounts are decided based on the degree to which net sales and ordinary profit results achieved these criteria. Regarding the calculation method, the compensation amount in the event that the indicators achieved 100% of the criteria is set as the "compensation base amount," and the net sales portion of the compensation amount is calculated by increasing or decreasing a pre-determined compensation base amount for the net sales portion by 10% for every 2.5% increase or decrease from the net sales criterion. The ordinary profit portion of the compensation amount is calculated by increasing or decreasing a pre-determined compensation base amount for the ordinary profit portion by 10% for every 5% increase or decrease from the operation profit criterion. The upper limit of the compensation amount for both the net sales portion and the operating profit portion is up to 200% of the compensation base amounts.

Regarding individual evaluation-based compensation, the Representative Director and President/Executive Officer evaluates the degree to which each Director (excluding the President/Executive Officer) achieved his or her goals for the fiscal year under review and the state of their efforts toward them. After the Compensation Committee has confirmed the validity of those evaluations, the compensation amounts are decided at the Board of Directors. In the event that business performance deteriorates and net profit margin falls significantly, restrictions on the payment of variable compensation may be established in line with the net profit margin.

Variable compensation based on results of the fiscal year is to be paid as bonuses for the fiscal year under review.

6) Non-monetary compensation

In an effort to further share value with shareholders, inside (full-time) Directors were granted share-based compensation. The main details are as follows.

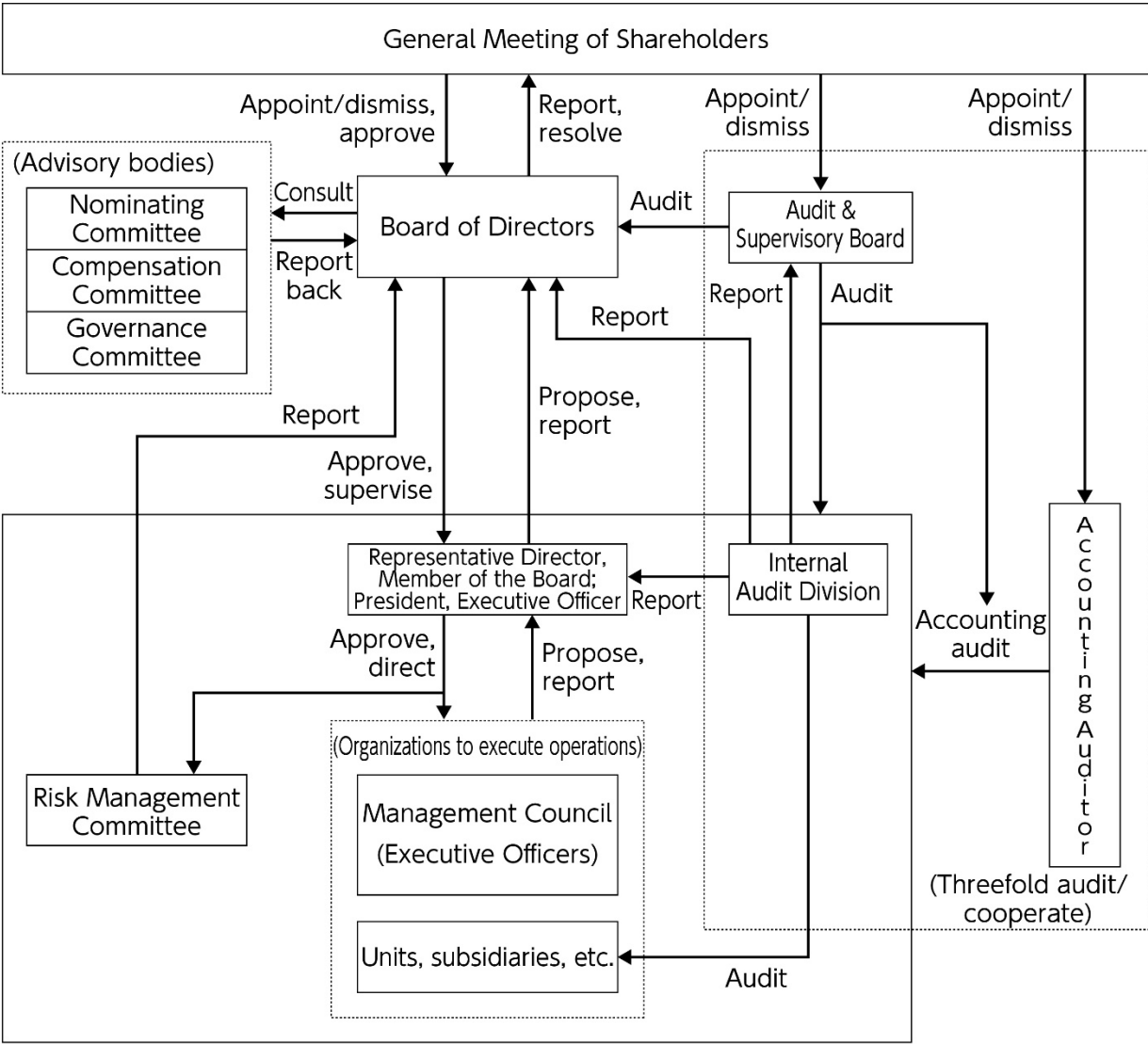
Eligible parties	Directors (excluding Outside Directors)
Share compensation limit	No more than 100 million yen per year
Share-based compensation for individual Directors	Fixed amount is set according to job responsibilities
Type of shares allocated and allocation method	Issue or disposition of ordinary shares
Total number of shares to be allocated	Total of no more than 100,000 shares per year
Transfer restriction period	30 years from date of allocation
Handling at time of resignation	In the event that a Director or Audit & Supervisory Board Member of the Company ceases to hold that position before the expiration of the transfer restriction period, the Company shall rightfully acquire the allocated shares without consideration, except in cases where the position was vacated due to expiration of term of office, death, or other valid reason.
Conditions for lifting of restrictions on transfer	Restrictions shall be lifted with the expiration of the transfer restriction period. However, in the event that a Director or Audit & Supervisory Board Member of the Company ceases to hold that position before the expiration of the transfer restriction period due to expiration of term of office, death, or other valid reason, the restrictions on transfer will be lifted.

An overview of the details and granting of this share-based compensation is as described in 2. Shares of the Company.

(5) Main Activities of Outside Officers

Position	Name	Major activities
Outside Director	Akira Okumura	Mr. Okumura attended all 14 Board of Directors meetings. Leveraging his wealth of experience and knowledge related to sales and supply chains and his experience as a representative director of a global company, he actively expressed his opinions in the Board of Directors and elsewhere on issues such as the importance of promoting global warming mitigation and other environmental initiatives and focusing on and strengthening business that can contribute to resolution of social issues, and demonstrated a supervisory function. His comments at the Board of Directors meetings, etc. played a key role in increasing the Company's business competitiveness and in the enhancement of corporate value. He also served as the Chair of the Nomination Committee and as a member of the Compensation Committee and the Governance Committee.
	Toshiyuki Umehara	Mr. Umehara attended all 11 Board of Directors meetings held after his assumption of office as Director. Leveraging his wealth of experience and knowledge in the technology and information fields and his experience as a representative director of a global company, he actively expressed his opinions in the Board of Directors and elsewhere on issues such as the Group's business operations in general, enhancement of quality and safety awareness, human resources development and education, and investment decisions and their verification, and demonstrated a supervisory function. His comments at the Board of Directors meetings, etc. played a key role in increasing the Company's business competitiveness and in the enhancement of corporate value. He also served as the Chair of the Compensation Committee and as a member of the Nomination Committee and the Governance Committee.
	Junichi Tanaka	Mr. Tanaka attended all 11 Board of Directors meetings held after his assumption of office as Director. Leveraging his wealth of experience and knowledge mainly in the finance field and his experience as a full-time auditor and a director (Audit & Supervisory Committee member) of other companies, he expressed opinions at the Board of Directors meetings and elsewhere centering on the Group's control, and demonstrated a supervisory function. His comments at the Board of Directors meetings, etc. played a key role in increasing the Company's business competitiveness and in the enhancement of corporate value. He also served as the Chair of the Governance Committee and as a member of the Nomination Committee and the Compensation Committee.
Outside Audit & Supervisory Board Member	Hiroshi Kawaguchi	Mr. Kawaguchi attended all 14 Board of Directors meetings and all 13 Audit & Supervisory Board meetings. He made appropriate comments where necessary, based on his experience and insights as director and Audit & Supervisory Board member at listed companies. He also served as a member of the Governance Committee.
	Nobuhiro Nishii	Mr. Nishii attended all 14 Board of Directors meetings and all 13 Audit & Supervisory Board meetings. He made appropriate comments where necessary, based on his experience and insights gained in the administration divisions of financial institutions and listed companies. He also served as a member of the Governance Committee.
	Yoshinori Tsuda	Mr. Tsuda attended all 14 Board of Directors meetings and all 13 Audit & Supervisory Board meetings. He made comments where necessary, based on his expertise as a Certified Public Accountant and experience as an outside officer at other companies. He also served as a member of the Governance Committee.

Corporate Governance Structure



5. Accounting Auditor

(1) Accounting Auditor's Name

Deloitte Touche Tohmatsu LLC

Ernst & Young ShinNihon LLC, resigned as Accounting Auditor of the Company at the conclusion of the 66th Annual General Meeting of Shareholders held on June 23, 2022, due to expiration of its term of office. Deloitte Touche Tohmatsu LLC was appointed as Accounting Auditor of the Company by the resolution of the said General Meeting of Shareholders and assumed office.

(2) Accounting Auditor's Compensation, etc.

	Amount Paid
Accounting Auditor's compensation, etc., for the fiscal year ended March 31, 2023	32,500,000 yen
Cash and other profits payable by the Company or its subsidiaries to Accounting Auditor	32,500,000 yen

- Notes:
1. The audit agreement between the Company and the Accounting Auditor does not distinguish between the amount of accounting auditor's compensation, etc. being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act. As such distinction cannot essentially be made, the amount of compensation, etc. is presented as the total of these amounts.
 2. The material subsidiaries of the Company have received audits from audit firms other than the Company's Accounting Auditor.
 3. Based on the Practical Guidelines for Collaboration with Accounting Auditors published by the Japan Audit & Supervisory Board Members Association, the Company's Audit & Supervisory Board has given consent to the compensation, etc. to be paid to the Accounting Auditor pursuant to Article 399, Paragraph 1 and 2 of the Companies Act as a result of consideration of the details of the audit schedule for the fiscal year under review, and the validity of compensation estimates after having needed briefing from the Accounting Auditor and relevant divisions within the Company.

(3) Policy on Determination of Dismissal or Non-reappointment of Accounting Auditor

The Company's Audit & Supervisory Board shall dismiss the Accounting Auditor with the unanimous consent of all Audit & Supervisory Board Members if they recognize that the Accounting Auditor falls under any of the items set forth in Article 340, Paragraph 1 of the Companies Act, such as having breached its obligations in the course of duty, or neglected its duties, or engaged in misconduct inappropriate for an accounting auditor. In such an event, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the dismissal of the Accounting Auditor and the reasons for it at the first General Meeting of Shareholders convened after the dismissal.

Further, if the Audit & Supervisory Board Members recognize that it has become difficult for the Accounting Auditor to execute its duties appropriately or if it determines that the replacement of the Accounting Auditor would be appropriate to further improve the properness of audits, the Audit & Supervisory Board will decide the content of a proposal to be submitted to the General Meeting of Shareholders concerning the dismissal or non-reappointment of the Accounting Auditor.

6. Basic Policies on Establishment of Internal Control Systems and Their Implementation Status

Basic Policies

- (1) System to ensure Directors and employees of the Corporate Group execute their duties in accordance with laws and regulations and the Articles of Incorporation

Basic Policy	1) The Group will make the Action Guidelines of Daiichi Kigenso Kagaku Kogyo Co., Ltd., specific rules for management to fulfill its social responsibilities, well known to its Directors and employees to ensure their legal compliance.
	2) The Group will establish internal and external whistleblowing contact points for the purpose of discovering and correcting legal violations and instances of unfair practices within the Group. In addition, the Group will not treat whistleblowers unfavorably.
	3) The Group will establish the Internal Audit Division controlled directly by the President to audit the appropriateness of the Group's operations.
	4) Our policy for the elimination of anti-social forces is declared in the Action Guidelines of DAIICHI KIGENSO KAGAKU KOGYO CO., LTD. and provided in the Rules for Banning Relations with Anti-social Forces. The Company also coordinates with local police departments, etc. and strives to obtain relevant information.

- (2) System concerning the storage and management of information on the execution of duties by Directors

Basic Policy	Documents relevant to the execution of duties by Directors such as minutes of board meetings and requests for managerial decisions will be stored and managed appropriately in accordance with laws and regulations as well as internal rules.
---------------------	--

- (3) Rules and other systems concerning the Corporate Group's management of risk of loss

Basic Policy	1) The Group will establish the Risk Management Committee, collect and analyze risk information, and take preventive measures against risks which may have grave consequences in order to continue its business and fulfill its social responsibilities.
	2) In the event that a crisis occurs, responses will be made in accordance with the crisis management system as set forth in the Rules for Crisis Management.

- (4) System to ensure the efficient execution of duties by Directors of the Corporate Group

Basic Policy	1) The Board of Directors will make decisions on the execution of the important duties based on the Rules for the Board of Directors, and serve a supervising function while receiving reports from each Director regarding the Company's and its subsidiaries' performance of operations based on the medium-term management plan.
	2) The Group will establish the Management Council consisting of Members of the Board and Unit General Managers, etc. that will discuss from multiple perspectives and make decisions on the execution of important duties within the authority of the President.

(5) System for reports to the Company regarding the execution of duties by the directors of individual Group companies

Basic Policy	The Company will receive timely reports on business performance, management challenges, and other important information of subsidiaries and affiliated companies based on the Rules for Management of Affiliated Companies.
---------------------	---

(6) System for employees to assist the duties of Audit & Supervisory Board Members and matters concerning securing the independence of those employees from Directors and the effectiveness of directions to those employees

Basic Policy	The Company, placing no employee to assist with the duties of Audit & Supervisory Board Members at present, will assign assistants if requested by Audit & Supervisory Board Members, securing their independence.
---------------------	--

(7) System for Directors and employees of the Corporate Group to report to Audit & Supervisory Board Members, other systems for reporting to Audit & Supervisory Board Members, and system to ensure Audit & Supervisory Board Members conduct effective audits

Basic Policy	1) Directors and employees will report the execution of their duties through the attendance of Audit & Supervisory Board Members at meetings of the Board of Directors and the Management Council. Audit & Supervisory Board Members may request that Directors and employees report to them as necessary, in addition to the above.
	2) Directors and employees of the Group will report to Audit & Supervisory Board Members immediately if they discover or they receive report on any grave legal violation or fact which may cause substantial damage to the Company or their companies.
	3) The Company will not treat those who report to Audit & Supervisory Board Members unfavorably for reason of such reporting.
	4) If Audit & Supervisory Board Members make a request for expenses relevant to the execution of their duties, it will be processed appropriately in accordance with Article 388 of the Companies Act.

Implementation Status

Based on the aforementioned basic policies, a comprehensive review of the implementation status of internal systems was conducted at the Board of Directors meeting held on March 14, 2023.

(1) Efforts toward compliance systems

- The Company performed a self-assessment of the implementation status of compliance in the entire Group, and awareness-raising and education activities were conducted where improvement was needed.
- To deepen employees' understanding about the various types of harassment and for the thorough prevention of harassment, awareness-raising and education activities were conducted.
- The Company conducted education and training on the revised Whistleblower Protection Act and the whistleblower system, and deepened employees' understanding of whistleblowing.

(2) Efforts toward risk management systems

- In addition to deliberating on risks that present an urgent challenge for the Group in the Management Council, the Risk Management Committee took an encompassing view of risks in the Group, conducted an evaluation of those risks based on their likelihood of occurring and degree of impact, and confirmed the state of responses to them.
- Based on the Risk Management Rules, the Company reconfirmed the initial responses in the event of an emergency and conducted training.

(3) Efforts toward systems for execution of duties

- The Company has an executive officer system. The roles of the Board of Directors and the Management Council are clarified to strengthen the supervisory functions of the Board of Directors and enhance deliberation systems.
- In the Management Council, whose members are Executive Officers and Unit General Managers, prompt decisions are made about the execution of important operations, etc. within the President's authority. The Standing Audit & Supervisory Board Member also attend the Management Council and express appropriate opinions where fitting

(4) Efforts toward systems for audits by Audit & Supervisory Board Members

- In addition to attending the Board of Directors meetings, the Standing Audit & Supervisory Board Member attends meetings of the Management Council, which makes decisions for the business execution, and the Risk Management Committee as an observer and states opinions as necessary, receives reports and is provided with information.
- Audit & Supervisory Board Members exchange opinions with the President. The Meeting with the Accounting Auditor, which is held quarterly to receive reports from the Accounting Auditor, is also attended by Outside Directors and the Internal Audit Division to deepen understanding through exchange of opinions and to share information.
The Standing Audit & Supervisory Board Member attends the operational audits conducted by the Internal Audit Division, asks questions as necessary, and confirms the status of the execution of duties in the workplace, etc. Regarding overseas subsidiaries, the Standing Audit & Supervisory Board Member accompanied the audit of a subsidiary in Vietnam in November 2022 and also received reports on the results of audits conducted by the Internal Audit Division using web-conferencing systems.

7. Policy regarding the determination of dividends of surplus

The Company's approach to profit allocation is to continue stable dividend while securing retained earnings necessary to develop future businesses and strengthen the management practices.

The Company's basic policy is to distribute surplus twice a year as interim dividend and year-end dividend. We have determined to pay both interim and year-end dividends by a resolution of the Board of Directors.

In light of this dividend policy and the current management circumstances, the Company will provide year-end dividends of 16 yen per share for the fiscal year under review. Combined with the 18-yen interim dividend, the annual dividend will be 34 yen.

The Company wishes to invest its internal reserves effectively to further increase cost competitiveness to respond to future changes in the management environment, strengthen its technological and manufacturing development systems to meet market needs, and, further, to roll out global strategies.

End of Report

(Reference) Policies and Procedures for Appointment and Dismissal of Directors and Audit & Supervisory Board Members

Basic Policy on Appointment and Dismissal of Officers

In the appointment and dismissal of Directors, given that these are the most important strategic decisions for the sustainable growth of the Company and the medium- to long-term enhancement of corporate value, the Company considers the balance and diversity of the qualities and experiences of the Board of Directors and the officers as a whole when nominating candidates for Director and Audit & Supervisory Board Member.

With the objectives of selecting the best talent to be officers and of establishing appointment and dismissal procedures that are objective, timely, and transparent, Officer Selection Standards, Standards for the Dismissal and Termination of Employment of Officers, and Procedures for the Appointment and Dismissal of Officers have been established. In line with these standards and procedures, the appointment and dismissal of officers is deliberated by the Nomination Committee, comprising the Representative Director and President/Executive Officer and Outside Directors and chaired by an Outside Director, and decisions on candidates are made by the Board of Directors.

Procedure for Nomination of Officers

The appointment and dismissal of Directors and Audit & Supervisory Board Members are conducted according to the following steps.

- 1) The appointment of Directors and Audit & Supervisory Board Members shall be by resolution of the General Meeting of Shareholders. Candidates are recommended by the Representative Director and President/Executive Officer in light of the Selection Standards, and after deliberation by the Nomination Committee, decisions are made by the Board of Directors. The approval of the Audit & Supervisory Board is also obtained for the selection of candidates for Audit & Supervisory Board Members.
- 2) Regarding the dismissal and termination of employment of Directors and Audit & Supervisory Board Members, if another Director makes a proposal that falls under the Standards for Dismissal and Termination of Employment, after deliberations by the Nomination Committee, the Board of Directors will convene the General Meeting of Shareholders and make a resolution.

Consolidated Financial Statements

(April 1, 2022 - March 31, 2023)

Consolidated Balance Sheet

(As of March 31, 2023)

(In thousands of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	33,987,987	Current liabilities	10,036,641
Cash and deposits	10,750,048	Notes and accounts payable - trade	977,486
Notes and accounts receivable - trade	6,623,526	Short-term borrowings	2,400,000
Finished goods	6,380,581	Current portion of long-term borrowings	3,589,622
Work in process	2,434,716	Accounts payable - other	1,056,245
Raw materials and supplies	5,625,645	Income taxes payable	1,104,721
Other	2,173,468	Provision for bonuses	388,128
		Provision for bonuses for directors (and other officers)	96,260
Non-current assets	32,016,937	Other	424,176
Property, plant and equipment	27,311,937	Non-current liabilities	19,816,850
Buildings and structures	5,840,135	Long-term borrowings	19,240,373
Machinery, equipment and vehicles	4,932,085	Retirement benefit liability	2,919
Land	2,233,938	Other	573,557
Construction in progress	13,721,732	Total liabilities	29,853,492
Other	584,044	(Net assets)	
Intangible assets	1,280,232	Shareholders' equity	34,374,368
Investments and other assets	3,424,767	Share capital	787,100
Investment securities	781,775	Capital surplus	1,175,640
Shares of subsidiaries and associates	17,500	Retained earnings	32,442,186
Long-term loans receivable	332,012	Treasury shares	(30,558)
Retirement benefit asset	687,033	Accumulated other comprehensive income	1,147,850
Deferred tax assets	398,301	Unrealized gain on available-for-sale securities	332,705
Long-term accounts receivable - other	2,937,660	Foreign currency translation adjustments	680,864
Other	1,209,354	Defined retirement benefit plans	134,280
Allowance for doubtful accounts	(2,938,870)	Non-controlling interests	629,213
		Total net assets	36,151,432
Total assets	66,004,924	Total liabilities and net assets	66,004,924

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

Consolidated Statement of Income

(April 1, 2022 - March 31, 2023)

(In thousands of yen)

Description	Amount	
Net sales		35,748,163
Cost of sales		25,140,315
Gross profit		10,607,848
Selling, general and administrative expenses		5,216,641
Operating profit		5,391,206
Non-operating income		
Interest income	70,190	
Dividend income	18,476	
Purchase discounts	14,442	
Share of profit of entities accounted for using equity method	19,331	
Foreign exchange gains	1,352,923	
Subsidy income	16,770	
Other	38,288	1,530,422
Non-operating expenses		
Loss on valuation of derivatives	154,561	
Interest expenses	283,389	
Provision of allowance for doubtful accounts	489,932	
Other	23,871	951,755
Ordinary profit		5,969,873
Extraordinary income		
Gain on sale of non-current assets	32,260	32,260
Extraordinary losses		
Loss on disposal of non-current assets	192,379	192,379
Profit before income taxes		5,809,755
Income taxes-current	1,887,891	
Income taxes-deferred	(138,190)	1,749,701
Profit		4,060,053
Profit attributable to non-controlling interests		39,622
Profit attributable to owners of parent		4,020,431

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

Consolidated Statement of Changes in Equity

(April 1, 2022 – March 31, 2023)

(In thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2022	787,100	1,154,772	29,102,373	(40,185)	31,004,060
Changes during period					
Dividends from surplus			(680,619)		(680,619)
Profit attributable to owners of parent			4,020,431		4,020,431
Disposal of treasury shares		20,868		9,626	30,495
Net changes in items other than shareholders' equity					
Total changes during period	—	20,868	3,339,812	9,626	3,370,307
Balance as of March 31, 2023	787,100	1,175,640	32,442,186	(30,558)	34,374,368

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustment	Defined retirement benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2022	310,875	(258,272)	138,966	191,569	620,809	31,816,439
Changes during period						
Dividends from surplus						(680,619)
Profit attributable to owners of parent						4,020,431
Disposal of treasury shares						30,495
Net changes in items other than shareholders' equity	21,830	939,137	(4,686)	956,281	8,403	964,685
Total changes during period	21,830	939,137	(4,686)	956,281	8,403	4,334,992
Balance as of March 31, 2023	332,705	680,864	134,280	1,147,850	629,213	36,151,432

Notes to the Consolidated Financial Statements

(Notes on the Basis for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 5

Names of consolidated subsidiaries:

VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY
DKK (Shanghai) Materials Trading Co., Ltd.
DKK Thai Materials Trading Co., Ltd.
DKK America Materials, Inc.
DKK Logistics Corporation

2. Application of the equity method

(1) Names of associates accounted for using the equity method

Number of associates accounted for using the equity method: 2

Names of associates accounted for using the equity method:

Shandong Guangyin DKK New Materials Co., Ltd.
Shandong Guangyin DKK Environment Technology Co., Ltd.

(2) Names of associates not accounted for using the equity method

IDU Co., Ltd.

Reason for not accounted for using the equity method:

The associate not accounted for using the equity method is excluded from the scope of the equity method since it does not have a material impact on the consolidated financial statements in terms of profit or loss (amounts corresponding to the Company's equity interest) and retained earnings (amounts corresponding to the Company's equity interest), etc., and the impact is also insignificant as a whole.

(3) Special matters concerning application of the equity method

Regarding the affiliates accounted for using the equity method with the different closing date from the consolidated closing date, the Company used the financial statements of each affiliate prepared as of its most recent fiscal year-end.

3. Fiscal year-end of consolidated subsidiaries

The Company's consolidated subsidiaries: VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY, DKK (Shanghai) Materials Trading Co., Ltd., DKK Thai Materials Trading Co., Ltd., DKK America Materials, Inc., and DKK Logistics Corporation, settle accounts on December 31. In preparing the consolidated financial statements, the Company used these companies' financial statements as of December 31 and for the year then ended, and made necessary adjustments for major transactions that occurred between December 31 and the consolidated closing date.

4. Matters concerning accounting policies

(1) Basis and methods for valuation of significant assets

1) Basis and method for valuation of securities

Available-for-sale securities:

Securities other than equity securities without market prices:

Stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Costs of securities sold are determined by the moving-average method.

Equity securities without market prices:

Stated at cost determined by the moving-average method.

2) Basis and method for valuation of inventories

At the Company and its overseas consolidated subsidiaries, inventories are measured at the lower of cost determined by the weighted-average method or net selling value.

3) Basis and method for valuation of net receivables and payables arising from derivatives transactions

Stated at fair value.

- (2) Depreciation or amortization method for significant depreciable or amortizable assets
- 1) Property, plant and equipment
The Company applies the declining-balance method and its overseas consolidated subsidiaries apply the straight-line method.
However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016.
 - 2) Intangible assets
The straight-line method is applied.
Internal-use software is amortized over the estimated period of internal use (3 to 5 years). Fixed-term land lease rights are amortized over the respective term of lease agreements.
- (3) Basis for significant provision and allowance
- 1) Allowance for doubtful accounts
The Company provides the allowance for doubtful accounts at the amount determined based on the historical experience of bad debt with respect to ordinary receivables and an estimate of uncollectible amount determined by reference to specific doubtful receivables of customers experiencing financial difficulties. Overseas consolidated subsidiaries provide the allowance for doubtful accounts mainly for specific receivables at the amount determined based on an estimate of uncollectible amount.
 - 2) Provision for bonuses
The Company provides the provision for bonuses to meet the payment to employees at the estimated amount which the Company is obligated to pay as of the balance sheet date.
 - 3) Provision for bonuses for directors (and other officers)
The provision for bonuses for directors (and other officers) is provided to meet the payment to directors (and other officers) at the estimated amount.
- (4) Basis for recognizing revenue and expenses
The Company determines that performance obligations on sales of the Company's products are satisfied at the point in time at which the products are delivered to the customers since the legal titles, physical possessions, significant risks and rewards of ownership of the products are transferred and the customers obtain the control of the products at the point in time of delivery. The Company also determines the amount of revenue at the amount calculated by deducting discounts, rebates and refunds due to returned goods, etc. from the promised considerations under the contracts with customers. For domestic sales of products, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is within the usual period.
- (5) Other significant matters for the preparation of consolidated financial statements
- 1) Accounting treatment of retirement benefits
 - a. Method of attributing retirement benefit obligation to the period
The benefit formula basis is used as a method of attributing retirement benefit obligation to the period through the end of the fiscal year.
 - b. Treatment of actuarial differences
Actuarial differences are amortized commencing in the following year after the differences are recognized, using the straight-line method over a period within the average remaining service years for employees (5 years) at the time of recognition of such differences for respective fiscal year.
 - c. Application of the simplified method for small-sized companies, etc.
Certain consolidated subsidiary applies the simplified method that assumes the amount required for voluntary resignation at the end of the fiscal year to be retirement benefit obligation in computing retirement benefit liability and retirement benefit expenses.
 - 2) Basis for foreign currency translation of significant assets and liabilities denominated in foreign currencies
Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the prevailing rates of exchange at the consolidated balance sheet date. Exchange gains or losses resulting from translation of assets and liabilities are recognized in income or expenses.

The assets and liabilities of overseas consolidated subsidiaries are translated into Japanese yen at the prevailing rates of exchange at the respective balance sheet date. Revenue and expense items are translated at the average exchange rate prevailing during the fiscal year. The exchange differences are recognized as foreign currency translation adjustment and non-controlling interests under a separate component of net assets.

3) Significant hedge accounting method

- a. Hedge accounting method
The exceptional treatment is applied since the interest rate swaps qualify for exceptional treatment.
- b. Hedging instruments and hedged items
Hedging instruments – interest rate swaps
Hedged items – borrowings
- c. Hedging policy
As a basic policy, the Company uses hedging instruments within certain defined limits for the purpose of hedging the risk of interest rate fluctuations.
- d. Method to assess hedge effectiveness
The assessment of hedge effectiveness is omitted since the interest rate swaps qualify for exceptional treatment.

(Notes on Revenue Recognition)

(1) Information on disaggregation of revenue from contracts with customers

	Net sales (In thousands of yen)
Major regional market:	
Japan	15,778,126
Asia	8,344,117
North America	6,929,400
Europe	4,219,421
Other	477,096
Total	35,748,163
Sales by use:	
Catalysts	22,370,966
Electronic materials and oxygen sensors	3,193,831
Fine ceramics	3,965,128
Refractories and brake materials	3,842,211
Other	2,376,025
Total	35,748,163

(2) Information on basis for understanding revenue from contracts with customers

Information on basis for understanding revenue from contracts with customers is stated in “4. Matters concerning accounting policies, (4) Basis for recognizing revenue and expenses.”

(Notes on changes in presentations)

(Consolidated balance sheet)

“Long-term accounts receivable - other,” which was previously included in “Other” under “Investments and other assets” is presented as a separate line item from the fiscal year ended March 31, 2023, because the amounts became material. “Long-term accounts receivable - other” amounted to 706,671 thousand yen for the fiscal year ended March 31, 2023.

(Notes on Significant Accounting Estimates)

(1) Deferred tax assets

1) Amounts on the consolidated balance sheet as of March 31, 2023

	(In thousands of yen)
	As of March 31, 2023
Deferred tax assets	398,301

2) Information on details of significant accounting estimates for identified items

Deferred tax assets are recognized for future deductible temporary differences when the Group determines that the future taxable income is sufficient and thus the deferred tax assets are recoverable.

The Group estimates taxable income based on the future business plans, with sales volumes, sales prices, and raw material prices as key assumptions. The recoverability of deferred tax assets depends on how future taxable income is estimated; thus, the amount of deferred tax assets may be reduced and the tax expenses may be recognized when conditions or assumptions used for the estimates changes due to changes in the business environment.

(2) Allowance for doubtful accounts on long-term accounts receivable - other

1) Amounts on the consolidated balance sheet as of March 31, 2023

(In thousands of yen)

	As of March 31, 2023
Allowance for doubtful accounts	2,938,870

2) Information on details of significant accounting estimates for identified items

The Company decided to invest in Duong Lam Joint Stock Company (hereinafter, “DL”), a Vietnamese mining company, for the purpose of the stable long-term procurement of zirconium ore which is the main raw material used by VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY (hereinafter, “VREC”), a consolidated subsidiary of the Company, and negotiated with Solid Success International Limited (hereinafter, “SSI”) which intended to reorganize through the acquisition of DL. In accordance with the stock transfer agreement with SSI’s shareholders, the Company paid 2,447,727 thousand yen in cash in January 2019 for the acquisition of SSI’s shares.

The execution of the investment is subject to the performance of the obligation by the relevant parties as stipulated in the stock transfer agreement. However, a lawsuit which was filed between SSI’s subsidiaries and associates and DL’s shareholders regarding the stock transfer, etc. has been protracted and a conclusion to the lawsuit, including a settlement, is not in prospect. In addition, affected by the lawsuit, etc., the procurement of zirconium ore based on the purchase and sale agreement between VREC and DL had also stalled. Therefore, the performance of the obligation stated in the stock transfer agreement with SSI’s shareholders, the calculation of DL’s stock value, the resumption of DL’s business activities and the performance of the obligation of the purchase and sale agreement between VREC and DL at an early stage would be highly unlikely. Judging the circumstances including these factors comprehensively, the Company terminated the stock transfer agreement by notifying the cancellation of the said stock transfer agreement in April 2022. Concurrently, the Company claimed the refund of advance payments. As a result, the account title was changed from long-term advance payments - other to long-term accounts receivable - other.

As a result of the evaluation of the collectability of long-term advance payments - other at the end of the previous fiscal year, the Company provided allowance for doubtful accounts for the entire amount of long-term advance payments - other. In the fiscal year under review, the Company continued negotiation with SSI’s shareholders so that they would refund the payment for the acquisition of SSI’s shares made by the Company. However, SSI’s shareholders’ intention to refund has not been confirmed. Moreover, although the Company is monitoring DL’s move for resumption of operations, no information on DL’s resumption of business activities has been gained. As a result of evaluating the collectability of the payment for acquisition of SSI’s shares paid to SSI’s shareholders, which were collateralized by DL’s stock value, based on the right to claim a refund from SSI shareholders, the Company determined that there is no collectability at present. Therefore, the Company provided allowance for doubtful accounts on the entire amount of long-term accounts receivable - other.

Since the major assumption used for the evaluation of long-term accounts receivable - other is DL’s stock value based on future cash flows, which is based on DL’s business plan, and is subject to future uncertainties, it may give a significant impact on the consolidated financial statements in the following fiscal year.

(Notes to the Consolidated Balance Sheet)

Accumulated depreciation of property, plant and equipment 30,458,454 thousand yen

(Notes to the Consolidated Statement of Changes in Equity)**1. Class and total number of outstanding shares as of March 31, 2023**

Common stock 24,400,000 shares

2. Dividends**(1) Dividend amount**

Resolution	Class	Total amount of dividends (Thousand yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on May 17, 2022	Common stock	242,911	10.00	March 31, 2022	June 24, 2022
Board of Directors meeting on November 15, 2022	Common stock	437,708	18.00	September 30, 2022	December 1, 2022

(2) Dividends whose record date is during the current fiscal year, but whose effective date is after the end of the current fiscal year

Resolution	Class	Source of dividends	Total amount of dividends (Thousand yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting on May 12, 2023	Common stock	Retained earnings	389,069	16.00	March 31, 2023	June 23, 2023

(Notes on Financial Instruments)**1. Status of financial instruments****(1) Policy on financial instruments**

The Group invests funds only in highly stable financial instruments without the risk of loss of principals and obtains necessary funds through borrowings from financial institutions such as banks.

As a policy, the Group uses derivative transactions only when actual demand arises.

(2) Details of financial instruments, their risks and risk management system

It is necessary to manage customers' credit risk for operating receivables, such as notes and accounts receivable-trade. In accordance with the credit management rules, the marketing department and the management planning department periodically monitor customers' credit status for operating receivables, review payment terms and balances by customers, and ensure early identification and mitigation of potential bad debt caused by deterioration in their financial conditions or other factors. Operating receivables denominated in foreign currencies arising from exports and operating payables denominated in foreign currencies arising from imports are exposed to the foreign currency fluctuation risk. The Company monitors the outstanding position of receivables and payables denominated in foreign currencies, and performs foreign currency transactions in accordance with the foreign currency transaction manual. As a basic policy, the Company makes payments in foreign currencies using foreign funds received, and exchanges them into Japanese yen or purchases foreign currencies as necessary.

Investment securities, which consist of equity securities, are exposed to the market price fluctuation risk. The Company monitors their market prices and financial status of issuers on a periodical basis.

The borrowings, which are used as short-term and mid-term working capital and long-term capital expenditures, are exposed to the liquidity risk. To manage the liquidity risk, the finance department prepares and updates the monthly cash flow projection based on reports from each department, and maintains a certain level of liquidity on hand.

The derivative transactions that the Company enters are currency swaps for the purpose of hedging foreign currency fluctuation risks associated with loans receivable denominated in foreign currencies. Since counterparties of these currency swaps are domestic banks with high credit rating, the Company regards that the credit risk is minimal. Derivative transactions are properly conducted in accordance with the internal rules.

(3) Supplemental explanation for the fair value of financial instruments

The fair value of financial instruments includes values based on market prices and values which are reasonably calculated in case market prices are not readily available. Since certain assumptions are used for the calculation of the fair value of financial instruments, values may vary when different assumptions are applied.

2. Matters concerning fair value of financial instruments

Carrying value on the consolidated balance sheet, fair value and the differences between the two are presented below.

(In thousands of yen)

	Carrying value	Fair value	Difference
Investment securities	734,525	734,525	—
Assets, total	734,525	734,525	—
Current portion of long-term borrowings and long-term borrowings	22,829,996	22,599,057	(230,938)
Liabilities, total	22,829,996	22,599,057	(230,938)
Derivative transactions (*3)	[376,958]	[376,958]	—
Derivative transactions, total	[376,958]	[376,958]	—

(*1) Notes are omitted for “Cash and deposits,” “Notes and accounts receivable - trade,” “Notes and accounts payable - trade,” “Short-term borrowing,” and “Accounts payable - other,” since they are in cash and the carrying values approximate fair value due to their short maturities.

(*2) Equity securities without market prices are not included in “Investment securities.”

Classification	Carrying value (Thousand yen)
Unlisted equity securities Investment securities	47,250

(*3) Assets and liabilities from derivative transactions are netted, with net liabilities presented in [parentheses].

3. Matters concerning fair value hierarchy of financial instruments

The Company classifies fair value of financial instruments into the following three categories depending on whether the inputs are observable and significant.

- Level 1 fair value: Fair value measured by using quoted value in active markets as inputs for assets or liabilities subject to the fair value measurement, of observable inputs for fair value measurement.
- Level 2 fair value: Fair value measured by using inputs other than those for Level 1, of observable inputs for fair value measurement.
- Level 3 fair value: Fair value measured by using unobservable inputs for fair value measurement.

When multiple inputs with significant impacts on the fair value measurement are used, the fair value is classified into the level that has the lowest priority in the fair value measurement among the levels to which those inputs belong.

(1) Financial instruments whose carrying value is their fair value

(In thousands of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	734,525	—	—	734,525
Derivative transactions (*1)				
Foreign currency forward contracts	—	[376,958]	—	[376,958]

(*1) Assets and liabilities from derivative transactions are netted, with net liabilities presented in [parentheses].

(2) Financial instruments whose carrying value is not their fair value

(In millions of yen)

Classification	Fair value				Carrying value	Difference
	Level 1	Level 2	Level 3	Total		
Current portion of long-term borrowings and long-term borrowings	—	22,599,057	—	22,599,057	22,829,996	(230,938)

Note: 1. Fair value measurement of financial instruments and matters concerning securities

Investment securities

Listed equity securities are measured at quoted value since they are traded in active markets. The fair value is classified into Level 1.

Derivative transactions

The fair value of derivative transactions is based on prices, etc. provided by financial institutions with which the Company has transactions. The fair value is classified into Level 2.

Current portion of long-term borrowings and long-term borrowings

The fair value of current portion of long-term borrowings and long-term borrowings is determined by discounting the total of principal and interests using an interest rate that would be applied to similar new borrowings. The fair value is classified into Level 2.

(Notes on Per Share Information)

- (1) Net assets per share 1,460.81 yen
(2) Profit per share 165.40 yen

(Notes on Significant Subsequent Events)

None

Non-Consolidated Financial Statements

(April 1, 2022 - March 31, 2023)

Non-Consolidated Balance Sheet

(As of March 31, 2023)

(In thousands of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	30,736,991	Current liabilities	9,735,774
Cash and deposits	5,917,095	Notes payable-trade	6,639
Notes receivable	164,791	Electronically recorded obligations - operating	527,583
Electronically recorded monetary claims - operating	628,138	Accounts payable - trade	456,908
Accounts receivable - trade	8,967,567	Short-term borrowings	2,400,000
Finished goods	4,216,405	Current portion of long-term borrowings	3,589,622
Work in process	2,431,397	Accounts payable-other	820,625
Raw materials and supplies	5,127,786	Accrued expenses	294,286
Advance payments to suppliers	56,404	Income taxes payable	1,101,580
Prepaid expenses	43,542	Deposits received	22,727
Accounts receivable - other	2,384,772	Notes payable - facilities	24,946
Current portion of long-term loans receivable	791,097	Provision for bonuses	385,594
Other	7,990	Provision for bonuses for directors (and other officers)	96,260
Non-current assets	33,854,537	Other	9,000
Property, plant and equipment	15,293,466	Non-current liabilities	19,781,888
Buildings	4,368,035	Long-term borrowings	19,240,373
Structures	1,244,323	Guarantee deposits received	65,031
Machinery and equipment	4,327,449	Asset retirement obligations	27,139
Vehicles	7,678	Other	449,344
Tools, furniture and fixtures	567,037	Total liabilities	29,517,662
Land	2,233,938	(Net assets)	
Construction in progress	2,545,002	Shareholders' equity	34,741,160
Intangible assets	391,459	Share capital	787,100
Patent right	18,419	Capital surplus	1,319,067
Telephone subscription right	2,543	Legal capital surplus	1,194,589
Software	346,646	Other capital surplus	124,477
Software in progress	23,850	Retained earnings	32,665,551
Investments and other assets	18,169,611	Legal retained earnings	35,000
Investment securities	781,775	Other retained earnings	32,630,551
Shares of subsidiaries and associates	2,967,796	Reserve for tax purpose reduction entry of non-current assets	94,312
Investments in capital of subsidiaries and associates	325,120	General reserve	27,000,000
Long-term loans receivable	12,864,410	Retained earnings brought forward	5,536,239
Investments in capital	100,000	Treasury shares	(30,558)
Long-term prepaid expenses	377,345	Valuation and translation adjustments	332,705
Prepaid pension costs	493,546	Unrealized gain on available-for-sale securities	332,705
Lease and guarantee deposits	126,619	Total net assets	35,073,866
Deferred tax assets	79,691		
Long-term accounts receivable - other	2,937,660		
Other	54,515		
Allowance for doubtful accounts	(2,938,870)		
Total assets	64,591,529	Total liabilities and net assets	64,591,529

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

Non-Consolidated Statement of Income

(April 1, 2022 - March 31, 2023)

(In thousands of yen)

Description	Amount	
Net sales		34,626,711
Cost of sales		24,545,237
Gross profit		10,081,474
Selling, general and administrative expenses		5,149,442
Operating profit		4,932,031
Non-operating income		
Interest and dividend income	283,966	
Purchase discounts	14,442	
Foreign exchange gains	1,607,055	
Subsidy income	9,750	
Other	32,584	1,947,798
Non-operating expenses		
Loss on valuation of derivatives	154,561	
Interest expenses	282,951	
Provision of allowance for doubtful accounts	489,932	
Other	27,384	954,831
Ordinary profit		5,924,999
Extraordinary income		
Gain on sale of non-current assets	32,260	32,260
Extraordinary losses		
Loss on disposal of non-current assets	192,379	192,379
Profit before income taxes		5,764,880
Income taxes-current	1,770,147	
Income taxes-deferred	(39,566)	1,730,581
Profit		4,034,299

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

Non-Consolidated Statement of Changes in Equity

(April 1, 2022 – March 31, 2023)

(In thousands of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance as of April 1, 2022	787,100	1,194,589	103,609	1,298,198	35,000	94,312	27,000,000	2,182,560	29,311,872
Changes during period									
Dividends from surplus								(680,619)	(680,619)
Profit								4,034,299	4,034,299
Disposal of treasury shares			20,868	20,868					
Net changes in items other than shareholders' equity									
Total changes during period	—	—	20,868	20,868	—	—	—	3,353,679	3,353,679
Balance as of March 31, 2023	787,100	1,194,589	124,477	1,319,067	35,000	94,312	27,000,000	5,536,239	32,665,551

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2022	(40,185)	31,356,985	310,875	310,875	31,667,860
Changes during period					
Dividends from surplus		(680,619)			(680,619)
Profit		4,034,299			4,034,299
Disposal of treasury shares	9,626	30,495			30,495
Net changes in items other than shareholders' equity			21,830	21,830	21,830
Total changes during period	9,626	3,384,175	21,830	21,830	3,406,005
Balance as of March 31, 2023	(30,558)	34,741,160	332,705	332,705	35,073,866

Notes to the Non-Consolidated Financial Statements

(Notes on Significant Accounting Policies)

1. Basis and methods for valuation of assets
 - (1) Basis and method for valuation of securities
 - 1) Shares of subsidiaries and associates and investments in capital of subsidiaries and associates:
Stated at cost determined by the moving-average method.
 - 2) Available-for-sale securities
Securities other than equity securities without market prices:
Stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Costs of securities sold are determined by the moving-average method.
Equity securities without market prices:
Stated at cost determined by the moving-average method.
 - (2) Basis and method for valuation of inventories
Inventories are measured at the lower of cost determined by the weighted-average method or net selling value.
 - (3) Basis and method for valuation of net receivables and payables arising from derivatives transactions
Stated at fair value.
2. Depreciation or amortization method for non-current assets
 - (1) Property, plant and equipment
The declining-balance method is applied.
However, the straight-line method is applied for buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016.
 - (2) Intangible assets
The straight-line method is applied.
Internal-use software is amortized over the estimated period of internal use (3 to 5 years).
3. Basis for provision and allowance
 - (1) Allowance for doubtful accounts
The Company provides the allowance for doubtful accounts at the amount determined based on the historical experience of bad debt with respect to ordinary receivables and an estimate of uncollectible amount determined by reference to specific doubtful receivables of customers experiencing financial difficulties.
 - (2) Provision for bonuses
The Company provides the provision for bonuses to meet the bonus payment to employees at the estimated amount which the Company is obligated to pay as of the balance sheet date.
 - (3) Provision for retirement benefits
The Company provides the provision for retirement benefits to meet the retirement benefit payment to employees based on the estimated amount of retirement benefit obligation and plan assets as of the balance sheet date.
 - 1) Method of attributing retirement benefit obligation to the period
The benefit formula basis is used as a method of attributing retirement benefit obligation to the period through the end of the fiscal year.
 - 2) Treatment of actuarial differences
Actuarial differences are amortized commencing in the following year after the differences are recognized, using the straight-line method over a period within the average remaining service years for employees (5 years) at the time of recognition of such differences for respective fiscal year.
 - (4) Provision for bonuses for directors (and other officers)
The provision for bonuses for directors (and other officers) is provided to meet the payment to directors

(and other officers) at the estimated amount.

4. Basis for recognizing revenue and expenses

The Company determines that performance obligations on sales of the Company's products are satisfied at the point in time at which the products are delivered to the customers since the legal titles, physical possessions, significant risks and rewards of ownership of the products are transferred and the customers obtain the control of the products at the point in time of delivery. The Company also determines the amount of revenue at the amount calculated by deducting discounts, rebates and refunds due to returned goods, etc. from the promised considerations under the contracts with customers. For domestic sales of products, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the product is transferred to the customer is within the usual period.

5. Other significant matters for the preparation of financial statements

(1) Accounting treatment of retirement benefits

Accounting treatment for unrecognized actuarial differences and unrecognized past service costs of retirement benefits are different from those of the consolidated financial statements.

(2) Basis for foreign currency translation of significant assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the prevailing rates of exchange at the balance sheet date. Exchange gains or losses resulting from translation of assets and liabilities are recognized in income or expenses.

(3) Significant hedge accounting method

1) Hedge accounting method

The exceptional treatment is applied since the interest rate swaps qualify for exceptional treatment.

2) Hedging instruments and hedged items

Hedging instruments – interest rate swaps

Hedged items – borrowings

3) Hedging policy

As a basic policy, the Company uses hedging instruments within certain defined limits for the purpose of hedging the risk of interest rate fluctuations.

4) Method to assess hedge effectiveness

The assessment of hedge effectiveness is omitted since the interest rate swaps qualify for exceptional treatment.

(Notes on Revenue Recognition)

(Information on basis for understanding revenue from contracts with customers)

Information on basis for understanding revenue from contracts with customers is omitted since it is stated in "Notes on Revenue Recognition" of notes to the consolidated financial statements.

(Notes on Significant Accounting Estimates)

(1) Deferred tax assets

1) Amounts on the balance sheet as of March 31, 2023

(In thousands of yen)

	As of March 31, 2023
Deferred tax assets	79,691

2) Information on details of significant accounting estimates for identified items

Information on details of significant accounting estimates for identified items is the same as those described in "Notes on Significant Accounting Estimates" of notes to the consolidated financial statements.

(2) Allowance for doubtful accounts

Details of allowance for doubtful accounts is the same as those described in "Notes on Significant Accounting Estimates" of notes to the consolidated financial statements.

(Notes to the Non-Consolidated Balance Sheet)

1. Accumulated depreciation of property, plant and equipment	29,221,180 thousand yen
2. Monetary claims to/ debts from subsidiaries and associates	
Monetary receivables	19,030,617 thousand yen
Monetary payables	123,214 thousand yen

(Notes to the Non-Consolidated Statement of Income)

Transactions with subsidiaries and associates

Operating transactions

Net sales	9,818,168 thousand yen
Purchase of goods	2,850,383 thousand yen
Selling, general and administrative expenses	499,679 thousand yen
Non-operating transactions	273,141 thousand yen

(Notes to the Non-Consolidated Statement of Changes in Equity)

Class and total number of treasury shares as of March 31, 2023

Common stock	83,180 shares
--------------	---------------

(Notes on Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities

Deferred tax assets:

Provision for bonuses	117,991	thousand yen
Provision for bonuses for directors (and other officers)	29,455	thousand yen
Lump-sum depreciable assets	19,178	thousand yen
Social insurance premium	18,731	thousand yen
Loss on valuation of inventories	44,925	thousand yen
Enterprise tax payable	62,424	thousand yen
Gain on change in equity	45,390	thousand yen
Impairment losses	48	thousand yen
Excess depreciation	16,105	thousand yen
Loss on valuation of investments in capital of subsidiaries and associates	91,168	thousand yen
Loss on disposal of non-current assets	45,067	thousand yen
Loss on valuation of investment securities	14,475	thousand yen
Loss on valuation of shares of subsidiaries and associates	133,852	thousand yen
Research and development expenses	162	thousand yen
Allowance for doubtful accounts	923,768	thousand yen
Other	64,907	thousand yen
Subtotal deferred tax assets	1,627,654	thousand yen
Valuation allowances	(1,208,655)	thousand yen
Total deferred tax assets	418,998	thousand yen

Deferred tax liabilities:

Valuation difference on available-for-sale securities	146,697	thousand yen
Prepaid pension costs	151,025	thousand yen
Reserve for tax purpose reduction entry of non-current assets	41,584	thousand yen
Total deferred tax liabilities	339,306	thousand yen
Net deferred tax assets	79,691	thousand yen

(Notes on Transactions with Related Parties)

(In thousands of yen)

Type	Name of companies	Ownership ratio of voting rights	Relationship	Transaction details	Amount of transaction	Account name	Balance as of the end of year
Subsidiary	VIETNAM RARE ELEMENTS CHEMICAL JOINT STOCK COMPANY	Owned Direct 99.99%	Interlocking directors Fund support	Loan of funds (* 1)	2,420,440	Current portion of long-term loans receivable	712,309
				Receipt of interests (* 1)	169,830	Long-term loans receivable	12,532,398
				Temporary payment for plant construction	2,251	Accounts receivable-other	650,377
Subsidiary	DKK America Materials, Inc.	Owned Direct 100.00%	Sales of the Company's products	Sales of products (* 2)	5,448,688	Accounts receivable-trade	2,786,801
Subsidiary	DKK (Shanghai) Materials Trading Co., Ltd.	Owned Direct 66.67%	Sales of the Company's products, etc.	Sales of products, etc. (* 2)	2,749,496	Accounts receivable-trade	1,067,666
Associate	Shandong Guangyin DKK New Materials Co., Ltd.	Owned Direct 34.00%	Interlocking directors Fund support	Loan of funds (* 1)	259,697	Short-term loans receivable	78,788
				Collection of funds	294,300	Long-term loans receivable	328,154
						—	—

Policies to determine terms and conditions

(*1) As to loan of funds, interest rates are determined based on market rates.

(*2) As to sales of products, prices are determined with reference to market prices.

(Notes on Per Share Information)

1. Net assets per share 1,442.37 yen
2. Earnings per share 165.97 yen

(Notes on Significant Subsequent Events)

None

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 15, 2023

To the Board of Directors of
Daiichi Kigenso Kagaku Kogyo Co., Ltd.:

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Engagement Partner,
Certified Public Accountant:

Takashi Okumura

Designated Engagement Partner,
Certified Public Accountant:

Sawako Fukui

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Daiichi Kigenso Kagaku Kogyo Co., Ltd. and its consolidated subsidiaries (the "Group"), namely, the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2022 to March 31, 2023, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

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

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

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

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

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

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. The other information in "the accompanying supplemental schedules" referred to in the "Other Information" section of this English translation is not translated.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 15, 2023

To the Board of Directors of
Daiichi Kigenso Kagaku Kogyo Co., Ltd.:

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Engagement Partner,
Certified Public Accountant:

Takashi Okumura

Designated Engagement Partner,
Certified Public Accountant:

Sawako Fukui

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of Daiichi Kigenso Kagaku Kogyo Co., Ltd. (the "Company"), namely, the nonconsolidated balance sheet as of March 31, 2023, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 67th fiscal year from April 1, 2022 to March 31, 2023, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

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

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

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. The accompanying supplemental schedules" referred to in the "Opinion" section of this English translation are not included in the attached financial documents. In addition, the other information in "the accompanying supplemental schedules" referred to in the "Other Information" section of this English translation is not translated.

Audit Report (English Translation)

The Audit & Supervisory Board has prepared this Audit Report following deliberations based on the respective audit reports prepared by Audit & Supervisory Board Members in relation to the execution of duties by Directors for the 67th fiscal term from April 1, 2022 to March 31, 2023. The report is as follows.

1. Method and Description of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board determined the audit policy, allocation of duties and other relevant matters, received reports from each Audit & Supervisory Board Member on the progress and results of his/her audit, in addition to receiving reports from Directors, etc. and the Accounting Auditor on the execution status of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member, based on the audit standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the audit policy, allocation of duties and other relevant matters, communicated with Directors, Executive Officers, and Internal Audit Division and other employees, etc., endeavored to collect information and develop an environment for the audit, and implemented audits via the following methods.
 - 1) We attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees, etc. on the execution status of their duties, sought explanations as necessary, reviewed important approval documents, etc., and investigated the status of operations and assets at the head office and principal places of business. With respect to subsidiaries, we communicated and exchanged information with Directors or Audit & Supervisory Board Member, etc. of the subsidiaries, and received reports on their business and business condition.
 - 2) We also received reports from Directors and other employees, etc., on development and execution status of the system, and sought explanations as necessary, and received reports periodically from the Internal Auditing Department and expressed opinions about the content of the resolution passed by the Board of Directors regarding the development of a system to ensure that Directors comply with laws, ordinances and the Articles of Incorporation in executing their duties and other systems stipulated in paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act that are required to ensure proper operations of a company group comprised of a stock company and its subsidiaries, as well as the status of the system developed pursuant to such resolution (i.e., internal control system) set forth in the business report.
 - 3) We monitored and verified whether or not the Accounting Auditor had maintained its independence and whether or not it had conducted its audit properly, received reports from the Accounting Auditor on the execution status of its duties, and sought explanations as necessary. In addition, we were notified by the Accounting Auditor that it is equipped with a system for ensuring that duties are performed properly (matters listed in the items of Article 131 of the Company Accounting Ordinance) in accordance with the Quality Control Standards for Audits (issued by the Business Accounting Council on November 16, 2021), etc., and sought explanations as necessary. Besides, we hold consultations with Deloitte Touche Tohmatsu LLC on the major issues in auditing, and received reports on execution status of the Audit, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and its supplementary schedules, Nonconsolidated Financial Statements (i.e., Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Equity and Notes to the Non-Consolidated Financial Statements) and their supplementary schedules as well as the Consolidated Financial Statements (i.e., Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Equity and Notes to the Consolidated Financial Statements) for the fiscal year under review.

2. Audit Results

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

1. In our opinion, the Business Report and the supplementary schedules are in compliance with laws, ordinances and the Articles of Incorporation, and fairly represent the Company's position.
2. No material facts were identified regarding misconduct or violation of any laws, ordinances or the Articles of Incorporation in relation to the execution of duties by Directors.
3. In our opinion, the Board of Directors' resolution on the internal control system is adequate in content. We found no matters that need to be pointed out in regards to the content of the records in the Business Report and the execution of duties by Directors in relation to said internal control system.

(2) Results of audit of Non-consolidated Financial Statements and their supplementary schedules

In our opinion, the methods and results of the audit conducted by Accounting Auditor Deloitte Touche Tohmatsu LLC are reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results of the audit conducted by Accounting Auditor Deloitte Touche Tohmatsu LLC are reasonable.

May 16, 2023

Audit & Supervisory Board, Daiichi Kigenso Kagaku Kogyo Co., Ltd.

Standing Outside Audit & Supervisory Board Member	Hiroshi Kawaguchi
Outside Audit & Supervisory Board Member	Nobuhiro Nishii
Outside Audit & Supervisory Board Member	Yoshinori Tsuda