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Securities Code: 5384

Date of sending by postal mail: June 1, 2023

Start date of measures for electronic provision: May 22, 2023

To Shareholders:

Keishi Seki
President and CEO
Fujimi Incorporated
2-1-1 Chiryō, Nishibiwajima-cho, Kiyosu-shi, Aichi

Notice of the 71st Annual General Shareholders' Meeting

Fujimi Incorporated (the "Company") is pleased to announce the 71st Annual General Shareholders' Meeting will be held as described below.

In convening this General Shareholders' Meeting, the Company has taken measures for providing information that constitutes the content of reference documents for the general shareholders' meeting, etc. (items for which measures for providing information in electronic format are to be taken) in electronic format, and has posted the information on each of the following websites. Please access either of the websites to view the information.

The Company's website:

<https://www.fujimiinc.co.jp/ir/event/meeting.html> (in Japanese)

From the above website, select "Notice of the 71st Annual General Shareholders' Meeting (year ended March 31, 2023)."

Website for posted informational materials for the general meeting of shareholders:

<https://d.sokai.jp/5384/teiji> (in Japanese)

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

From the above website, enter "Fujimi" in "Issue name (company name)" or the Company's securities code "5384" in "Code," and click "Search." Then, click "Basic information" and select "Documents for public inspection/PR information." Under "Filed information available for public inspection," click "Click here for access" under "[Notice of General Shareholders' Meeting /Informational Materials for a General Shareholders Meeting]."

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the internet, etc. in advance. Please consider the Reference Documents for General Shareholders' Meeting below, and exercise your voting rights no later than 5:00 p.m. on Wednesday, June 21, 2023 (JST).

1. Date and Time: Thursday, June 22, 2023, at 10 a.m. (JST) (Reception opens at 9:20 a.m.)

2. Venue: 3rd floor, Doremi Hall, Nishibi Sozo Center
1-12-1 Otai, Nishibiwajima-cho, Kiyosu-shi, Aichi

3. Purpose of the Meeting:

Matters to be reported:

1. Business Report and Consolidated Financial Statements for the 71st term (April 1, 2022 to March 31, 2023) as well as the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
2. Non-consolidated Financial Statements for the 71st term (April 1, 2022 to March 31, 2023)

Matters to be resolved:

- | | |
|-----------------------|--|
| Proposal No. 1 | Appropriation of Surplus |
| Proposal No. 2 | Election of Six Directors |
| Proposal No. 3 | Election of One Corporate Auditor |
| Proposal No. 4 | Election of One Substitute Corporate Auditor |

4. Other Matters concerning This Notice

(1) In accordance with a revision of the Companies Act, in principle you are to check items subject to measures for electronic provision by accessing either of the websites mentioned above, and we have decided to deliver paper-based documents stating the items only to shareholders who request the delivery of paper-based documents by the record date. However, the Company have delivered paper-based documents stating the items subject to measures for electronic provision to all shareholders, regardless of whether or not they have requested them.

Among the items subject to measures for electronic provision, in accordance with the provisions of laws and regulations and Article 15 of the Articles of Incorporation of the Company, the following items are not provided in the paper-based documents delivered.

- (i) Consolidated Statement of Changes in Equity
- (ii) Notes to Consolidated Financial Statements
- (iii) Non-consolidated Statement of Changes in Equity
- (iv) Notes to Non-consolidated Financial Statements

Accordingly, the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Corporate Auditors and the Accounting Auditor consist of the documents stated in the documents delivered, as well as the Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Non-consolidated Statement of Changes in Equity and Notes to Non-consolidated Financial Statements posted on each of the websites.

(2) If there is no indication of approval or disapproval for the respective proposals on the voting form, it shall be deemed as an indication of approval.

In the event of any revisions to the items for which measures for providing information in electronic format are to be taken, a notice of such revisions, as well as the information before and after the revisions, will be posted on each website for which measures for providing information in electronic format are to be taken on the Internet as indicated on the left.

Reference Documents for General Shareholders' Meeting

Proposals and Reference Information

Proposal No. 1 Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

1. Year-end dividends

The Company regards the appropriate return of profit to its shareholders as one of its most important management issues in operating its business. The Company's target for the consolidated dividend payout ratio is 50% or more. While making proactive return of profits to shareholders based on business performance, the basic policy is to pay attention to maintaining stable dividends.

As a result of careful consideration based on this basic policy, the Company proposes to pay a year-end dividend for the fiscal year ended March 31, 2023 of ¥110 per share as an ordinary dividend.

(1) Type of dividend property

To be paid in cash.

(2) Allotment of dividend property and their aggregate amount

The Company proposes to pay a dividend of ¥110 per common share of the Company.

In this event, the total dividends will be ¥2,766,613,960.

Accordingly, including the interim dividend of ¥110 per share already paid, the annual dividend for the fiscal year ended March 31, 2023 will total ¥220 per share.

(3) Effective date of dividends of surplus

The effective date of dividends will be June 23, 2023.

2. Other appropriation of surplus

(1) Item of surplus to be decreased and amount of decrease

Retained earnings brought forward: ¥2,000,000,000

(2) Item of surplus to be increased and amount of increase

General reserve: ¥2,000,000,000

(Note) The Company, on May 10, 2023, has resolved to formulate "Medium & Long Term Business Plan 2023" (the "Plan"). Under the Plan, the Company has a policy of striving to live up to shareholder's expectations by continuously providing stable dividend payments targeting a consolidated payment ratio of over 55% after the fiscal year ending March 31, 2024 and will start an examination for an addition of DOE (Dividend on Equity) related policy.

Proposal No. 2 Election of Six Directors

The terms of office of all six Directors will expire at the conclusion of this meeting. Therefore, in light of its current management system, the Company proposes the election of six Directors.

The candidates for Director are as follows:

No.		Name	Gender	Current position in the Company	Tenure as Director	Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2023
1	Reappointment	Keishi Seki	Male	President and CEO	20 years	20/20 (100%)
2	Reappointment	Toshiki Owaki	Male	Managing Director	11 years	19/20 (95%)
3	Reappointment	Katsuhiro Suzuki	Male	Managing Director	11 years	20/20 (100%)
4	Reappointment Outside	Masami Kawashita	Male	Outside Director	8 years (Tenure as Outside Corporate Auditor: 3 years)	20/20 (100%)
5	Reappointment Outside	Yoshitsugu Asai	Male	Outside Director	6 years	20/20 (100%)
6	Reappointment Outside	Atsuko Yoshimura	Female	Outside Director	1 year	14/14 (100%) (Note)

Note: Only applies to Board of Directors meetings held after appointment as Outside Director on June 29, 2022

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
1	<p>Keishi Seki (April 6, 1964)</p> <p>Reappointment</p> <p>Tenure as Director 20 years</p> <p>Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2023 20 / 20 (100%)</p>	<p>Apr. 1989 Joined Fuji Bank (currently Mizuho Bank, Ltd.)</p> <p>Oct. 1997 Joined the Company</p> <p>Feb. 2000 President of FUJIMI CORPORATION</p> <p>June 2003 Director and Senior General Manager of New Business Development Division of the Company</p> <p>Apr. 2005 Director and Senior General Manager of CMP Division, Director of CMP Business Unit</p> <p>Apr. 2008 President and CEO</p> <p>Jan. 2013 President and CEO of the Company; and President of FUJIMI KOREA LIMITED</p> <p>Aug. 2013 President and CEO of the Company; President of FUJIMI KOREA LIMITED; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2014 President and CEO, and Senior General Manager of CMP Division of the Company; President of FUJIMI KOREA LIMITED; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2015 President and CEO of the Company; and President of FUJIMI KOREA LIMITED</p> <p>Apr. 2016 President and CEO of the Company</p> <p>Apr. 2020 President and CEO, and Senior General Manager of Finance Division of the Company</p> <p>Apr. 2022 President and CEO, and Senior General Manager of Human Resources & Organization Planning Division of the Company</p> <p>Apr. 2023 President and CEO of the Company (current position)</p>	448,787 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Keishi Seki has been involved in the management of the Company and the supervision of its overseas subsidiaries as President and CEO since 2008 after serving as the person in charge of the CMP Division, the New Business Development Division, and overseas subsidiaries. Furthermore, he has worked to strengthen the Group's governance, including supervision of the risk management structure, while also demonstrating strong leadership in multiple aspects, and contributing significantly to expanding earnings and increasing corporate value. He has been nominated to continue as a candidate for Director because he can be expected to continue strengthening the Group's sustainable growth and the functions of the Board of Directors based on his abundant experience and wide knowledge concerning management in general.</p> <p>[Special interest between the candidate and the Company]</p> <p>There is no special interest.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
2	<p>Toshiki Owaki (December 27, 1960)</p> <p>Reappointment</p> <p>Tenure as Director 11 years</p> <p>Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2023 19 / 20 (95%)</p>	<p>Apr. 1983 Joined the Company</p> <p>Apr. 1999 Seconded to FUJIMI AMERICA INC. (currently FUJIMI CORPORATION)</p> <p>Apr. 2011 Senior General Manager and General Manager of Disk Division of the Company; and President of FUJIMI-MICRO TECHNOLOGY SDN. BHD.</p> <p>June 2012 Director, and Senior General Manager and General Manager of Disk Division of the Company; and President of FUJIMI-MICRO TECHNOLOGY SDN. BHD.</p> <p>Apr. 2014 Director and Senior General Manager of Specialty Materials Division of the Company</p> <p>Apr. 2017 Director and Senior General Manager of Specialty Materials Division of the Company; and President of FUJIMI-MICRO TECHNOLOGY SDN. BHD.</p> <p>Dec. 2020 Director and Senior General Manager of Specialty Materials Division of the Company</p> <p>Apr. 2021 Managing Director and Senior General Manager of Specialty Materials Division of the Company</p> <p>Apr. 2022 Managing Director of the Company (current position)</p>	14,721 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Toshiki Owaki has demonstrated strong leadership in the Company's technology and R&D fields, including serving for many years as the person in charge of the R&D division of the Disk Business. Subsequently, he has been involved in supervision of the Specialty Materials, Thermal Spray Materials, and Disk Divisions, and in the management of overseas subsidiaries. He has been nominated to continue as a candidate for Director because he can be expected to continue strengthening the Group's sustainable growth and the functions of the Board of Directors based on his abundant experience and achievements.</p> <p>[Special interest between the candidate and the Company]</p> <p>There is no special interest.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
3	<p>Katsuhiro Suzuki (March 9, 1962)</p> <p>Reappointment</p> <p>Tenure as Director 11 years</p> <p>Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2023 20 / 20 (100%)</p>	<p>Apr. 1984 Joined the Company</p> <p>July 1992 Seconded to FUJIMI AMERICA INC. (currently FUJIMI CORPORATION)</p> <p>Apr. 2005 Director of FUJIMI CORPORATION</p> <p>Apr. 2011 Senior General Manager of Silicon Division</p> <p>June 2012 Director and Senior General Manager of Silicon Division</p> <p>Apr. 2015 Director and Senior General Manager of Silicon Division and CMP Division of the Company; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2016 Director and Senior General Manager of CMP Division of the Company; President of FUJIMI CORPORATION; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2018 Director and Senior General Manager of CMP Division of the Company; Chairman of FUJIMI CORPORATION; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2021 Managing Director and Senior General Manager of CMP Division of the Company; Chairman of FUJIMI CORPORATION; and President of FUJIMI TAIWAN LIMITED</p> <p>Apr. 2023 Managing Director of the Company; Chairman of FUJIMI CORPORATION; and President of FUJIMI TAIWAN LIMITED (current position)</p>	16,321 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Katsuhiro Suzuki has demonstrated strong leadership in the Company's production technology field, including serving for many years as the person in charge of the production technology division of an overseas subsidiary. Subsequently, after serving as the person in charge of the sales division in the Silicon Business, he has been involved in supervision of the Silicon and CMP Divisions, etc. and the management of overseas subsidiaries. He has been nominated to continue as a candidate for Director because he can be expected to continue strengthening the Group's sustainable growth and the functions of the Board of Directors based on his abundant experience and achievements.</p> <p>[Special interest between the candidate and the Company]</p> <p>There is no special interest.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
4	<p>Masami Kawashita (September 3, 1949)</p> <p>Reappointment Outside</p> <p>Tenure as Outside Director 8 years (Tenure as Outside Corporate Auditor: 3 years)</p> <p>Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2023 20 / 20 (100%)</p>	<p>Apr. 1973 Joined NGK Spark Plug Co., Ltd.</p> <p>July 2004 Head of Auto Parts Marketing, China</p> <p>June 2005 Director</p> <p>June 2008 Managing Director</p> <p>Feb. 2009 Senior Managing Director</p> <p>June 2009 Executive Vice President</p> <p>June 2011 Special Adviser</p> <p>June 2012 Adviser</p> <p>June 2012 Outside Corporate Auditor of the Company</p> <p>June 2015 Outside Director (current position)</p>	<p>– shares</p>
<p>[Reasons for nomination as candidate for Outside Director] Masami Kawashita has accumulated abundant knowledge and experience over many years as a manager. After being engaged in promoting business in Malaysia, Indonesia, China, and other countries at NGK Spark Plug Co., Ltd., he has been a Director of NGK Spark Plug Co., Ltd. since 2005 and supervised the management planning, general affairs, and procurement divisions as Executive Vice President. Currently, he actively provides opinions from a manager's perspective in the Board of Directors. He has been nominated to continue as a candidate for Outside Director because he can be expected to continue to offer objective proposals regarding the Company's management and to strengthen the functions of the Board of Directors based on his abundant experience and achievements.</p> <p>[Special interest between the candidate and the Company] There is no special interest.</p> <p>[Independence of the candidate] Transactions between the Company and NGK Spark Plug Co., Ltd. in the past three years account for less than 1% of consolidated net sales, none of which were purchases. There are no personal or capital relationships, or other special interests, and there is deemed to be no detrimental effect on his duty as an Outside Director or his independence.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
5	<p>Yoshitsugu Asai (May 16, 1954)</p> <p>Reappointment Outside</p> <p>Tenure as Outside Director 6 years</p> <p>Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2023 20 / 20 (100%)</p>	<p>Apr. 1977 Joined Brother Industries, Ltd.</p> <p>July 1989 Seconded to BROTHER INDUSTRIES (AUST) PTY LTD. Representative Director & President</p> <p>Oct. 2000 General Manager of General Planning Department of Brother Industries, Ltd.</p> <p>June 2004 Executive Officer; EVP* of I & D Company and General Manager of Corporate Planning Department *EVP: Executive Vice President</p> <p>Apr. 2006 Executive Officer, and General Manager of Human Resource Department</p> <p>Apr. 2011 Managing Executive Officer and General Manager of Legal & General Affairs Department</p> <p>Apr. 2016 Managing Executive Officer</p> <p>June 2017 Outside Director of the Company (current position)</p> <p>June 2020 Outside Director of ANEST IWATA Corporation (current position)</p> <p>[Important concurrent positions outside the Company] Outside Director of ANEST IWATA Corporation</p>	2,554 shares
<p>[Reasons for nomination as candidate for Outside Director] Yoshitsugu Asai has accumulated judgment and insight over many years as a manager. After serving as the person responsible for overseas subsidiaries at Brother Industries Ltd., he has been an Executive Officer at Brother Industries Ltd. since 2004, and supervised the finance, human resource, and CSR divisions as a Managing Executive Officer. Currently, he actively provides opinions from a manager's perspective in the Board of Directors. He has been nominated to continue as a candidate for Outside Director because he can be expected to continue to offer objective proposals regarding the Company's management and to strengthen the functions of the Board of Directors based on his abundant experience and wide knowledge.</p> <p>[Special interest between the candidate and the Company] There is no special interest.</p> <p>[Independence of the candidate] Transactions and purchases do not exist between the Company and Brother Industries, Ltd. in the past three years. There are no personal or capital relationships, or other special interests, and there is deemed to be no detrimental effect on his duty as an Outside Director or his independence.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
6	Atsuko Yoshimura (May 6, 1971) Reappointment Outside Tenure as Outside Director 1 year Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2023 14 / 14 (100%) *Only applies to Board of Directors meetings held after appointment as Outside Director on June 29, 2022	Apr. 1995 Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION May 2002 Transferred to NTT Communications Corporation June 2004 Joined JPMorgan Securities Japan Co., Ltd. Mar. 2007 Joined UBS Securities Japan Co., Ltd. Mar. 2015 Joined Goldman Sachs Japan Co., Ltd. Sept. 2020 Managing Director and in charge of Asia Region Strategy of Roquette Japan K.K. Dec. 2021 Representative Director and President, Managing Director and in charge of Asia Region Strategy June 2022 Outside Director of the Company (current position) Mar. 2023 Representative Director of VG-C Inc. (current position) [Important concurrent positions outside the Company] Representative Director of VG-C Inc.	238 shares
<p>[Reasons for nomination as candidate for Outside Director] Atsuko Yoshimura has accumulated judgment and insight over many years as a manager. She worked for many years in the investment banking divisions of foreign securities companies, where she supported corporate growth and financial strategies, including M&A and capital procurement. She also worked as a manager at The Roquette Group, a French company, where she was the Representative Director and President of its Japanese subsidiary and in charge of strategy of Asia. She is currently engaged in providing advisory services to startups and other companies at VG-C Inc., which she founded. She has been nominated to continue as a candidate for Outside Director because she can be expected to continue to offer objective proposals and strengthen the functions of the Board of Directors based on her wide knowledge and achievements.</p> <p>[Special interest between the candidate and the Company] There is no special interest.</p> <p>[Independence of the candidate] Transactions and purchases do not exist between the Company, and Roquette Japan K.K. and VG-C Inc. in the past three years. There are no personal or capital relationships, or other special interests, and there is deemed to be no detrimental effect on her duty as an Outside Director or her independence.</p>			

- Notes:
- Masami Kawashita, Yoshitsugu Asai and Atsuko Yoshimura are candidates for Outside Director and the Company has submitted notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that they have been designated as independent officers.
 - Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with Masami Kawashita, Yoshitsugu Asai and Atsuko Yoshimura to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. If the reappointment of Masami Kawashita, Yoshitsugu Asai and Atsuko Yoshimura is approved, the Company intends to renew the aforementioned agreement with each of them.
An overview of the content of the agreement is as follows.
 - If an Outside Director is found to be liable to the Company for compensation for damages due to failure to perform duties as an Outside Director, liability shall be limited to the amount provided by laws and regulations.
 - The above limitation of liability is only recognized when an Outside Director acts in good faith and without gross negligence concerning the duties causing such liability.
 - The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured in this policy includes all Directors and Corporate Auditors of the Company, and insurance premiums are not borne by the insured.
An overview of the content of the policy is as follows.
 - Litigation expenses and compensation for damage borne by the insured due to company litigation, third-party litigation and shareholder derivative suits are covered.
 - As a measure to prevent impairment of the appropriateness of the execution of duties by the insured, losses caused by the insured through illegal acts, etc. are not covered.
If each candidate is elected and assumes the office as a Director, the Company plans to include them as an insured in this policy.
 - The number of the Company's shares owned includes those acquired through the Stock Ownership schemes.

Proposal No. 3 Election of One Corporate Auditor

At the conclusion of this meeting, the term of office of Corporate Auditor Masahiko Takahashi will expire. Therefore, the Company proposes the election of one Corporate Auditor.

In addition, the consent of the Board of Corporate Auditors has been obtained for this proposal.

The candidate for Corporate Auditor is as follows:

Name (Date of birth)	Career summary, position in the Company, and important concurrent positions outside the Company	Number of the Company's shares owned
<p>Masahiko Takahashi (December 23, 1944)</p> <p>Reappointment Outside</p> <p>Tenure as Corporate Auditor: 12 years</p> <p>Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2023 18 / 20 (90%)</p> <p>Attendance at meetings of the Board of Corporate Auditors in the fiscal year ended March 31, 2023 15 / 15 (100%)</p>	<p>Oct. 1970 Joined Marunouchi Accounting and Auditing Firm</p> <p>Oct. 1974 Registered as a Certified Public Accountant</p> <p>Oct. 1979 Joined Yagi and Asano Auditing Office (currently Ernst & Young ShinNihon LLC)</p> <p>Nov. 1979 Registered as a tax accountant Established the Masahiko Takahashi Certified Public Accountant and Tax Accountant Office Director of the Office</p> <p>May 1985 Joined ShinNihon LLC (currently Ernst & Young ShinNihon LLC)</p> <p>June 2010 Retired from ShinNihon LLC (currently Ernst & Young ShinNihon LLC)</p> <p>June 2011 Outside Corporate Auditor of the Company (current position)</p>	<p>– shares</p>
<p>[Reasons for nomination as candidate for Outside Corporate Auditor] Masahiko Takahashi is familiar with corporate finance and accounting as a Certified Public Accountant and Certified Public Tax Accountant. Currently, as an Outside Corporate Auditor, he provides advice to the Board of Directors based on his expertise. He has been nominated to continue as a candidate for Outside Corporate Auditor because he is expected to continue to appropriately execute his duties as an Outside Corporate Auditor based on his experience and achievements.</p> <p>[Special interest between the candidate and the Company] There is no special interest.</p> <p>[Independence of the candidate] Transactions and purchases do not exist between the Company and Masahiko Takahashi Certified Public Accountant and Tax Accountant Office in the past three years. There are no personal or capital relationships, or other special interests, and there is deemed to be no detrimental effect on his duty as an Outside Corporate Auditor or his independence.</p>		

- Notes:
1. Masahiko Takahashi is a candidate for outside Corporate Auditor and the Company has submitted notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that he has been designated as an independent officer.
 2. Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into an agreement with Masahiko Takahashi to limit his liability for damages under Article 423, paragraph (1) of the Companies Act. If the reelection of Masahiko Takahashi is approved, the Company intends to renew the aforementioned agreement with him. An overview of the content of the agreement is as follows.
 - (1) If an Outside Corporate Auditor is found to be liable to the Company for compensation for damages due to failure to perform duties as an Outside Corporate Auditor, liability shall be limited to the amount provided by laws and regulations.
 - (2) The above limitation of liability is only recognized when an Outside Corporate Auditor acts in good faith and without gross negligence concerning the duties causing such liability.
 3. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured in this policy includes all Directors and Corporate Auditors of the Company, and insurance premiums are not borne by the insured. An overview of the content of the policy is as follows.
 - (1) Litigation expenses and compensation for damage borne by the insured due to company litigation, third-party litigation and shareholder derivative suits are covered.
 - (2) As a measure to prevent impairment of the appropriateness of the execution of duties by the insured, losses caused by the insured through illegal acts, etc. are not covered.

If Masahiko Takahashi is elected and assumes the office as a Corporate Auditor, the Company plans to include him as an insured in this policy.

Proposal No. 4 Election of One Substitute Corporate Auditor

The Company proposes the election of one Substitute Corporate Auditor to be ready to fill a vacant position should the number of Corporate Auditors fall below the number required by laws and regulations.

The appointment of the Substitute Corporate Auditor is conditional upon the number of Corporate Auditors falling below the number required by laws and regulations, and his term of office shall be until the expiration date of the retiring Corporate Auditor’s term of office. Furthermore, the nomination shall remain in effect until the commencement of the next Annual General Shareholders’ Meeting.

The consent of the Board of Corporate Auditors has been obtained for this proposal.

The candidate for Substitute Corporate Auditor is as follows:

Name (Date of birth)	Career summary, position in the Company, and important concurrent positions outside the Company	Number of the Company’s shares owned
Nobufumi Hayashi (April 12, 1955) Outside	Mar. 1978 Joined Osaka office of Showa Audit Corporation (currently Ernst & Young ShinNihon LLC) Sept. 1981 Joined Marunouchi Accounting and Auditing Firm Mar. 1982 Registered as a Certified Public Accountant Aug. 1995 Partner at Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) Sept. 2014 Left Deloitte Touche Tohmatsu LLC Oct. 2014 Established Nobufumi Hayashi Accounting Office (current position)	– shares
[Reasons for nomination as candidate for Substitute Outside Corporate Auditor] Nobufumi Hayashi is familiar with finance and accounting as a Certified Public Accountant. In addition, as a representative of an accounting office, he possesses insight concerning management in general. He has been nominated to continue to be the Substitute Outside Corporate Auditor, because he is deemed to be able to appropriately execute his duties as an Outside Corporate Auditor based on his experience and achievements. [Special interest between the candidate and the Company] There is no special interest.		

- Notes:
1. Nobufumi Hayashi is a candidate for Substitute Outside Corporate Auditor. If he is appointed as a Corporate Auditor, the Company intends to submit notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that he is designated as an independent officer.
 2. If Nobufumi Hayashi is appointed as a Corporate Auditor, 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 under Article 423, paragraph (1) of the Companies Act. An overview of the content of the agreement is as follows.
 - (1) If an Outside Corporate Auditor is found to be liable to the Company for compensation for damages due to failure to perform duties as an Outside Corporate Auditor, liability shall be limited to the amount provided by laws and regulations.
 - (2) The above limitation of liability is only recognized when an Outside Corporate Auditor acts in good faith and without gross negligence concerning the duties causing such liability.
 3. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company.
 The scope of the insured in this policy includes all Directors and Corporate Auditors of the Company, and insurance premiums are not borne by the insured. An overview of the content of the policy is as follows.
 - (1) Litigation expenses and compensation for damage borne by the insured due to company litigation, third-party litigation and shareholder derivative suits are covered.
 - (2) As a measure to prevent impairment of the appropriateness of the execution of duties by the insured, losses caused by the insured through illegal acts, etc. are not covered.
 If Nobufumi Hayashi assumes the office as a Corporate Auditor, he will be included as an insured in this policy.

(Reference) Management Structure after Approval of Proposals 2 and 3 (Planned) [Skills Matrix]

Name	Corporate management	Global	Business development	Sales and marketing	Technology and R&D	Manufacturing and quality control	Finance and accounting / M&A	Legal affairs / Risk management	Personnel and human resource development	CSR/ESG
Keishi Seki [Director]	•	•		•			•	•		
Toshiki Owaki [Director]	•	•		•	•	•				
Katsuhiro Suzuki [Director]	•	•		•	•	•				
Masami Kawashita [Director] [Outside]	•	•	•	•			•			
Yoshitsugu Asai [Director] [Outside]	•	•					•		•	•
Atsuko Yoshimura [Director] [Outside]	•	•	•				•			
Yoshiaki Fujikawa [Corporate Auditor]								•	•	
Masahiko Takahashi [Corporate Auditor] [Outside]							•			
Masaru Okano [Corporate Auditor] [Outside]	•		•		•	•			•	

(For reference) Criteria for Independence of Outside Directors

The Company deems that an Outside Director has independence when he/she does not meet any of the following:

1. Relations with the Company
 - (i) A person who is an Officer or an employee of the Company or any of its subsidiaries or affiliates
2. Relations with shareholders
 - (i) A person who is a director, corporate auditor, accounting advisor, operating executive, executive officer (hereinafter an “executive”) or an employee of a company that is a major shareholder (with 10% or more of voting rights) of the Company
 - (ii) A person who was an executive or employee of a major shareholder of the Company in the past five years
 - (iii) An executive or employee of a company of which the Company is a major shareholder
3. Relations with trading partner companies
 - (i) A person for whom the Company or any of its subsidiaries and affiliates was a major trading partner (*1) in the past three years
 - *1 Major trading partner: a partner whose sales to the Company or any of its subsidiaries and affiliates exceeded 1% of (annual) consolidated sales
 - (ii) A person who was a major trading partner (*2) for the Company in the past three years
 - *2 Major trading partner: a partner whose trading with the Company totaled 1% or more of the Company’s (annual) consolidated sales
4. Person with economic interests
 - (i) An incumbent executive or employee of a company that accepts a director or corporate auditor from the Company or any of its subsidiaries and affiliates, or of its parent company or subsidiary
5. Person who provides technical service
 - (i) A certified public accountant or a member, partner or employee of an audit firm that is an accounting auditor or accounting advisor of the Company or any of its subsidiaries and affiliates
 - (ii) A certified public accountant or a member, partner or employee of an audit firm that was an accounting auditor or accounting advisor of the Company or any of its subsidiaries and affiliates and was in charge of audits of the Company or any of its subsidiaries and affiliates in the past three years (including one who has resigned or retired)
 - (iii) A certified public accountant, tax accountant, attorney, or other consultant who does not meet the conditions above and has received a financial profit of ¥10 million or more in cash or others annually on average in the past three years in other ways than compensation to a director from the Company or any of its present subsidiaries
6. Close relative
 - (i) A relative within the second degree of kinship to, or a relative who lives with of an executive director or executive officer of the Company or any of its subsidiaries and affiliates, a major shareholder, a major trading partner, or an executive of a major creditor
 - (ii) A person whose relative within the second degree of kinship or a relative who lives with him/her is an accounting auditor or an employee or partner of an audit firm of the Company or any of its present subsidiaries
 - (iii) A person whose relative within the second degree of kinship or a relative who lives with him/her is an attorney or other consultant who has received a financial profit of ¥10 million or more in cash or others annually on average in the past three years in other ways than compensation to a director from the Company or any of its present subsidiaries
 - (iv) A person who is a relative within the second degree of kinship with, or a relative who lives with of a director, corporate auditor, accounting advisor, operating executive or executive officer of a company that accepts a director or corporate auditor from the Company or any of its subsidiaries or affiliates

Business Report

(From April 1, 2022 to March 31, 2023)

1. Business Progress and Achievement of the Company's Group ("the Group")

(1) Business Activities and Results

During the FY2023, despite the global economy has become less vulnerable to the spread of COVID-19 variant, the inflation pressure remained strong because of soaring resource and energy prices as a result of worsening international situation. The global economic uncertainty increased due to concerns about economic recessions caused by the consecutive interest rate rise in the US and Europe followed by the global financial market turmoil out of banking crisis in US and Europe.

In addition, the global semiconductor market has been experiencing the accelerated adjustment of production and inventory since the mid-year due to the downturn in the PC, smartphone and server markets. Although small diameter silicon wafer production adjustment started in the second half, the silicon wafer production in general still kept high level.

The consolidated results for this period are shown below.

Consolidated Results for Fiscal Year 2023:	Millions of JPY unless otherwise stated		
	FY2022 ended March 31, 2022	FY2023 ended March 31, 2023	Change YoY
Net Sales	51,731	58,394	12.9%
Operating Profit	12,059	13,243	9.8%
Ordinary Profit	12,490	13,595	8.8%
Profit Attributable to Owners of Parent	9,156	10,594	15.7%

Segment Operating Results by Region

(i) Japan

Net sales in Japan increased by 12.9% to JPY 35,995 million compared with the previous fiscal year. Operating profit increased by 10.1% to JPY 11,769 million. However, the year-on-year growth rate of non-cumulative sales since the third quarter slowed down due to the adjustment in the semiconductor market.

(ii) North America

Net sales in North America increased by 19.8% to JPY 7,513 million compared with the previous fiscal year. Operating profit increased by 104.9% to JPY 747 million. The increases were mainly due to a favorable product mix and foreign currency gains. However, the non-cumulative sales in the fourth quarter declined on a year-on-year basis due to the adjustment in the semiconductor market.

(iii) Asia

Net sales in Asia increased by 9.3% to JPY 12,951 million compared with the previous fiscal year. Operating profit increased by 14.0% to JPY 3,089 million. However, the sales since the third quarter declined on a year-on-year basis due to adjustments in both the semiconductor and Hard Disk Drives (HDD) markets.

(iv) Europe

Net sales in Europe increased by 11.9% to JPY 1,934 million compared with the previous fiscal year. Operating profit decreased by 2.7% to JPY 185 million. The decrease was mainly due to increasing logistics costs.

Segment Operating Results by Application

(i) Silicon Wafers

Regarding products for silicon wafers, net sales of lapping abrasive products increased by 13.5% to JPY 7,094 million compared with the previous fiscal year and net sales of polishing slurry products increased by 13.0% to JPY 13,730 million. However, the year-on-year growth rate of sales since the third quarter slowed down due to a production adjustment of small diameter silicon wafers.

(ii) Semiconductor Devices

Regarding products for the CMP process of semiconductor devices, net sales increased by 16.7% to JPY 28,680 million compared with the previous fiscal year. However, the year-on-year growth rate of sales since the third quarter dropped significantly due to sales down for both logic and memory sectors in Asia caused by the adjustment in the semiconductor market.

(iii) Hard Disks

Regarding products for hard disks, net sales decreased by 12.7% to JPY 1,506 million compared with the previous fiscal year. The Hard Disk Drives (HDD) market has undergone severe adjustment of production and inventory especially in the third quarter.

(iv) General Industries

Regarding products for general industries, net sales increased by 4.4% to JPY 4,603 million compared with the previous fiscal year.

(2) Status of Capital Investments

The Group invested JPY 2,094 million during this consolidated fiscal year.

(3) Status of Financing

The Group expended mostly its own funds for investment capital during this consolidated fiscal year.

(4) Status of Consolidated Assets and Operating Results

Millions of JPY unless otherwise stated

Category	68 th Fiscal Year	69 th Fiscal Year	70 th Fiscal Year	71 st Fiscal Year
	Ended	Ended	Ended	Ended
	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Net Sales	38,408	41,956	51,731	58,394
Ordinary Profit	6,177	7,709	12,490	13,595
Profit Attributable to Owners of Parent	4,270	5,607	9,156	10,594
Net Profit per Share (JPY)	172.98	226.85	370.38	428.05
Total Assets	59,496	65,773	75,684	80,101
Net Assets	52,079	56,088	62,967	69,011
Net Assets per Share (JPY)	2,106.74	2,268.87	2,547.00	2,790.82

Notes;

1. For the net income per share calculation, the average number of the common share over the current business year is calculated after deducting treasury share that includes a Board Benefit Trust (BBT) and an Employee Stock Ownership Plan (J-ESOP). (393,690 shares and 472,295 shares for the previous business year and the current business year respectively)
2. For the net assets per share calculation, the total number of issued shares at the end of the current business year is calculated after deducting treasury shares that include a BBT and J-ESOP. (549,100 shares and 423,000 shares for the previous business year end and the current business year end respectively)

(5) Status of Important Subsidiaries

Company Name	Capital	Equity Ownership	Main Business
FUJIMI CORPORATION	USD 330 thousand	100.0%	Manufacture and sales of lapping abrasive and polishing compounds
FUJIMI-MICRO TECHNOLOGY SDN. BHD.	MYR 5 million	100.0%	Manufacture and sales of lapping abrasive and polishing compounds
FUJIMI EUROPE GmbH	EUR 25 thousand	100.0%	Sales of abrasive and polishing compounds
FUJIMI TAIWAN LIMITED	NTD 800 million	100.0%	Manufacture and sales of lapping abrasive and polishing compounds
FUJIMI SHENZHEN TECHNOLOGY CO., LTD.	CNY 3 million	100.0%	Sales support of abrasive and polishing compounds

(6) Issues to be Addressed

Although the semiconductor market demand had been strong as a result of the rapid progress of digitization in various scenes triggered by COVID-19, the global semiconductor market is experiencing a rapid production and inventory adjustment due to the downturn in the PC, smartphone and server markets since 2022 fall, which even affected the advanced semiconductors for which the Company's products are mainly used. Although the semiconductor market growth for 2023 is anticipated to be negative as demand seems to need more time before its recovery, a further growth in mid-long term basis is expected. Many of silicon wafer manufacturers and semiconductor device manufacturers, who are the Company's customers, have actively announced and implemented large-scale capital investment plans in order to accommodate mid-long term demands for semiconductors. Furthermore, the customers' requirements for future generation product development and quality assurance are increasing in line with the progress of semiconductors' technological innovation.

On the other hand, a natural disaster tends to be more intensified year by year, and its impact on the logistics network is becoming more serious. With regard to information security incidents (incidents and accidents in information security including cyber-attacks), while the Company has taken necessary measures to prevent recurrence of the system failure which occurred in February 2022, the Company recognizes it is critical to keep the countermeasures against the incidents strongly addressed since the incidents are becoming increasingly complex.

Under these circumstances, in view of the expected further demand increase in the semiconductor market in the future, the Company recognizes that activities described below are the essentials to fulfill the

Company's supply chain responsibility and enhance its corporate value.

- (i) To enlarge its supply capabilities with adequate capital investment both in Japan and overseas
- (ii) To enhance its level of research and development and quality assurance in order to meet the increasing level of customers' requirements for future generation products
- (iii) To strengthen its business continuity capabilities in case of emergencies

In particular, with regard to quality assurance, the Company is committed to address in reinforcing an integrity mindset in order to solidify "pride in manufacturing excellence" by actions below.

- (i) To strongly recognize integrity as a basis of "pride in manufacturing excellent" the Company has been cherishing
- (ii) To "think by oneself" based on social norms and ethics
- (iii) To reexamine facing challenges and issues

Supply chain management is becoming increasingly important on recent raw material procurement difficulties including price hikes and logistics disruptions due to geopolitical uncertainties and COVID-19. In order to establish a more resilient supply system, the Company is committed to strengthen its supply chain management which responds to any contingency.

Furthermore, from the corporate value enhancement perspective over the medium to long term, the Company recognizes that expanding its business domain is necessary with the aim of portfolio stability by without excessive dependence on the semiconductor market.

Consequently, the Company recognizes that activities described below are the essentials to enhance its corporate value.

- (i) To expand the business domain by conducting research and development and by exploring and incubating new businesses from a medium to long term perspective
- (ii) To expand applications in non-semiconductor and non-polishing fields

The details are described in "7. Basic Policy Regarding the Control of the Company, (2) The Measures to Realize the Basic Policy, 2) Measures to Enhance Corporate Value (Medium & Long Term Business Plan)".

(7) Main Business Activities (as of March 31, 2023)

All businesses incidental to manufacturing and sales of lapping abrasive and polishing compounds and related businesses.

(8) Plants and Offices (as of March 31, 2023)

1) The Company

Headquarters	Kiyosu City, Aichi Prefecture
Biwajima Plant	Kiyosu City, Aichi Prefecture
Inazawa Plant	Inazawa City, Aichi Prefecture
Kakamigahara Plant	Kakamigahara City, Gifu Prefecture
Kakamihigashimachi Plant	Kakamigahara City, Gifu Prefecture
R&D Center	Kakamigahara City, Gifu Prefecture
Advanced Technology Research Center	Kakamigahara City, Gifu Prefecture
Logistics Center	Kakamigahara City, Gifu Prefecture
Tokyo Office	Chiyoda-ku, Tokyo
Shanghai Office	Shanghai, China

2) Consolidated Subsidiary

(i) FUJIMI CORPORATION	U.S.A
(ii) FUJIMI-MICRO TECHNOLOGY SDN. BHD.	Malaysia
(iii) FUJIMI EUROPE GmbH	Germany
(iv) FUJIMI TAIWAN LIMITED	Taiwan
(v) FUJIMI SHENZHEN TECHNOLOGY CO., LTD.	China

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

1) Employees of the Group

Region	Number of Employees	Increase (Decrease) from the Previous Business Year-End
JAPAN	649	Increased by 23
North America	125	Increased by 7
Asia	170	Increased by 5
Europe	4	-
Administrations	83	Increased by 16
Total	1,031	Increased by 51

Notes; The number of employees does not include temporary workers.

2) Employees of the Company

Number of Employees in the Current Business Year	Increase (Decrease) from the Previous Business Year-End	Average Age	Average Service Years
732	Increased by 39	42.6 years old	14.0 years

Notes; The number of employees does not include temporary workers.

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

(1) Total Number of Authorized Shares: 120,000,000

(2) Total Number of Issued Shares: 26,699,500

(3) Number of Shareholders: 8,142

(4) Leading Shareholders (Top 10)

Name of Shareholder	Number of Shares Owned (Thousands of Shares)	Shareholding Ratio (%)
Koma Co.,Ltd.	4,460	17.7
The Master Trust Bank of Japan, Ltd.(Trust Account)	2,732	10.8
SSBTC CLIENT OMNIBUS ACCOUNT	1,507	5.9
Custody Bank of Japan, Ltd. (Trust Account)	1,425	5.6
MUFG Bank, Ltd.	728	2.8
Fujimi Suppliers' Stock Ownership Program	649	2.5
Nippon Life Insurance Co.	639	2.5
The Koshiyama Science and Technology Foundation	600	2.3
JAPAN POST INSURANCE Co., Ltd.	475	1.8
Dai-ichi Life Holdings, Inc.	472	1.8

Notes;

1. The shareholding ratio is calculated by excluding the number of shares of treasury shares (1,548,464 shares).
2. It is stated in a statement of large-volume holdings that became available for public inspection on January 11, 2023 that Capital Research and Management Company owns the numbers of shares in the Company stated below as of December 30, 2022. However, the Company has not confirmed the numbers of shares substantially held by the party as of March 31, 2023, and thus it is not included in the major shareholders described above.

The details of the statement of large-volume holdings are as follows.

Name of Shareholder	Number of shares owned (Thousands of Shares)	Shareholding Ratio (%)
Capital Research and Management Company	1,342	5.03

(5) Status of Shares Granted as Consideration for the Execution of Duties to the Directors and the Corporate Auditors in the Current Business Year

None

(6) Other Matters regarding the Company's Shares

None

3. Share Acquisition Rights Issued by the Company

None

4. The Officers of the Company

(1) Status of the Directors and the Corporate Auditors (as of March 31, 2023)

Position	Name	Responsibilities in the Company and Important Concurrent Positions
President and CEO	Keishi Seki	Senior General Manager of Human Resource & General Affairs Division of the Company
Managing Director	Toshiki Owaki	
Managing Director	Katsuhiro Suzuki	Senior General Manager of CMP Division of the Company Chairman of FUJIMI CORPORATION President of FUJIMI TAIWAN LIMITED
Director	Masami Kawashita	
Director	Yoshitsugu Asai	Outside Director of ANEST IWATA Corporation
Director	Atsuko Yoshimura	Representative Director and President of Roquette Japan K.K. Representative Director of VG-C Inc.
Standing Corporate Auditor	Yoshiaki Fujikawa	
Corporate Auditor	Masahiko Takahashi	Director of the Masahiko Takahashi Certified Public Accountant and Tax Accountant Office
Corporate Auditor	Masaru Okano	

Notes;

1. The Company has an agreement with the Outside Directors Masami Kawashita, Yoshitsugu Asai and Atsuko Yoshimura, and the Outside Corporate Auditors Masahiko Takahashi and Masaru Okano, pursuant to Paragraph 1, Article 427 of the Corporations Law, to limit the amount of the liability for damages stipulated in Paragraph 1, Article 423 of said law to the amount set forth in the applicable law.

The content of the agreement is as follows;

- 1) If an Outside Director is found to be liable to the Company for compensation for damages due to failure to perform duties as an Outside Director, liability shall be limited to the amount provided by laws and regulations.
 - 2) The above limitation of liability is only recognized when the Outside Director acts in good faith and without gross negligence concerning the duties causing such liability.
2. Masami Kawashita, Yoshitsugu Asai and Atsuko Yoshimura are the Outside Directors and the Company has submitted notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that they have been designated as Independent Officers.
3. Masahiko Takahashi and Masaru Okano are the Outside Corporate Auditors and the Company has

submitted notification to the Tokyo Stock Exchange and the Nagoya Stock Exchange that they have been designated as Independent Officers.

4. Effective March 31, 2023, Atsuko Yoshimura resigned from Representative Director and President of Roquette Japan K.K.

5. Masahiko Takahashi, the Outside Corporate Auditor, is licensed as a Certified Public Accountant and Certified Public Tax Accountant, and brings with him a considerable degree of knowledge and experience in the fields of finance and accounting.

6. The Company decided to change the Directors' responsibilities and important concurrent positions from April 1, 2023 as follows at its Board of Directors meeting held on February 2, 2023.

Name	Before the Change	After the Change
Keishi Seki	President and CEO, Senior General Manager of Human Resources & Organization Planning Division of the Company	President and CEO
Katsuhiro Suzuki	Managing Director, Senior General Manager of CMP Division of the Company, Chairman of FUJIMI CORPORATION and President of FUJIMI TAIWAN LIMITED	Managing Director, Chairman of FUJIMI CORPORATION and President of FUJIMI TAIWAN LIMITED

(2) The Content of a Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of the insured in this policy includes all Directors and Corporate Auditors of the Company, and insurance premiums are not borne by the insured. An overview of the content of the policy is as follows.

- Litigation expenses and compensation for damage borne by the insured due to company litigation, third-party litigation and shareholder derivative suits are covered.
- As a measure to prevent impairment of the appropriateness of the execution of duties by the insured, losses caused by the insured through illegal acts, etc. are not covered.

(3) Remuneration to the Directors and the Corporate Auditors

1) Policy regarding the Determination of Remuneration for the Directors

The Board of Directors has resolved the policy regarding the determination of remuneration for each of the Directors. The Board of Directors considers that the method of determining remuneration and the determined remuneration for each of the Directors for the

current business year are in accordance with the policy regarding the determination of remuneration by confirming a report of the Advisory Board and that the method of determining remuneration and the determined remuneration are consistent with the policy.

The policy regarding the determination of remuneration for the Directors is as follows;

i) Basic Policy

The system of remuneration for the Directors is linked to shareholders' profits and business performance so as to function as an incentive to continuously improve the corporate value. The remuneration for each the Directors is determined at an appropriate level based on the individual responsibilities.

ii) Types and Composition of Remuneration for the Directors

The remuneration for the Directors consists of the followings.

- Monthly remuneration
- Business performance-based remuneration including the executive bonuses as a short-term business performance-based remuneration and the Board Benefit Trust (BBT) as a long-term business performance-based remuneration

iii) Policy regarding the Determination of the Amount of the Monthly Remuneration

The monthly remuneration for the Directors is determined through the deliberation at the Board of Directors meeting after the Annual General Shareholders' Meeting based on the individual positions and responsibilities. The proposal of monthly remuneration for the President, the Directors and the Outside Directors is submitted to the above-mentioned Board of Directors after being deliberated by the Advisory Board, which is chaired by the President and consists of the Senior Directors and the Outside Directors.

iv) Policy regarding the Determination of the Calculation Method of the Business Performance-based Remuneration (Executive Bonuses and Share Compensation)

The business performance-based remuneration for the Directors consists of executive bonuses and share compensation.

The executive bonuses for the Directors is determined after the deliberation by the Board of Directors in consideration of the individual positions and responsibilities with the following calculation method, and is paid annually after the Annual General Shareholders' Meeting.

The calculation method of the executive bonuses is as follows;

- The total payment amount is calculated by multiplying the estimated profit attributable to owners of the parent company by a certain coefficient.
- The upper limit of the individual Directors' bonuses is set according to the position.

The upper limit of the total remuneration for the monthly remuneration and the executive bonuses is JPY

480 million per annum (excluding salaries as employees) pursuant to the resolution at the 54th Annual General Shareholders' Meeting held on June 23, 2006

The share compensation is granted in accordance with the regulations on share compensation as follows;

- The points are granted to each the Directors in consideration of the individual positions and the achievement levels for business performance.
- The retired Directors who have the beneficiary rights are granted the Company's shares equivalent to their accumulated points granted by the time of retirement.

The number of points to be granted for the share compensation is separated from the upper limit of the total amount of remuneration for the monthly remuneration and the executive bonuses, is less than or equal to the upper limit of the number of the shares pursuant to the resolution at the 65th Annual General Shareholders' Meeting held on June 23, 2017, and is calculated based on the position points and the achievement rate of performance indicators selected in advance from the targets set in the Medium & Long-Term Business Plan.

v) Policy regarding the Determination of the Amount and the Proportion of the Monthly Remuneration and the Business Performance-based Remuneration

The monthly remuneration and the executive bonuses for the Directors are structured so that the proportion of business performance-based remuneration increases for the higher-ranking Directors, benchmarking the remuneration levels of the corporations being the same business scale and belonging to the related-industry as the Company.

2) Total Amount of Remuneration in the Current Business Year

Category	Total Amount of Remuneration (Millions of JPY)	Amount of Remuneration by Type (Millions of JPY)					Number of Recipients
		Monthly Remuneration	Share Options	Executive Bonuses	Retirement Benefits	Share Compensation ⁱⁱⁱ⁾	
Directors ⁱ⁾	169	94	-	70	-	4	3
Corporate Auditors ⁱⁱ⁾	18	18	-	-	-	-	1
Outside Officers	38	38	-	-	-	-	5

Notes;

i) Excluding the Outside Directors

ii) Excluding the Outside Corporate Auditors

iii) The total amount of share compensation is the amount of provision for the share compensation during the current business year based on the Board Benefit Trust (BBT)

introduced by the resolution of the 65th Annual General Shareholders' Meeting. The conditions for the grant of share compensation is described in above "4. (3) iv) Policy regarding the Determination of the Calculation Method of the Business Performance-based Remuneration (Executive Bonuses and Share Compensation)"

- iv) The performance indicator for the Directors' bonuses is the estimated profit attributable to owners of the parent company, and the reason for choosing this indicator is that it is an indicator that clearly shows the final profit of corporate activities for the full year.
- v) The amount of monetary compensation and the number of points granted for the share compensation for the Directors are described in above "4. (3) iv) Policy regarding the Determination of the Calculation Method of the Business Performance-based Remuneration (Executive Bonuses and Share Compensation)" The number of Directors was seven at the conclusion of the Annual General Shareholders' Meeting relating to the resolution regarding the amount of monetary compensation for the Directors. The number of Directors was five at the conclusion of the Annual General Shareholders' Meeting relating to the resolution regarding the number of points granted for share compensation for the Directors.
- vi) The upper limit of the total remuneration for all the Corporate Auditors is JPY 60 million per annum pursuant to the resolution at the Annual General Shareholders' Meeting held on June 23, 2006. The number of the Corporate Auditors was four at the conclusion of the Annual General Shareholders' Meeting relating to the above-mentioned resolution.

3) Important Employee Salaries for the Officers Concurrently Serving as Employees

None

(4) Matters regarding the Outside Officers

1) The important Concurrent Positions of the Outside Officers in Other Corporations and the Relationship between the Company and the Other Corporations Concerned

The status of important concurrent positions of Outside Directors is described in "4. The Officers of the Company (1) Status of the Directors and the Corporate Auditors". There is no special relationship between the Company and the other corporations concerned.

2) Main Activities during the Current Business Year

Category	Name	Main Activities
Director	Masami Kawashita	Having attended all 20 Board of Directors meetings held in the current business year, Masami Kawashita makes statements based on his long experience and extensive knowledge in management at other corporations. He also makes proposals from an objective perspective to the management of the Company and contributes to enhancement of the Board of Directors meeting, including suggestions at the Advisory Board about the nomination and remuneration matter of Directors of the Company based on his extensive knowledge.
Director	Yoshitsugu Asai	Having attended all 20 Board of Directors meetings held in the current business year, Yoshitsugu Asai makes statements based on his extensive knowledge by his experience of important positions such as executive officers at other corporations. He also makes proposals from an objective perspective to the management of the Company and contributes to enhancement of the Board of Directors meeting, including suggestions at the Advisory Board about the nomination and remuneration matter of Directors of the Company based on his extensive knowledge.
Director	Atsuko Yoshimura	Having attended all 14 Board of Directors meetings held in the current business year after appointment as Director, Atsuko Yoshimura makes statements based on her long experience and extensive knowledge in management at other corporations. She also makes proposals from an objective perspective to the management of the Company and contributes to enhancement of the Board of Directors meeting, including suggestions at the Advisory Board about the nomination and remuneration matter of Directors of the Company based on his extensive knowledge.
Corporate Auditor	Masahiko Takahashi	Having attended 18 out of 20 Board of Directors meetings and all 15 Board of Corporate Auditors meetings held in the current business year, Masahiko Takahashi supervises and provides effective advice on overall management as the Outside Corporate Auditor, such as making statements based on his professional knowledge as a Certified Public Accountant and a Certified Public Tax Accountant.
Corporate Auditor	Masaru Okano	Having attended all 20 Board of Directors meetings and all 15 Board of Corporate Auditors meetings held in the current business year, Masaru Okano properly performs the duties as the Outside Corporate Auditor, such as making statements based on his long experience and extensive knowledge in management at other corporations.

5. Accounting Auditor

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of Compensation

Category	Total amount of payments
Total amount of compensation and other payments for the current business year	JPY 58 million
Total amount of monies and other property benefits payable by the Group to the Accounting Auditor	JPY 58 million

Notes;

1. It is not possible to make a reasonable differentiation between audit compensation based on the Companies Act and that based on the Financial Instruments and Exchange Act. Therefore, the aggregate amount is shown.
2. Upon obtaining necessary documents and receiving reports from the Accounting Auditor, the Board of Corporate Auditors consented to Article 399, Paragraph 1 of the Companies Act by verifying and examining the contents of the audit plan, the status of implementation of duties and the basis for calculation of compensation for the previous years and the current business year, and consequently determining that they were all reasonable.
3. The Company's subsidiaries of FUJIMI CORPORATION, FUJIMI-MICRO TECHNOLOGY SDN. BHD., FUJIMI EUROPE GmbH and FUJIMI TAIWAN LIMITED, are audited by Accounting Auditors other than that of the Company.

(3) Details of Non-Audit Services that Involves the Consideration of the Accounting Auditor for the Company

None

(4) Policy for Decisions regarding the Dismissal or Non-Reappointment of Accounting Auditors

When the Accounting Auditor falls under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors dismisses the Accounting Auditor based on the consent of all Corporate Auditors.

The Board of Corporate Auditors decides the content of a proposal for dismissal or non-reappointment of the Accounting Auditor, which is to be submitted to a General Shareholders' Meeting, if the Board of Corporate Auditors determines that there is a problem with the eligibility, independence or credibility of the Accounting Auditor.

In addition to the above, the Board of Directors requests the Board of Corporate Auditors to submit a proposal for dismissal or non-reappointment of the Accounting Auditor to a General Shareholders' Meeting, if the Board of Directors determines that there is a problem with the eligibility, independence or credibility

of the Accounting Auditor. The Board of Corporate Auditors decides the content of the proposal to be submitted to a General Shareholders' Meeting after judging its suitability.

6. System to Ensure the Suitability of Business

The items approved by the Board of Directors as the Company's basic policy regarding the establishment of system to ensure the suitability business (Basic policy regarding the development of internal control systems) are as follows.

(Last revised: April 1, 2022)

(1) System to Ensure that the Execution of Duties by Directors and Employees is in accordance with all Laws and the Articles of Incorporation:

- 1) The Company establishes a Code of Ethics as a model for all Directors and Employees for appropriate behavior under laws and other items specified in the Articles of Incorporation.
- 2) The Company works towards common knowledge and awareness of the Code of Ethics.
- 3) The Compliance Department controls compliance with the Code of Ethics across the Company.
- 4) The Internal Audit Department and the Legal Department inspect adherence to the Code of Ethics and report their findings to the Board of Directors and the Auditing Committee
- 5) The Company maintains and operates an internal reporting and whistleblowing system to prevent violations of its Code of Ethics.

(2) Storage and Preservation of Information for Duties Performed by Directors:

In accordance with laws and internal regulations, the company records, stores and preserves documents and related materials concerning the performance of duties performed by directors. The Company's Auditors have access to these documents at all times.

(3) System of Risk Management Regulations and Others:

- 1) The Company's Risk Management Committee identifies the risks associated with carrying out the Company's business, nominates responsible department to deal with the risks, and takes comprehensive measures to avoid the occurrence of risks in accordance with the Company's risk management policies,
- 2) The Human Resources & General Affairs Department comprehensively manages all risks of the Group comprised of the Company and all of the Subsidiaries.
- 3) The Internal Auditing Department reviews risk management of each department, and reports its findings to the Board of Directors and the Auditing Committee.

(4) System to Ensure the Efficient Execution of the Duties of Directors:

The Company shall ensure the efficient execution of the duties of directors through the following measures:

- 1) A meeting of the Board of Directors is held on a regular basis once a month to decide important issues and supervise execution of the duties of the Directors.
 - 2) Management meeting which is comprised of Directors and senior General Managers is held to ensure flexible and agile decision making.
 - 3) The Directors design the Medium to Long-term Plan and Annual Plan for the Company as well as set the strategic goals and measures for each business area. The progress of these plans for each business area is reported to the Board of Directors.
- (5) System to Maintain the Adequacy of Operations of the Group Companies Comprised of the Company and its Subsidiaries (“the Group” hereunder):
- 1) The Company establishes system to ensure that each Subsidiary prepares its rules and regulations for compliance with the Code of Ethics and laws, and that the Directors, Employees and Others of the each subsidiary acts in compliance with laws and the Articles of Incorporation.
 - 2) The Company establishes system to ensure that each Subsidiary prepares rules and regulations for decision-making and other organizational matters and that the Directors, Employees and Others of the each subsidiary performs efficient business operations.
 - 3) The Company obliges each Subsidiary to regularly report important management information.
 - 4) The Compliance Department manages the Group's internal control system as a whole.
 - 5) The Compliance Department takes measures to ensure that each subsidiary enhances effectiveness of internal control systems, and provides the guidance and support needed.
 - 6) The Internal Audit Department performs internal audits of the Company and each Subsidiary, and regularly reports its findings to the Board of Directors and the Auditing Committee.
- (6) Matter regarding Employee and Other Assisting Auditors, and Matters to Assure its Independence from the Directors and to Assure Effectiveness of its Operation:
- 1) The Company Auditors are able to request the assistance of employees and others in carrying out the auditing function. The nomination, transfer, or dismissal of the Employee requires approval of the Company Auditors.
 - 2) In principle, Employees and Others who assist the Board of Company’s Auditors should not concurrently serve as Employee and other of other departments and shall follow the Directions and instructions by the Company Auditors. And, even if dedicated Employees and others cannot be allocated due to a legitimate reason such as duty-related matters, Employees or Others who are assigned to assist the Company Auditors in performing their duties shall prioritize their directions and instructions by the Company Auditors over other matters.
- (7) System of Reporting to the Company Auditors by the Directors and Employees of the Company and each Subsidiary and Other Reporting System for the Company Auditors:
- 1) The Board of Directors, Employees, and others of the Company and each Subsidiary, in accordance

with internal rules, shall report the following matters to the Company Auditors.

- (i) Items which could have a significant impact on the Company or its related Subsidiaries
- (ii) Substantial violations of laws or the Articles of Incorporation
- (iii) The status of internal audits
- (iv) The status of internal reporting and whistleblowing under the Code of Ethics
- (v) The status of other important business operations

2) The Company does not unreasonably treat those who made the aforementioned reports just because of that reason.

(8) System to Ensure Effective Audit by the Company Auditors:

1) The Company Auditor will perform the following tasks:

- (i) Attend the Board of Directors meeting and other internal meetings deemed required to attend
- (ii) Read approval documents and legal contracts that are important for business operations.
- (iii) Interview the Directors and Employees about business operations
- (iv) Periodically exchange opinions with the Representative Director
- (v) Receive reports from the independent auditor on accounting audit matters and exchange opinions

2) The Company shall bear costs necessary for the execution of the duties of the Company's Auditors.

(9) Basic Policy Against Anti-Social Forces:

The Company establishes the internal regulations with regards to anti-social forces and acts based on the following fundamental principles.

- (i) Institutional response
- (ii) Cooperation with outside professional organizations
- (iii) Ban on any relations, including transactions
- (iv) Legal responses, both civil and criminal, in the event of an emergency
- (v) Prohibition of engagement in secret transactions and provision of funds

7. Basic Policy regarding the Control of the Company

Basic Policy regarding the control of the Company is described as follows;

(1) Contents of Basic Policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be the ones who fully understand the specifics of the Company's financial and business affairs and the source of the corporate value of the Company and will make it possible to continually and persistently ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders.

The Company believes that because shares in the Company are listed on a stock exchange, they should be freely traded in capital markets. The Company therefore does not adopt a general rule of rejecting any acts of large-scale acquisition of the share certificates, etc. of the Company (It is defined in 3.2) below. The same shall apply hereinafter.) and it believes that a decision on which persons should control the Company's financial and business policies should ultimately be made based on the discretion of its shareholders. In addition, when an act of large-scale acquisition of the share certificates, etc. of the Company is proposed, the Company will not reject that proposal if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

However, there are some acts of large-scale acquisition of share certificates, etc. that benefit neither the corporate value of the target company or, in turn, the common interests of its shareholders including (i) those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders, (ii) those with the potential to substantially coerce shareholders into selling their shares without providing sufficient time or information, and (iii) those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of the act of large-scale acquisition or for the target company's board of directors to make an alternative proposal or take other actions.

Also, the status of the major shareholders of the Company as of March 31, 2023 is described in 2. Status of the Company's Shares and certain officers of the Company and their relatives and related parties (the "Company's Officers, Etc.") hold some of the issued shares in the Company. The Company is a listed company, so the Company cannot deny the possibility that the shareholding ratios of the Company's Officers, Etc. may decrease due to a transfer or other disposition of the shares by the Company's Officers, Etc. for their own reasons or personnel relocation or other changes in the status of officers. In addition, it is considered an option for the Company to procure, in capital markets, funds necessary for the education of personnel and investment to facilities which constitute the bases of the Company's business, that have been the focus of the Company's measures, as well as investment, etc. in new and growing businesses that lead to the expansion of business over the medium to long term, increase internal capital adequacy, and business and capital alliances and other relationships with other companies, and, if the Company procures funds in such way, it is possible that the current shareholding ratios of the Company's Officers, Etc. may decrease.

The Company believes that, if it is not possible to manage the Company based on a full understanding of the source of the Company's corporate value and with a view to securing such source over the medium to long term and organically combining the Company's intangible managerial resources, such as technologies and expertise that have been cultivated through its long history, with markets, and thereby increasing the corporate value, it is not possible to gain trust from stakeholders, and, accordingly, such management would be contrary to the corporate value of the Company and, in turn, the common interests of its shareholders.

The Company therefore believes that a person who conducts an act of large-scale acquisition that is likely to be contrary to the corporate value of the Company and, in turn, the common interests of its

shareholders, through an act of large-scale acquisition of, or a similar act in respect of, the shares certificates, etc. of the Company without understanding of the source of the corporate value of the Company as described above or in a way that does not intend to manage the Company with a view to securing the source over the medium to long term and increasing the corporate value of the Company, is inappropriate as a person who will control decisions on the Company's financial and business policies, and necessary and reasonable countermeasures must be taken against such act of large-scale acquisition by such person so that the corporate value of the Company and, in turn, the common interests of its shareholders are ensured.

(2) The Measures to Realize the Basic Policy

1) The Source of the Company's Corporate Value

Drawing on the know-how and R&D capabilities the Company has accumulated since its founding, the Company has developed numerous products essential for leading-edge industries with high-precision polishing needs, including mirror polishing of semiconductor substrates like silicon wafers, CMP (chemical mechanical planarization) required for the multilayer wiring of semiconductor chips, and hard disk polishing. In particular, the Company holds the top global market share for high-precision abrasives for semiconductor substrates, a core business area, and the Company maintains its market superiority as the leading name in synthetic precision abrasives.

For many years, the Company has continued to meet the needs of its customers in the field of high-precision polishing and has endeavored to advance and build up its development and manufacturing technologies. In the course of doing so, the Company has developed relationships of trust with its customers and established three core technologies: filtration, classification, and refinement technologies, powder technologies, and chemical technologies. Filtration, classification, and refinement technologies are technologies for controlling the particle size distribution of abrasive grains and removing large particles and impurities that negatively affect the quality of the polished object; powder technologies are technologies for controlling the shape of particles and achieving granulation by equally mixing different particles; and chemical technologies are technologies for appropriately selecting additives that exhibit dispersion, dissolution, and surface protection effects that contribute to improving the function of the abrasive.

The Company's slogan, "Polishing our technologies and bringing people together," means contributing to better product manufacturing through cutting-edge technologies, connecting people, and providing people with a rich lifestyle; product manufacturing that respects people and considers the global environment is at the root of the Company's manufacturing approach. The Company has developed its competitiveness through this manufacturing approach and through its corporate culture wherein each employee boldly takes on the challenge of addressing new developments.

The Company believes that the source of its corporate value lies in these strong technological and development capabilities that are tied to manufacturing sites, in its relationships of trust with customers cultivated over many years, and in its corporate culture with healthy and close labor-management relations. To lead technological innovation and expand results moving forward, the Company believes it is important to further increase the level of trust with customers. The Company also believes increasing employee

motivation and engagement as well as reinforcing the integrity mindset will lead to proactive and positive grid actions aiming to goals without faltered in difficult conditions, ensuring both customer satisfaction and employee wellbeing. The Company will strive as a group to continue enhancing corporate value under these policies.

2) Measures to Enhance Corporate Value (Medium & Long Term Business Plan)

Review of the previous Medium & Long Term Business Plan (“the previous Plan”)
(from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2022)

Under the previous Plan, which was formulated in November 2016 and ended in March 2022, the Company has set its Medium & Long Term Corporate Vision as “The Company supports your forward-looking ideas and challenges” and promoted activities with the intent of striving towards being a company that is “Strong, Kind and Exciting,” as stated in its Corporate Cultural Vision.

While a short term negative growth is forecasted in the semiconductor market, which has been a main business area of the Company, it is expected to expand in medium to long term. Many of the Company’s customers, manufacturers of silicon wafers and semiconductor devices, have actively announced and implemented large-scale capital investment plans in order to accommodate such vigorous demand for semiconductors.

Under these circumstances, in light of the fact that a further increase in demand is expected in the future, the Company has developed a framework in order to proceed with adequate capital investment both in Japan and overseas so that the Company is able to perform its responsibility as suppliers.

In Japan, in the Kakamigahara area, where the Company’s development and production bases are concentrated, the Company is planning to construct a new development base and facilities for trial manufacture on the land that the Company has acquired, and the Company has also developed a project to construct a new plant for products for CMP and silicon wafers, aiming for the commencement of operations within a few years. Also in Taiwan, which holds the top global market share in contract semiconductor manufacturing, aiming to commence operation within a few years, the Company has expanded production lines in a building that has been already extended in anticipation of demand increase, and in the United States, which has been starting to make a comeback in the semiconductor industry, the Company is designing to a new construct building and install equipment on its premises. Meanwhile, the Company has pushed forward with a variety of measures in new business areas for the “powder and surface” field that the Company established as a business domain that is targeted as the direction of its growth.

In April 2022, the Company newly established the Polishing Solutions Field, Advanced Powder Field, and the Semiconductor Field with a view to further strengthening its framework for business promotion in accordance with each business purpose and environment. Also, in order to commercialize development outcomes in the “powder and surface” domain in a more flexible matter, the Company conducted reorganization of several businesses (research centers), such as integrating the Specialty Materials Division

and the Advanced Technology Division to become the Advanced Technology & Specialty Materials Division, and transferring polishing-related businesses, etc. under the control of the Specialty Materials Division to the New Business Division, which was established as the Polishing Solutions Division. These organizational changes are intended to speed up decision-making and improve flexibility.

Specifically, the Polishing Solutions Division has released compounds for automobile exteriors that are capable of offering both high processing speed and finely finished surface, the Advanced Technology & Specialty Materials Division has developed ceramic powders with high heat dissipation and flowability, ceramic composite materials with lightweight and high thermal resistance, as well as new bright-white titanium phosphate powders with a low aspect ratio that are expected to be used in products such as cosmetics, and ultrahard materials for 3D printers. Also it has invested in a next-generation power semiconductor venture company.

Society's expectations and demands for corporate measures addressing environmental and social issues are increasing as global initiatives for building a sustainable society have accelerated in recent years. The Company has long been committed to supporting employees in balancing work and parenting and promoting women's career activities. Furthermore, the Company is also promoting activities for growing forests that protect water, and environmental protection and reforestation in water source areas in the Itoshiro district of Gujo City, Gifu Prefecture, under the theme of "water offset," which incorporates the meaning of "returning used water back to nature," given that the Company uses a large amount of groundwater in its product manufacturing activities. Further, the Company established the ESG Department in April 2022 and has studied the materialities that the Company must prioritize in its efforts to contribute to a sustainable society.

With regard to returns to shareholders, the Company has maintained its target consolidated dividend payout ratio of 50% or more, while bearing in mind to pay stable dividends and to sustainably increase its corporate value.

New Medium & Long Term Business Plan

(from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2029)

May 10, 2023, the Company announced its new Medium & Long Term Business Plan ("the new Plan"). The outline of the Plan is as follows.

Basic Policy

Based on its corporate mission "we will develop new, innovative technologies and applications with a commitment to environmental sustainability, thereby enabling the advancement of technology for the betterment of humanity", the Company will realize conversion from an abrasives manufacturer to "Powder & Surface" company by expansion of existing businesses (semiconductor-related business, etc.) and by creation of new businesses that will become new pillars of businesses, and will contribute to the achievement of a sustainable society.

The Company has formulated the new Plan covering the six-year period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2029, aiming;

- Further investment of its resources in R&D and expansion of global product supply chain
- Active promotion of human resource investment and ESG initiatives as the basis of sustainable management
- Realization of its mid to long-term corporate slogan “We support your forward-looking ideas and challenges”

Major Measurement

- (i) Creation of new businesses that realizes conversion from an abrasives manufacturer to “Powder & Surface” company
- (ii) Building a robust foundation for semiconductor-related businesses and establishing an overwhelming position in the field of materials for next-generation semiconductors
- (iii) Reinforcement of core technology and development of new technology
- (iv) Challenge of developing GRIT* organization and human resource that realize a 100-year-old company
- (v) Implementation of sustainability management

*GRIT: courage and determination despite difficulty

Shareholder Returns

The Company, at the Board of Directors on May 10, 2023, has resolved to have a policy of striving to live up to shareholder’s expectations by continuously providing stable dividend payments targeting a consolidated payment ratio of over 55% after the fiscal year ending March 31, 2024 and will start an examination for an addition of DOE (Dividend on Equity) related policy. Regarding retained earnings, the Company strives to reinforce R&D and production systems to meet customers’ satisfaction, to execute global business strategies and to expand the business domain in order to deal with changing business environments.

Specification of Materiality (Toward Achieving a Sustainable Society)

In developing the Plan, the Company has specified 18 materialities (“Materialities”) as important subjects/issues which the Company prioritizes for a sustainable society.

Materialities are classified as follows;

Classification	Materiality
Environment	<ul style="list-style-type: none"> - Response Climate Change - Conservation of Water Resource - Contribution to Recycling Society - Chemical Substance Management
Society	<ul style="list-style-type: none"> - Occupational Health and Safety - Well-Being - Diversity and Human Resource Development - Contribution to Local Community
Governance	<ul style="list-style-type: none"> - Integrity - Corporate Governance / Compliance - Protection of Intellectual Property - Information Security Management - Risk Management
Creating Value	<ul style="list-style-type: none"> - Supply Chain Management - Quality Management - Research and Development - Digital Transformation - Productivity

Specific measures for each business, etc. are as follows.

Silicon Business

In this business, the Company researches, develops, manufactures and sells abrasives that are used in the high-precision polishing process in which silicon wafers, which become semiconductor substrates, are flattened and mirror polished. The Company offers high-quality products and services by which a total solution for every step of the process from cutting to polish finishing can be achieved. The Company aims to become its customers’ “most trusted partner” by continuing to provide highly distinctive new products supported by new technologies so that the Company can satisfy the increasingly sophisticated requirements of its customers. In addition, the Company is focusing on the development of products for power device substrates, which have received increasing attention in recent years with the spread of electric vehicles and hybrid vehicles, and have started mass production at its U.S. and Malaysian bases.

CMP (Chemical Mechanical Planarization) Business

In this business, the Company researches, develops, manufactures and sells abrasives that are used in the manufacturing process of semiconductor devices. Types of films to be polished and the manufacturing process of semiconductor devices for which CMP is used are increasing as they have become more highly-functional and highly-integrated products with higher density. The Company has established manufacturing and development bases in Japan, the United States, and Taiwan, which are located near the manufacturing and development bases of its customers, thereby building closer relationships with customers and developing new products in accordance with customers' roadmaps.

Hard Disk Business

In this business, the Company manufactures and sells abrasives that are used in the manufacturing process of disk substrates for hard disk drives, which are storage media for digital data. The Company has a manufacturing base in Malaysia, in which its customers' production bases are concentrated, and the Company has built relationships of trust with its customers by allocating technical staff and providing technical support in the region. Although hard disk demand for data centers has experienced a short term adjustment phase, the demand is expected to continue due to anticipated increase in data capacity that is transmitted and received via cloud service or 5G. The Company endeavors to expand the areas of basic development in order to grasp customers' requirements for next-generation disk substrates at an early stage, thereby promptly providing new products that meet customers' requirements.

Thermal Spray Materials Business

In this business, the Company mainly researches, develops, manufactures and sells thermal spray materials such as cermets and ceramics for thermal spray applications, which is environmental-friendly surface processing, in order to meet the demand for longer product life and higher product functions of machinery and components in a variety of industries including semiconductors, aircraft, and iron and steel. The Company aims to increase sales by developing new markets through further reinforcing its unique powder granulation technologies and promptly offering solutions.

Polishing Solutions Business

In this business, the Company researches, develops, manufactures and sells abrasives and other products for a wide variety of materials (such as metal, resin, ceramic, and composite materials) and shapes (two-dimensional and three-dimensional) for various applications. The Company has enhanced unified management by changing the name of the former New Business Division and integrating this business with polishing-related businesses, etc. that have been spun-off from the former Specialty Materials Division to become an independent division. The Company will continue to serve new surfacing requests of customers from various industries across the globe by not only supplying abrasives but also providing a wide range of polishing methods depending on the intended use, thereby offering total solutions, including everything from the recommendation of application-specific equipment and consumables, to the processing stage.

Advanced Technology & Specialty Materials

In these areas, the Company will push forward with research and development of its core technologies in the field of powder under the Advanced Technology & Specialty Materials Division, which was established for the purpose of further promoting the expansion of the powder domain and non-polish businesses, while at the same time strongly promoting the creation and commercialization of new businesses in the non-polish field. In addition, the Company will put more focus on the expansion of new uses and customer segments by integrating its core technologies, including those for controlling particle shape and particle size distribution and granulation, that have been cultivated by its Specialty Materials Business and the Advanced Technology Research Center and by strengthening marketing power even further. As examples of specific initiatives, the Company has developed ceramic powders with high heat dissipation and flowability, ceramic composite materials with lightweight and high thermal resistance, as well as new bright-white titanium phosphate powders with a low aspect ratio that are expected to be used in products such as cosmetics, and ultrahard materials for 3D printers.

(3) Measures to Prevent Decisions on the Company's Financial and Business Policies from being Controlled by Persons Deemed Inappropriate Under the Basic Policy

1) Purpose of Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company

"Based on the Basic Policy set out in I above, the Board of Directors believes that it is necessary to promptly and properly take measures that it considers to be most appropriate for ensuring the corporate value of the Company and, in turn, the common interests of its shareholders against persons who conduct an act of unilateral and large-scale acquisition or any similar act in a manner that would damage the corporate value of the Company and, in turn, the common interests of its shareholders. Based on this belief, the Board of Directors decided to renew the ""Policy for Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company (Takeover Defense Measures)"" (Hereinafter referred as ""the Policy""") for purposes such as preventing decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate and deterring acts of large-scale acquisition that are detrimental to the corporate value of the Company and, in turn, the common interests of its shareholders, and, on the occasion that the Company receives a proposal for an act of large-scale acquisition, enabling the Board of Directors to present an alternative proposal to the shareholders or ensuring necessary time and information for the shareholders to decide whether or not to accept the large-scale acquisition proposal, and enabling the Company to negotiate for the common interests of the shareholders. The Policy was approved at the ordinary general shareholders' meeting held on June 29, 2022."

2) Details of Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company

"The Policy applies to an act that falls under (i) or (ii) below or any similar act, or a proposal for such act.

- (i) A purchase or other acquisition that would result in the holding ratio of share certificates, etc. of a holder totaling at least 20% of the share certificates, etc. issued by the Company; or

(ii) A tender offer that would result in the ownership ratio of share certificates, etc. of the party conducting the tender offer and the ownership ratio of share certificates, etc. of a specially related party totaling at least 20% of the share certificates, etc. issued by the Company.

(Hereinafter referred as an “Acquisition”; a party that conducts or makes a proposal for an acquisition, an “Acquirer”.)”

The Policy defines procedures that the Company will request the Acquirer to provide the Board of Directors with information that is sufficient for the Company’s shareholders to make decisions on the Acquisition and for the Board of Directors to evaluate, consider, or take other actions in relation to the Acquisition stipulated in the Policy. (“Large-Scale Acquisition Information”)

"If an Acquirer or an Acquisition falls under (i) or (ii) below, the Board of Directors will consult with the Independent Committee regarding whether it is appropriate to trigger the countermeasures, and the Independent Committee will, based on the consultation and after obtaining advice from experts and other outside parties as necessary, make a recommendation, within the Board of Directors’ Evaluation Period, regarding whether it is appropriate to trigger the countermeasures to the Board of Directors.

(i) An Acquirer conducts or intends to conduct an Acquisition not in compliance with the procedures stipulated in the Policy.

(ii) An Acquisition is determined to fall under any of the categories listed in the Policy or there are circumstances based on which the Acquisition is suspected of falling under any such categories from an objective and reasonable perspective, which is determined that the corporate value of the Company and, in turn, the common interests of its shareholders would be significantly harmed.

The Board of Directors shall respect the recommendation of the Independent Committee and make a decision on whether or not to trigger the countermeasures in the Policy. If the implement of the gratis allotment of Share Options with conditions for exercise and acquisition provisions, etc. (Hereinafter referred as "Share Options") as a countermeasure is determined in a resolution by the Board of Directors (Hereinafter referred as "Gratis Allotment Resolution"), the Company will allot Share Options for all shareholders determined by Gratis Allotment Resolution.

- (4) Reasons that the Above Measures are in Accordance with the Basic Policy and Do not Undermine the Common Interests of the Shareholders of the Company and are not Intended to Maintain the Position of Officers of the Company.

Measures described in above 2. are formulated as concrete measures to continuously and sustainably improve the corporate value of the Company and, in turn, the common interests of its shareholders, and are in accordance with the Basic Policy, which is determined that it does not undermine the common interests of its shareholders and is not intended to maintain the position of officers of the Company.

The Company believes that the Policy described in above 3. is a framework in accordance with the Basic Policy for ensuring and improving the corporate value of the Company and, in turn, the common interests of its shareholders by enabling the Board of Directors to present an alternative proposal to the shareholders, or ensuring necessary time and information for the shareholders to decide whether or not to accept the large-

scale acquisition proposal, and enabling the Company to negotiate for the common interests of the shareholders on the occasion that the Company receives a proposal for an act of large-scale acquisition.

In addition, based on the reasons (i) to (vi) below, the Policy is determined that it does not undermine the common interests of its shareholders and is not intended to maintain the position of officers of the Company.

(i) The Policy places importance on shareholders' intent, such as being renewed with the approval of the general shareholders' meeting and, if necessary, going through a Meeting to confirm shareholders' intent.

(ii) The Policy fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. In addition, the Policy is based on arguments and other issues concerning the "Takeover Defense Measures in Light of Recent Environmental Changes" issued by the Corporate Value Study Group on June 30, 2008."

(iii) The Policy is based on establishment of reasonable and objective requirements for triggering countermeasures.

(iv) The Company shall decide to establish the Independent Committee as an organization independent from the Board of Directors and respect the recommendation of the Independent Committee and make a decision on whether or not to trigger the countermeasures in the Policy.

(v) The Policy may be abolished at any time by a meeting of the Board of Directors composed of Directors who are elected by the Company's general shareholders' meeting even before the expiration of the effective period of the Policy.

(vi) The term of office of the Company's Director is until the conclusion of the ordinary general shareholders' meeting relating to the last business year ending within one year after the election.

Concerning details of the Policy, please refer to the news release "Renewal of Policy for Measures against Large-Scale Acquisitions of Share Certificates, Etc. of the Company (Takeover Defense Measures)" dated May 31, 2022 on the Company's website (<https://www.fujimiinc.co.jp>).

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

As of March 31, 2023

Assets	
Current assets	
Cash and deposits	33,538
Notes and accounts receivable - trade	11,246
Securities	2,700
Merchandise and finished goods	5,820
Work in process	1,451
Raw materials and supplies	6,329
Other	552
Allowance for doubtful accounts	(16)
Total current assets	61,623
Non-current assets	
Property, plant and equipment	
Buildings and structures, net	6,661
Machinery, equipment and vehicles, net	1,803
Land	3,598
Construction in progress	1,137
Other, net	1,626
Total property, plant and equipment	14,827
Intangible assets	
Software	215
Other	26
Total intangible assets	241
Investments and other assets	
Investment securities	2,282
Deferred tax assets	987
Other	149
Allowance for doubtful accounts	(9)
Total investments and other assets	3,409
Total non-current assets	18,478
Total assets	80,101

(Millions of yen)	
As of March 31, 2023	
Liabilities	
Current liabilities	
Accounts payable - trade	4,247
Income taxes payable	891
Provision for bonuses	1,354
Other	3,154
Total current liabilities	9,648
Non-current liabilities	
Deferred tax liabilities	3
Retirement benefit liability	925
Provision for share-based remuneration	191
Other	321
Total non-current liabilities	1,441
Total liabilities	11,089
Net assets	
Shareholders' equity	
Share capital	4,753
Capital surplus	5,038
Retained earnings	60,310
Treasury shares	(4,414)
Total shareholders' equity	65,688
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	410
Foreign currency translation adjustment	2,998
Remeasurements of defined benefit plans	(85)
Total accumulated other comprehensive income	3,323
Total net assets	69,011
Total liabilities and net assets	80,101

Consolidated Statement of Income

	(Millions of yen)
	Fiscal year ended March 31, 2023
Net sales	58,394
Cost of sales	31,206
Gross profit	27,187
Selling, general and administrative expenses	13,944
Operating income	13,243
Non-operating income	
Interest income	95
Dividend income	46
Foreign exchange gains	322
Other	85
Total non-operating income	550
Non-operating expenses	
Interest expenses	7
Loss on valuation of investment securities	42
Loss on investments in partnership	138
Other	10
Total non-operating expenses	198
Ordinary income	13,595
Extraordinary losses	
System failure response costs	88
Total extraordinary losses	88
Income before income taxes	13,507
Income taxes - current	2,797
Income taxes - deferred	115
Total income taxes	2,912
Income	10,594
Income attributable to owners of parent	10,594

Non-consolidated Financial Statements
Non-consolidated Balance Sheets

(Millions of yen)

As of March 31, 2023

Assets	
Assets	
Current assets	
Cash and deposits	24,875
Notes	87
Accounts receivable - trade	10,555
Securities	2,700
Merchandise and finished goods	3,312
Work in process	1,386
Raw materials and supplies	4,604
Prepaid expenses	130
Other	364
Allowance for doubtful accounts	(16)
Total current assets	48,000
Non-current assets	
Property, plant and equipment	
Buildings, net	3,501
Structures, net	161
Machinery, net	1,319
Equipment, net	863
Land	3,483
Construction in progress	823
Other	25
Total property, plant and equipment	10,179
Intangible assets	
Software	203
Other	26
Total intangible assets	229
Investments and other assets	
Investment securities	2,188
Shares of subsidiaries and associates	5,207
Investments in other securities of subsidiaries and associates	94
Deferred tax assets	990
Other	126
Allowance for doubtful accounts	(9)
Total investments and other assets	8,598
Total non-current assets	19,006
Total assets	67,006

(Millions of yen)

As of March 31, 2023

Liabilities	
Current liabilities	
Accounts payable - trade	3,801
Accounts payable – other	1,783
Accrued expenses	348
Income taxes payable	422
Provision for bonuses	1,122
Other	841
Total current liabilities	<u>8,320</u>
Non-current liabilities	
Retirement benefit liability	802
Provision for share-based remuneration	191
Other	78
Total non-current liabilities	<u>1,073</u>
Total liabilities	<u>9,393</u>
Net assets	
Shareholders' equity	
Share capital	4,753
Capital surplus	5,038
Retained earnings	51,825
Treasury shares	(4,414)
Total shareholders' equity	<u>57,203</u>
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	410
Total net assets	<u>57,613</u>
Total liabilities and net assets	<u>67,006</u>

Non-consolidated Statement of Income

	(Millions of yen)
	Fiscal year ended March 31, 2023
Net sales	44,709
Cost of sales	24,704
Gross profit	20,004
Selling, general and administrative expenses	10,907
Operating income	9,096
Non-operating income	
Interest income	5
Dividend income	3,208
Foreign exchange gains	31
Other	91
Total non-operating income	3,337
Non-operating expenses	
Loss on valuation of investment securities	42
Loss on investments in partnership	138
Other	19
Total non-operating expenses	200
Ordinary income	12,233
Extraordinary losses	
System failure response costs	88
Total extraordinary losses	88
Income before income taxes	12,145
Income taxes - current	1,706
Income taxes - deferred	241
Total income taxes	1,948
Income	10,197