

**To Shareholders with Voting Rights:**

Jun'ichi Hasegawa  
President  
Kanto Denka Kogyo Co., Ltd.  
3-2, Marunouchi 2-chome, Chiyoda-ku,  
Tokyo, Japan

**Partial amendment of “NOTICE OF  
THE 115TH ORDINARY GENERAL MEETING OF SHAREHOLDERS”**

We would like to express our apologies for the fact that some of the items described in the “NOTICE OF THE 115TH ORDINARY GENERAL MEETING OF SHAREHOLDERS” of the Company should be amended, and would like to make an amendment as follows by posting on this website.

Details(The underlined portions indicate amendments)

i . NOTICE OF THE 115TH ORDINARY GENERAL MEETING OF SHAREHOLDERS p9, p12

Business Report,

3. Matters Related to Corporate Officers,

(1) Names and Other Information for Directors and Audit & Supervisory Board Members (As of March 31, 2022) (Areas of Responsibility and Significant Concurrent Positions), and

(5) Matters Related to Outside Officers (Status of concurrent positions at other corporations)

(Before Amendment)

Naozumi Furukawa	Chairman, Zeon Corporation
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(After Amendment)

Naozumi Furukawa	<u>Honorary</u> Chairman, Zeon Corporation
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ii . NOTICE OF THE 115TH ORDINARY GENERAL MEETING OF SHAREHOLDERS p29, p32

Accounting Audit Report on Consolidated Financial Statements, and

Accounting Audit Report

(Before Amendment)

Certified Public Accountant Hitoshi Yonemura (Seal) Designated Limited Liability Partner Engagement Partner
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(After Amendment)

(Deleted)
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iii. NOTICE OF THE 115TH ORDINARY GENERAL MEETING OF SHAREHOLDERS p43

Reference Documents for the General Meeting of Shareholders,

[Proposal 2] Election of 11 Directors,

No.10 Hitoshi Habuka (Past experience, positions, area of responsibility and significant concurrent positions)

(Before Amendment)

April 2022	Professor Emeritus, National University Corporation Yokohama National University (to present) Associate Professor, Faculty of Engineering, National University Corporation Yokohama National University (to present)
[Significant concurrent positions]	Professor Emeritus, National University Corporation Yokohama National University Associate Professor, Faculty of Engineering, National University Corporation Yokohama National University

(After Amendment)

April 2022	Professor Emeritus, National University Corporation Yokohama National University (to present) <u>Lecturer (part-time)</u> , Faculty of Engineering, National University Corporation Yokohama National University (to present)
[Significant concurrent positions]	Professor Emeritus, National University Corporation Yokohama National University <u>Lecturer (part-time)</u> , Faculty of Engineering, National University Corporation Yokohama National University

iv. NOTICE OF THE 115TH ORDINARY GENERAL MEETING OF SHAREHOLDERS p43

Reference Documents for the General Meeting of Shareholders,

[Proposal 2] Election of 11 Directors,

No.11 Yuko Kariya (Past experience, positions, area of responsibility and significant concurrent positions)

(Before Amendment)

March 2021	Retired from Shin-Etsu Chemical Co., Ltd.
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(After Amendment)

March 2021	Retired from <u>Torii Pharmaceutical Co., Ltd.</u>
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(End)

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

(Securities Code: 4047)  
June 10, 2022

**To Shareholders with Voting Rights:**

Jun'ichi Hasegawa  
President  
Kanto Denka Kogyo Co., Ltd.  
3-2, Marunouchi 2-chome, Chiyoda-ku,  
Tokyo, Japan

**NOTICE OF THE 115TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We are pleased to inform you that we will hold the 115th Ordinary General Meeting of Shareholders of Kanto Denka Kogyo Co., Ltd. (the "Company") as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:30 p.m. on Tuesday, June 28, 2022, Japan time.

- 1. Date and Time:** Wednesday, June 29, 2022, at 10:00 a.m. Japan time  
**2. Place:** 5F Conference Room, Headquarters of the Company  
Yusen Building 5F, 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan

**3. Meeting Agenda:**

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 115th Fiscal Year (April 1, 2021–March 31, 2022) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company's 115th Fiscal Year (April 1, 2021–March 31, 2022)

**Proposals to be resolved:**

- Proposal 1:** Partial Amendments to the Articles of Incorporation  
**Proposal 2:** Election of 11 Directors

1. When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
2. On the day of the meeting, the Company will adopt "Cool Biz" attire. Shareholders are also encouraged to attend the meeting in light clothing.
3. Based on the provisions of laws and regulations as well as Article 14 of the Company's Articles of Incorporation, among the documents that should be provided with this Notice, the "Notes to the Consolidated Financial Statements" in the Consolidated Financial Statements and the "Notes to the Non-consolidated Financial Statements" in the Non-consolidated Financial Statements are posted on the Company's website (<https://www.kantodenka.co.jp/>) and are therefore not included in this Notice. The above documents are, along with the other documents provided in this Notice, within the scope of audits of the Accounting Auditor and Audit & Supervisory Board members.
4. Should the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements require revisions, the revised versions will be posted on the Company's website (<https://www.kantodenka.co.jp/>).

(Attached Documents)

## Business Report

(From April 1, 2021 to March 31, 2022)

### 1. Matters Related to the Status of the Corporate Group

#### (1) Business Progress and Achievements

In the fiscal year ended March 31, 2022, while the Japanese economy showed signs of recovery due to various government policies, severe conditions continued to prevail. Overseas, outlooks remained uncertain due to the impact on economic activities from the resurgence of COVID-19 infections, as well as the need for caution amid such factors as heightened geopolitical risks and fluctuations in financial and capital markets.

The chemical industry also continued to face a challenging business environment, with rising raw fuel prices and disruptions in distribution networks, despite movements toward recovery in demand.

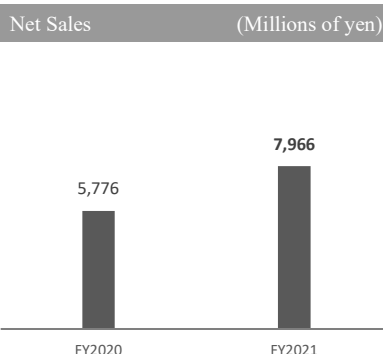
Amid these circumstances, the Kanto Denka Group worked to strengthen the earning power of its fundamental chemicals, fine chemicals, and ferrochemicals businesses, while striving to develop new products that leverage its competitive fluorochemical technologies.

Net sales for the fiscal year under review amounted to ¥62,286 million, up ¥10,359 million or 19.9% year on year, mainly due to higher sales in the Fine Chemicals Division. For profit and loss, ordinary profit amounted to ¥11,145 million, up ¥5,562 million or 99.6% year on year, and profit attributable to owners of parent amounted to ¥7,762 million, up ¥4,157 million or 115.3% year on year.

The following provides an overview for each segment.

#### Fundamental Chemicals Division

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##### Inorganic Products

Sales of caustic soda and hydrochloric acid were up year on year due to higher sales volumes, despite lower sales prices.

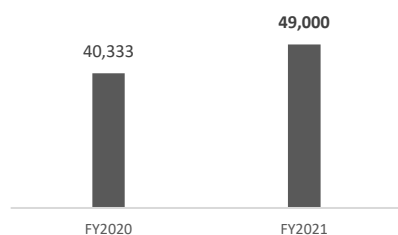
##### Organic Products

For organic products, sales of trichloroethylene were up due to effects from price revisions. Sales of perchloroethylene were up due to effects from price revisions, despite lower sales volumes.

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥7,966 million, up ¥2,190 million or 37.9%. Operating loss amounted to ¥69 million (versus operating loss of ¥240 million in the previous fiscal year).

## Fine Chemicals Division

Net Sales (Millions of yen)



### Fluorochemicals

For fluorochemicals for semiconductors and liquid crystals, sales of nitrogen trifluoride were up year on year due to effects from price revisions, despite lower sales volumes. Sales of tungsten hexafluoride were down due to lower sales prices, despite higher sales volumes. Sales of hexafluoro-1,3-butadiene were up due to higher sales volumes, despite lower sales prices.

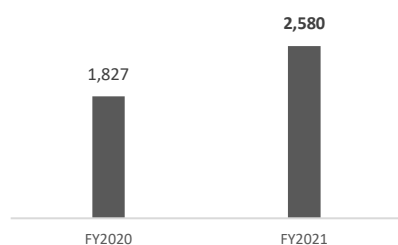
### Battery Materials

Sales of lithium hexafluorophosphate, a battery material, were up due to higher sales volumes and effects from price revisions.

As a result of the above, net sales in the Fine Chemicals Division amounted to ¥49,000 million, up ¥8,666 million or 21.5%. Operating profit amounted to ¥10,042 million, up ¥4,671 million or 87.0%.

## Ferrochemicals Division

Net Sales (Millions of yen)

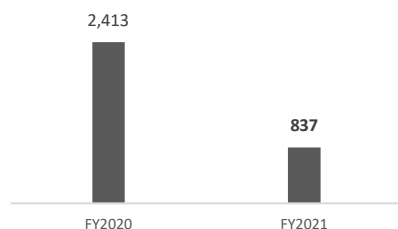


Sales of reprographic carriers, used in developers for copiers and printers, were up year on year due to higher sales volumes. Sales of iron oxide were up due to higher sales of colorants.

As a result of the above, net sales in the Ferrochemicals Division amounted to ¥2,580 million, up ¥752 million or 41.2%. Operating profit amounted to ¥539 million, up ¥333 million or 161.3%.

## Commercial Business Division

Net Sales (Millions of yen)

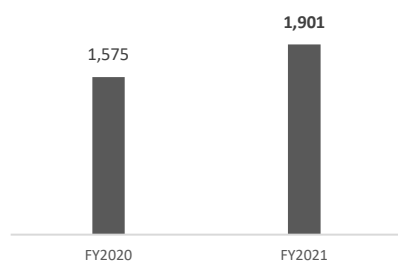


Commercial business sales were down year on year due to factors such as impact from the application of the Accounting Standards for Revenue Recognition from the fiscal year under review.

As a result of the above, net sales in the Commercial Business Division amounted to ¥837 million, down ¥1,576 million or 65.3%. Operating profit amounted to ¥194 million, up ¥41 million or 27.4%.

## Facilities Division

Net Sales (Millions of yen)



Sales in chemical facility plant and general industrial plant construction were up year on year due to an increase in contract work.

As a result of the above, net sales in the Facilities Division amounted to ¥1,901 million, up ¥325 million or 20.7%. Operating profit amounted to ¥379 million, up ¥135 million or 55.3%.

## **(2) Capital Investment and Financing**

Total capital investment amounted to ¥12,284 million.

Main activities here include the expansion of manufacturing facilities for fluorochemicals.

These requirements were funded by cash on hand and borrowings.

## **(3) Issues to Be Addressed**

Looking ahead, as social and economic activities increase in intensity, impact from various policies and improvement in overseas economies are expected to lead to a rebound. However, attention must be paid to worldwide geopolitical risks, the risk of a resurgent COVID-19, as well as the risk of fluctuations in financial and capital markets. Amid these factors, the future remains highly uncertain, and the business environment is expected to remain a challenging one.

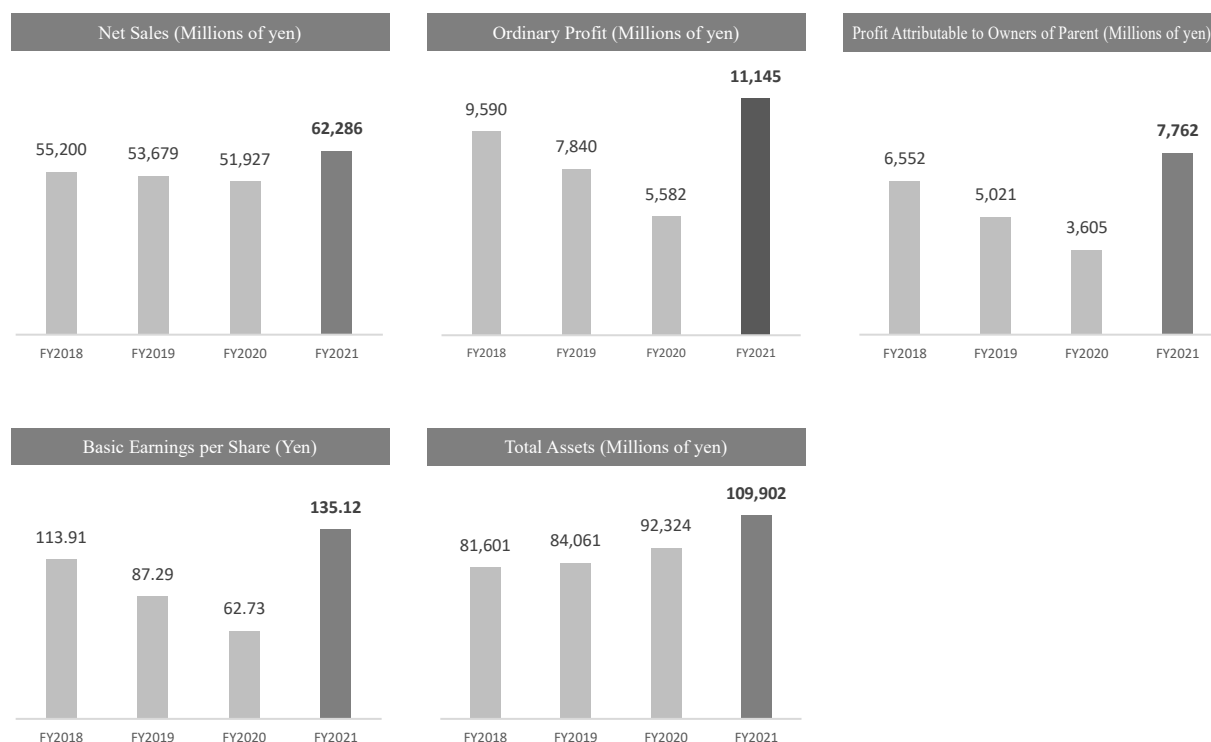
Here, the Group has launched its new medium-term management plan, “Dominate 1000 —Sustainable Growth and Fostering Competitiveness—,” starting in fiscal 2022, ended March 31, 2023. In this plan, we will strive to achieve our target of ¥100 billion in consolidated net sales in fiscal 2024 through the core strategies of “promote expansion of the fine chemicals business,” “raise the level of the production technology,” “enhance human resource development,” and “increase social value.”

Furthermore, we have established the prime initiatives of our business activity as “giving the highest priority to safety,” “being a profitable company,” and “development by and for everyone.” With this, a stable management foundation, and an eye on where we want to be in 2030 we will provide a safe work environment with job satisfaction, support technologies that are cutting-edge on a global stage with our superior, original products, and aim to be an innovative, development-driven company to contribute to a sustainable society.

It is my hope that you, our valued shareholders, will continue to lend your support going forward.

#### (4) Changes in Assets and Income

Item	FY2018	FY2019	FY2020	FY2021
Net sales (Millions of yen)	55,200	53,679	51,927	62,286
Ordinary profit (Millions of yen)	9,590	7,840	5,582	11,145
Profit attributable to owners of parent (Millions of yen)	6,552	5,021	3,605	7,762
Basic earnings per share (Yen)	113.91	87.29	62.73	135.12
Total assets (Millions of yen)	81,601	84,061	92,324	109,902



**(5) Significant Subsidiaries (As of March 31, 2022)**

Company Name	Capital	Kanto Denka Kogyo's Share of Investment	Major Business Lines
Kanden Kosan Co., Ltd.	¥10 million	100.0%	Sale of chemical products and maintenance of containers
Jobi Engineering Co., Ltd.	¥120 million	49.4%	Manufacture and sale of chemical industry equipment
Morishita Bengara Kogyo Co., Ltd.	¥27 million	99.9%	Manufacture and sale of iron oxide
Kanto Denka Korea Co., Ltd.	₩300 million	90.0%	Sale of fluorine compounds
Taiwan Kanto Denka Co., Ltd.	NT\$7 million	100.0%	Sale of fluorine compounds
Kanto Denka Fine Products Korea Co., Ltd.	₩42,000 million	100.0%	Manufacture and sale of fluorine compounds
Xuancheng KDK Technology Co., Ltd.	US\$50 million	98.3%	Manufacture and sale of fluorine compounds

- (Notes) 1. During fiscal 2021, Morishita Bengara Kogyo Co., Ltd. purchased treasury shares, which increased the Company's share of investment from 99.3% at the end of the previous fiscal year to 99.9%.
2. During fiscal 2021, Kanto Denka Fine Products Korea Co., Ltd. increased its capital from 21,500 million Korean won at the end of the previous fiscal year to 42,000 million Korean won.
3. During fiscal 2021, Xuancheng KDK Technology Co., Ltd. increased its capital from US\$26.9 million at the end of the previous fiscal year to US\$50 million, and the Company subscribed to all of its shares, increasing its share of investment from 96.8% to 98.3%.

**(6) Major Business Activities (As of March 31, 2022)**

Segment	Principal Products and Services	Composition of Net Sales
Fundamental Chemicals	(Inorganic products) Caustic soda, hydrochloric acid, sodium hypochlorite, aluminum chloride, etc. (Organic products) Trichloroethylene, perchloroethylene, vinylidene chloride, cyclohexanol, etc.	12.8%
Fine Chemicals	(Fluorochemicals) Sulfur hexafluoride, carbon tetrafluoride, trifluoromethane, hexafluoroethane, nitrogen trifluoride, hexafluoro-1,3-butadiene, octafluorobutane, tungsten hexafluoride, silicon tetrafluoride, chlorine trifluoride, octafluorocyclobutane, monofluoromethane, carbonyl sulfide, iodine pentafluoride, etc. (Battery materials) Lithium hexafluorophosphate, lithium tetrafluoroborate, etc. (Other products) Organic fluorine compounds, etc.	78.7%
Ferrochemicals	Carriers, magnetite, toner, etc.	4.1%
Commercial Business	Sale of chemical products, maintenance of containers, insurance agency services, etc.	1.3%
Facilities	Factory plant construction, plant facility maintenance work, etc.	3.1%



## (7) Major Sales Offices and Plants (As of March 31, 2022)

1. Kanto Denka Kogyo Co., Ltd. Headquarters: 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan  
Sales Offices: Osaka Branch Office, Nagoya Office  
Plants: Shibukawa Plant (Gunma Prefecture), Mizushima Plant (Okayama Prefecture)  
Research Laboratories: Research & Development Center (Gunma Prefecture), Research & Development Center Shibukawa Branch (Gunma Prefecture), Research & Development Center Mizushima Branch (Okayama Prefecture)
2. Subsidiaries Kanden Kosan Co., Ltd. (Tokyo, Gunma Prefecture, Okayama Prefecture), Jobi Engineering Co., Ltd. (Tokyo, Gunma Prefecture, Okayama Prefecture), Morishita Bengara Kogyo Co., Ltd. (Mie Prefecture, Tokyo, Osaka Prefecture, Aichi Prefecture), Kanto Denka Korea Co., Ltd. (South Korea), Taiwan Kanto Denka Co., Ltd. (Taiwan, Singapore), Kanto Denka Fine Products Korea Co., Ltd. (South Korea), Xuancheng KDK Technology Co., Ltd. (China)

## (8) Status of Employees (As of March 31, 2022)

Segment	No. of Employees	Year-on-Year Change
Fundamental Chemicals	47	-3
Fine Chemicals	497	+38
Ferrochemicals	46	—
Commercial Business	46	+3
Facilities	99	+2
Company-wide (shared)	247	+15
Total	982	+55

## (9) Major Lenders (As of March 31, 2022)

Lender	Borrowing Balance (Millions of yen)
Mizuho Bank, Ltd.	8,525
The Gunma Bank, Ltd.	5,436
Asahi Mutual Life Insurance Company	3,972
The Chugoku Bank, Ltd.	3,900
Sumitomo Mitsui Trust Bank, Limited	3,400

## 2. Matters Related to Company Shares (As of March 31, 2022)

(1) Total Number of Authorized Shares 200,000,000 shares

(2) Total Number of Shares Issued 57,546,050 shares

(Notes) 1. The total number of shares issued includes 22,575 treasury shares.

2. Treasury shares do not include 74,325 shares held in trust account for the stock-based remuneration plan.

(3) Number of Shareholders 8,436

**(4) Major Shareholders (Top 10)**

Shareholder Name	Status of Investment in Kanto Denka Kogyo Co., Ltd.	
	Number of Shares Held (thousand shares)	Share of Investment (%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,683	13.36
Custody Bank of Japan, Ltd. (trust account)	3,659	6.36
Asahi Mutual Life Insurance Company	3,570	6.21
Zeon Corporation	3,550	6.17
Goldman Sachs International	2,565	4.46
The Gunma Bank, Ltd.	1,600	2.78
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	1,526	2.65
The Chugoku Bank, Ltd.	1,400	2.43
Mizuho Bank, Ltd.	1,202	2.09
Government of Norway	1,162	2.02

(Note) Treasury shares (22,575 shares) are excluded when calculating share of investment.

**(5) Shares Issued to Corporate Officers as Compensation for Execution of Duties during the Fiscal Year Under Review**

Stock-based remuneration issued during the fiscal year under review is as follows.

Item	Number of Shares Held (shares)	Number of Eligible Officers
Directors (excluding outside directors)	1,575	1

### 3. Matters Related to Corporate Officers

#### (1) Names and Other Information for Directors and Audit & Supervisory Board Members (As of March 31, 2022)

Position	Name	Areas of Responsibility and Significant Concurrent Positions
President	Jun'ichi Hasegawa	General Manager, Business Div., in charge of Internal Auditing Dept., Corporate Planning Dept., Overseas Business Development Dept.
Director and Managing Executive Officer	Fuyuhiko Ishii	General Manager, New Products Development Div.
Director and Executive Officer	Yasunari Yamaguchi	General Manager, Technical Div., in charge of Purchasing Dept.
Director and Executive Officer	Kazuki Niimi	In charge of Accounting & Finance Dept., Information Systems Dept.
Director and Executive Officer	Yuki Abe	Deputy General Manager, Business Div.; Representative Director, Kanto Denka Korea Co., Ltd.
Director and Executive Officer	Kunihiko Uramoto	In charge of Sustainability Dept., Legal & General Affairs Dept., Personnel Dept., Business Support Dept.
Director	Hideki Matsui	Co-Representative Attorney-at-law, Marunouchi Sogo Law Office
Director	Masaharu Sugiyama	
Director	Hitoshi Habuka	Professor, Department of Materials Science and Chemical Engineering, Faculty of Engineering, National University Corporation Yokohama National University Vice Dean, College of Engineering Science, National University Corporation Yokohama National University
Full-time Audit & Supervisory Board Member	Takeaki Yajima	
Full-time Audit & Supervisory Board Member	Masatomo Hayashi	
Audit & Supervisory Board Member	Naozumi Furukawa	Honorary Chairman, Zeon Corporation
Audit & Supervisory Board Member	Kenichi Ikeda	Director and Managing Executive Officer (In charge of Corporate Planning Dept. and Research & Public Relations Dept.), Asahi Mutual Life Insurance Company

(Notes) 1. Directors Hideki Matsui, Masaharu Sugiyama, and Hitoshi Habuka are outside directors. Each is an independent officer as stipulated by the rules of the Tokyo Stock Exchange.

2. Audit & Supervisory Board members Naozumi Furukawa and Kenichi Ikeda are outside Audit & Supervisory Board members. Each is an independent officer as stipulated by the rules of the Tokyo Stock Exchange.

3. Takeaki Yajima has many years of experience in banking and considerable knowledge of finance and accounting.

4. Position changes for officers during the fiscal year under review are as follows.

Retirement and resignation:

Effective as of the conclusion of the 114th Ordinary General Meeting of Shareholders held on June 29, 2021, Takeaki Yajima retired from the position of director, and Takashi Suzuki and Kunihiko Uramoto resigned from the position of Audit & Supervisory Board member.

Election: At the 114th Ordinary General Meeting of Shareholders held on June 29, 2021, Kunihiko Uramoto was newly elected as director, and Takeaki Yajima and Masatomo Hayashi were newly elected as Audit & Supervisory Board members.

#### (2) Overview of Limited Liability Agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act ("the Act"), the Company has entered into agreements with its outside directors and outside Audit & Supervisory Board members to limit their liabilities stipulated in Article 423, Paragraph 1 of the Act to the total of the amounts stipulated in each item of Article 425, Paragraph 1 of the Act.

#### (3) Overview of Directors and Officers Liability Insurance Agreement

The Company has entered into a directors and officers liability insurance agreement for directors and Audit & Supervisory Board members of the Company and its subsidiaries (excluding subsidiaries for which the Company holds all shares) as insureds, which is outlined below. The Company plans to renew the agreement in October 2022.

##### 1) Outline of events insured against

The agreement covers damages that may arise due to insured directors, Audit & Supervisory Board members, officers, etc. being held liable for the execution of his or her duties or being subject to a

claim for this liability. However, the policy does include certain exemption clauses, such as for liabilities arising from acts committed by insureds while aware that doing so would be in violation of laws and regulations.

## 2) Premiums

Insurance premiums will be fully borne by the Company.

## (4) Matters Related to Remuneration of Corporate Officers

### Total Amount of Remuneration for Directors and Audit & Supervisory Board Members

Officer Remuneration	Total Remuneration Amount (Millions of yen)	Total Remuneration Amount by Type (Millions of yen)			Officers Paid
		Fixed Remuneration	Performance-Linked Remuneration	Non-Monetary Remuneration	
Directors (Outside Directors)	231 (12)	149 (12)	75 (—)	6 (—)	10 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	46 (8)	46 (8)	— (—)	— (—)	6 (2)
Total	277	196	75	6	16

(Notes) 1. The above table is inclusive of the one director who retired from the position and two Audit & Supervisory Board members who resigned from the position at the conclusion of the 114th Ordinary General Meeting of Shareholders held on June 29, 2021.

2. The total amount of remuneration for directors does not include employee salaries.

### Remuneration for Directors

#### 1) Basic approach to director remuneration

The Company determines the remuneration of its directors with care toward the balance between fixed and variable remuneration, and between short-term and medium- to long-term remuneration, in order to provide healthy incentives to improve business performance and corporate value.

Specifically, remuneration for directors (excluding outside directors) consists of monthly remuneration (fixed portion), officer bonuses (performance-linked portion, short-term remuneration), and stock-based remuneration (medium- to long-term remuneration), while remuneration for outside directors consists solely of monthly remuneration.

#### 2) Monthly remuneration (fixed portion)

Monthly remuneration is a fixed amount (in cash) determined for each position (chairman, president, director and senior managing executive officer, director and managing executive officer, director and senior executive officer, director and executive officer, and outside director).

The Company reviews remuneration levels as necessary, with consideration to business performance, peer remuneration levels, social conditions, and other factors.

(Notes) 1. The total amount of monthly remuneration for directors (not exceeding ¥24 million) was resolved at the 100th Ordinary General Meeting of Shareholders held on June 28, 2007 (the number of directors at the conclusion of said meeting was 10).

2. For the position of director and executive officer, employee bonuses (for the executive officer role) are paid in addition to monthly remuneration. However, for those with the position of director and executive officer who are not concurrently serving as employees, the remuneration amount is determined by adding the amount of the employee bonuses to the monthly remuneration amount.

#### 3) Officer bonuses (performance-linked portion and short-term remuneration)

As an incentive to improve business performance for each fiscal year, a certain percentage of the Company's ordinary profit, a solid indicator of earnings, is paid in cash to directors (excluding outside directors) in July of each year. This payment is explained in detail below.

- Officer bonuses shall be paid at a level of 0.8% of the Company's ordinary profit (rounded down to the nearest million yen) for the relevant fiscal year, with an upper limit of ¥80 million. However, if the Company's ordinary profit for the relevant fiscal year is less than ¥1 billion, no officer bonuses shall be paid. Note that the Company's ordinary profit for the fiscal year under review was ¥9.4

billion.

- Officer bonuses are paid to all directors (excluding outside directors). However, this excludes directors who have performed their duties for less than one-half of the relevant fiscal year.
- The distribution of officer bonuses per director is as follows.

$$\text{Total amount of officer bonuses} \times \frac{\text{Rank points}}{\text{Total of all rank points for eligible officers}}$$

(Notes) 1. Rank points for each rank are as follows. Chairman: 2.0; president: 2.0; director, vice president and executive officer: 1.5; director and senior managing executive officer: 1.3; director and managing executive officer: 1.0; director and executive officer: 0.1. However, if there is a period during the relevant fiscal year in which the officer in question does not serve as a director, the number of months of service (periods of less than one month shall be counted as one month) shall be divided by 12 and then multiplied by the number of rank points. In the event of a change in position during the relevant fiscal year, the number of months shall be prorated.

2. By resolution at the 100th Ordinary General Meeting of Shareholders held on June 28, 2007, the bonus (performance-linked remuneration) for directors was set at 0.8% of the Company's ordinary profit for the relevant fiscal year, with ¥80 million as the upper limit. (However, if the Company's ordinary profit for said fiscal year is less than ¥1 billion, no payment shall be made. The number of directors at the conclusion of said meeting was 10).

4) Stock-based remuneration (medium- to long-term remuneration)

The Company pays stock-based remuneration through a stock issuance trust to directors (excluding outside directors) for the purpose of increasing their awareness of contributing to enhancement of the Company's performance and corporate value over the medium- to long-term. This is achieved by presenting a clear link between director remuneration and the value of Company shares, and having directors share the benefits and risks associated with share price fluctuations with shareholders. The Company will contribute up to ¥70 million over the applicable period (five years), and will grant up to 20,000 points per fiscal year (one point is equivalent to one share of the Company's stock), which will be allocated annually on the date of the Ordinary General Meeting of Shareholders in proportion to the position held by each director. In principle, these Company shares, which are calculated based on the number of points accumulated, are issued to directors at the time of their retirement from the position of director. In accordance with the rules on share issuance, directors eligible under this plan shall be granted points in proportion to their position each year on the date of the Ordinary General Meeting of Shareholders and, at the time of their retirement from the position of director, shall be granted shares of Company stock calculated based on the number of points accumulated.

(Notes) 1. By resolution at the 113th Ordinary General Meeting of Shareholders held on June 26, 2020, the Company decided to contribute up to ¥70 million over the applicable period (five years) to directors (excluding outside directors). It was also resolved to grant 20,000 points per fiscal year (one point is equivalent to one share of the Company's stock) in proportion to the position held by each director. In principle, these Company shares, which are calculated based on the number of points accumulated, are issued to directors at the time of their retirement from the position of director (the number of directors [excluding outside directors] at the conclusion of said meeting was six).

2. In consideration of tax treatment outside of Japan, non-resident directors are to join the officers' shareholding association, which shall contribute to the purchase of shares.

5) Policy for determining the ratio of the amount of monthly remuneration, the amount of officer bonuses (performance-linked portion), and the amount of stock-based remuneration, to the amount of remuneration paid to each individual director

The Company determines the ratio of remuneration to directors (excluding outside directors) per remuneration type with care toward the balance between fixed and variable remuneration, and between short-term and medium- to long-term remuneration, in order to provide healthy incentives. Although the ratio of remuneration by type will vary depending on the Company's ordinary profit and stock price levels, calculation based on past performance shows that monthly remuneration is approximately 60–70%, officer bonuses are approximately 25–35%, and stock-based remuneration is approximately 5%.

6) Matters related to procedures for determining individual remuneration for directors

Individual remuneration for directors is determined by resolution of the Board of Directors after consulting with the Nomination & Compensation Committee, whose members include independent outside directors, on remuneration proposals.

- 7) Important matters related to determining individual remuneration for directors  
In cases where there are reasonable grounds for paying no officer bonus to a director, such as when they have inflicted serious harm to the Company, said director shall be excluded from those eligible for payment.
- 8) Alignment between individual remuneration for directors for the fiscal year under review and the aforementioned policy  
Policies on director remuneration (the basic policy and determination method for each remuneration amount per individual) are determined by resolution of the Board of Directors after consultation with the Nomination & Compensation Committee, and individual remuneration for directors is calculated by the individual determination method per remuneration amount. Therefore, the details of individual remuneration for directors are in alignment with the aforementioned policy.

#### Remuneration for Audit & Supervisory Board members

Remuneration for Audit & Supervisory Board members consists solely of monthly remuneration, emphasizing independence and objectivity on management. Remuneration amounts per Audit & Supervisory Board member are determined in discussion among Audit & Supervisory Board members.

(Note) The total amount of monthly remuneration for Audit & Supervisory Board members was resolved to be no more than ¥5 million at the 100th Ordinary General Meeting of Shareholders held on June 28, 2007 (the number of Audit & Supervisory Board members at the conclusion of said meeting was four).

#### (5) Matters Related to Outside Officers

- 1) Status of concurrent positions of executive officers, outside officers, etc. at other corporations (As of March 31, 2022)

Item	Name	Status of concurrent positions at other corporations
Outside Director	Hideki Matsui	Co-Representative Attorney-at-law, Marunouchi Sogo Law Office
Outside Director	Masaharu Sugiyama	
Outside Director	Hitoshi Habuka	Professor, Department of Materials Science and Chemical Engineering, Faculty of Engineering, National University Corporation Yokohama National University Vice Dean, College of Engineering Science, National University Corporation Yokohama National University
Outside Audit & Supervisory Board Member	Naozumi Furukawa	Honorary Chairman, Zeon Corporation
Outside Audit & Supervisory Board Member	Kenichi Ikeda	Director and Managing Executive Officer (In charge of Corporate Planning Dept. and Research & Public Relations Dept.), Asahi Mutual Life Insurance Company

- (Notes) 1. Marunouchi Sogo Law Office is an advisory body to the Company to which the Company pays fees for legal services.  
2. The Company provides research grants to National University Corporation Yokohama National University.  
3. Zeon Corporation holds 3,550,000 shares (6.17% share of investment) in the Company. Although there are transactions between Zeon Corporation's group and the Group, these transactions in fiscal 2021 constituted less than 1% of the Company's consolidated net sales.  
4. Asahi Mutual Life Insurance Company holds 3,570,000 shares (6.21% share of investment) in the Company. In addition, the Company has received financing from Asahi Mutual Life Insurance Company.

2) Major activities during the fiscal year under review

(a) Outside directors

Name	Status of Board of Directors Meeting Attendance	Activity Status
Hideki Matsui	13 of 14	Hideki Matsui has been engaged in corporate legal affairs as an attorney-at-law for many years and has a wealth of experience and broad insights. He has met expectations by making comments as appropriate at the Board of Directors and has fully fulfilled his management oversight function.
Masaharu Sugiyama	14 of 14	Masaharu Sugiyama has been engaged in corporate accounting as a certified public accountant for many years and has a wealth of experience and broad insights. He has met expectations by making comments as appropriate at the Board of Directors and has fully fulfilled his management oversight function.
Hitoshi Habuka	14 of 14	Hitoshi Habuka has been engaged in technology development and R&D at universities and other companies for many years and has a wealth of experience and broad insights. He has met expectations by making comments as appropriate at the Board of Directors and has fully fulfilled his management oversight function.

(b) Outside Audit & Supervisory Board members

Name	Status of Board of Directors Meeting Attendance	Status of Audit & Supervisory Board Meeting Attendance	Activity Status
Naozumi Furukawa	13 of 14	6 of 7	Naozumi Furukawa utilized his wealth of experience in company management at manufacturers operating on a global scale, making comments as appropriate at the Board of Directors and Audit & Supervisory Board. In addition, he performed audits in accordance with audit policies established by the Audit & Supervisory Board and fully exercised his auditing function.
Kenichi Ikeda	14 of 14	7 of 7	Kenichi Ikeda utilized his wealth of experience in company management at financial institutions, making comments as appropriate at the Board of Directors and Audit & Supervisory Board. In addition, he performed audits in accordance with audit policies established by the Audit & Supervisory Board and fully exercised his auditing function.

#### **4. Matters Related to the Accounting Auditor**

##### **(1) Name**

Ernst & Young ShinNihon LLC

##### **(2) Amount of Remuneration for the Fiscal Year under Review**

(i) Remuneration as accounting auditor for the fiscal year under review   ¥38 million

(ii) Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the accounting auditor   ¥38 million

- (Notes) 1. The Audit & Supervisory Board has reviewed audit content, hours, and fees over time, as well as the status of audit plans and results for past fiscal years, in accordance with the Practical Guidelines for Cooperation with Accounting Auditors issued by the Japan Audit & Supervisory Board Members Association, and has considered the appropriateness of estimates for audit hours and fees for the fiscal year under review. Based on this, the Audit & Supervisory Board consents to the remuneration for the accounting auditor as stipulated in Article 399, Paragraph 1 of the Companies Act.
2. Since the audit contract between the Company and the accounting auditor does not distinguish between the amount of audit fees for audits based on the Companies Act and the amount of audit fees for audits based on the Financial Instruments and Exchange Act, the amount in (i) above includes the amount of audit fees for audits based on the Financial Instruments and Exchange Act.
3. Among the Company's significant subsidiaries, Kanto Denka Korea Co., Ltd., Taiwan Kanto Denka Co., Ltd., Kanto Denka Fine Products Korea Co., Ltd., and Xuancheng KDK Technology Co., Ltd. are audited by auditing firms other than the Company's accounting auditor.

##### **(3) Non-Audit Services**

Non-audit services consist of confirmation services related to applications for reductions or exemptions from renewable energy feed-in tariffs.

##### **(4) Policy on Dismissal or Non-Reappointment Decisions**

The Audit & Supervisory Board shall make decisions on dismissal or non-reappointment of the accounting auditor after comprehensively considering the independence and reliability of the accounting auditor and other conditions related to its performance of duties, as required by laws, regulations, and standards.

If the Audit & Supervisory Board determines that it is necessary to take such action, such as when there are impedances to the performance of the accounting auditor's duties, the Audit & Supervisory Board will determine the content of the relevant proposal to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the accounting auditor. If the accounting auditor is found to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor with the unanimous consent of its members. In such an event, an Audit & Supervisory Board member selected by said board shall report the dismissal of the accounting auditor and the reasons thereof at the first General Meeting of Shareholders convened after the dismissal.

Note that if the Board of Directors determines that dismissal or non-reappointment of the accounting auditor is necessary, such as when there are impedances to the execution of the accounting auditor's duties, the Board of Directors shall request the Audit & Supervisory Board to cause the dismissal or non-reappointment of the accounting auditor to be proposed to the General Meeting of Shareholders. The Audit & Supervisory Board shall determine whether this request is appropriate and determine the content of the relevant proposal to be submitted to the General Meeting of Shareholders.



## 5. Systems for Ensuring Appropriate Business Activities and Status of System Operation (Summary)

### (1) Basic Policy for Internal Control Systems

The Company has resolved a basic policy for internal control systems, as follows, to establish a system for ensuring appropriate business activities.

#### (i) Basic policy for business operation

The management philosophy, presented below, serves as the basis of Company management.

##### Management Philosophy

Through the quest for constant corporate growth and acquisition of optimum profits while achieving harmony with nature, Kanto Denka is working with all its shareholders, users and employees to create a successful company and a sustainable society.

To achieve this end, we are endeavoring to ensure our unique technologies and superior services meet the requirements of our users and build a trusted company based on the principles of sincerity, creativity, prompt response and harmony with nature.

Furthermore, the Company has established the following six principles of conduct that transform the aforementioned management philosophy into specific actions, as a guidepost for our daily business activities.

##### Principles of Conduct

- Put the customer first at all times, and act courteously and with passion.
- Observe relevant laws and regulations as well as company regulations, and act openly.
- Practice 5S & PDCA, and make a commitment to efforts to develop a safe and people-friendly work environment.
- Strive to improve our own abilities while nurturing the next generation, and aim to be professionals at what we do.
- Develop products, using creative technology, that our customers can use with a feeling of security.
- Proactively work to conserve and act in harmony with nature in order to develop a sustainable society.

#### (ii) Systems to ensure that director and employee execution of duties complies with laws, regulations, and the Articles of Incorporation

The Company has established the Compliance and Risk Management Committee, chaired by the president and attended by outside attorneys, as an organization managing overall compliance. In addition, the Company has established the RC Promotion Council, chaired by the president, as an organization with exclusive responsibility for environment and safety-related laws and regulations, which are important issues for a chemical manufacturer.

To promote compliance, we have established the Compliance Manual of the Kanto Denka Kogyo Group, and provide guidance through training and other means to ensure that all officers and employees conduct their business operations with a sense of ownership of compliance at each workplace.

The Company has established a system for consultation and reporting, and stipulates that if any officer or employee discovers a compliance violation or believes one will be committed internally, they are obliged to report this to the general manager of the Legal & General Affairs Department, a full-time Audit & Supervisory Board member, or to an outside attorney (anonymous reporting is also acceptable). The Company shall keep the content of the report confidential and will not treat the person filing the report unfavorably. A contact system has also been established for instances of reports received on compliance issues from external parties, such as business partners.

The Company firmly rejects antisocial forces and any unreasonable demands they may make. Furthermore, the Internal Auditing Department carries out internal audits for all operations under the direct supervision of the president.

#### (iii) Regulations and other systems for managing the risk of loss

The Company has established the RC Promotion Council, chaired by the president, as an organization with exclusive responsibility for environmental and safety risks. The Environmental and Safety Protection Committee, Quality Assurance Committee, and Logistics Safety Committee have been established as subordinate organizations to this. Here, the relevant divisions conduct audits on health and safety, the environment, product safety, and logistics given their specialized

positions. In addition, each plant has received certification for occupational health and safety management systems as the Company continues to strive toward occupational safety.

The Company has established the Compliance and Risk Management Committee as an organization that oversees overall risk management, and in the event of an emergency, the Emergency Response Headquarters, headed by the president, will be responsible for crisis management.

During normal times, each division of the Company shall identify its own risks and work to mitigate these risks. During emergencies, the Company as a whole shall respond in accordance with the Emergency Response Manual.

**(iv) Systems to ensure appropriateness of financial reporting**

With regard to internal controls for financial reporting, in accordance with the basic policy on financial reporting established by the Board of Directors, the Company maintains relevant rules and operational documents within each division, and the Internal Auditing Department independently evaluates these internal controls.

**(v) Systems to ensure the efficient execution of director duties**

The Company's Board of Directors meets once a month to make decisions on important matters and supervise the directors' execution of their duties. To further strengthen the functions of the Board of Directors and improve management efficiency, the Management Committee, attended by directors and executive officers responsible for execution of Company business, meets once a month to flexibly make decisions on fundamental and important matters related to business execution. In addition, the Company has established the Business Promotion Meeting, with directors as main members. This organization discusses more refined themes.

For business operations, the Company formulates medium-term management plans and annual budgets based on the future business environment, and sets company-wide targets. Each division formulates and implements specific measures to achieve these targets.

The term of office for directors is set at one year to facilitate agility in addressing the rapidly-changing business environment. In addition, an executive officer system has been adopted to separate functions of business decision-making and supervision from functions of business execution, as well as to strengthen the checking function of the Board of Directors.

**(vi) Systems for the storage and management of information related to the execution of director duties**

The Company stores documents and other materials in accordance with laws, regulations, and internal rules.

The Company also handles information management by establishing guidelines for information security and a basic policy regarding the protection of personal information.

**(vii) Systems to ensure appropriate business activities in the Company's corporate group**

The Company has established a mechanism for sharing compliance and other internal control policies within the Company's corporate group. The Company also appoints compliance managers at each company within the Company's corporate group, while the Compliance and Risk Management Committee oversees and promotes compliance for the entire Group. Furthermore, the Compliance Manual of the Kanto Denka Kogyo Group and the consultation and reporting system are both designed to cover the entire Group.

Regarding management of affiliated companies, while respecting affiliates' autonomy, the Company regularly receives reports on their business activities and conducts advance discussions about important matters in accordance with its affiliated company management regulations. In addition, the Company dispatches officers to each Group company to check the status of business operations and internal controls there.

**(viii) Matters related to employees assigned to assist the duties of Audit & Supervisory Board members and their independence from directors**

Although there are currently no employees assigned to assist the duties of Audit & Supervisory Board members, such staff may be assigned as necessary. Directors and Audit & Supervisory Board members will exchange opinions on personnel matters for such employees.

**(ix) Systems for reporting to Audit & Supervisory Board members and other systems to ensure effective audits by Audit & Supervisory Board members**

Audit & Supervisory Board members hold regular meetings with the president to exchange opinions. In addition, Audit & Supervisory Board members receive presentations on accounting audit details from the Internal Auditing Department and Ernst & Young ShinNihon LLC, the Company's accounting auditor, and collaborate with them through information exchange and other means.

If any officer or employee of the Company or any Group company discovers any fact that may cause significant damage to any of these companies, they are obliged to immediately report this to an Audit & Supervisory Board member in accordance with laws and regulations. The Company and its Group companies shall not treat the person filing the report unfavorably.

Full-time Audit & Supervisory Board members shall attend meetings of the Board of Directors as well as important meetings, such as that of the Compliance and Risk Management Committee and the Management Committee in order to understand the process behind important decision-making and the status of business execution. Full-time Audit & Supervisory Board members shall also view key approval documents and other important documents related to business execution and, as necessary, request that directors and/or employees make presentations regarding these.

If an Audit & Supervisory Board member requests advance payment or reimbursement of expenses necessary for the performance of their duties, the Company shall promptly grant such expenses or dispose of liabilities.

## **(2) Status of Internal Control System Operations (Summary)**

The Company's internal controls are operated in accordance with its basic policy for internal control systems, as follows.

The management philosophy serves as the basis of Company management, and the principles of conduct guide daily business operations, with educational programs provided as appropriate.

With regard to compliance, the Compliance and Risk Management Committee and the RC Promotion Council meet on a regular basis. The content of these meetings, including the status of internal reporting, is reported to the Board of Directors.

The RC Promotion Council plays a central role in managing the risk of loss, as well as environmental and safety risks. The Compliance and Risk Management Committee has overall control with regard to risk, including others than those previously mentioned.

The Internal Auditing Department independently evaluates the appropriateness of financial reporting while cooperating as appropriate with the accounting auditor. The results of its evaluations are reported to the Board of Directors.

As for efficient execution of director duties, the Company has implemented an executive officer system and has appropriately established the purpose, roles, and participating members of various meetings, including of the Board of Directors and the Management Committee, to ensure efficient business operations. In addition, performance levels are tracked with respect to budgets.

Information is stored and managed appropriately in accordance with internal rules.

With regard to the management of each of the Company's corporate group companies, each of these is tasked with regular reporting on the details of their business operations, and the Company's officers and others are dispatched to meetings of the board of directors to confirm the appropriateness of their business operations. Audit & Supervisory Board members and the Internal Auditing Department also conduct audits for them.

Although there are no full-time employees assigned to assist the duties of Audit & Supervisory Board members, the relevant divisions work together to provide this assistance.

Information necessary for audits is provided to Audit & Supervisory Board members as appropriate, ensuring effective audits by said members. Furthermore, Audit & Supervisory Board members share information with the Internal Auditing Department and the accounting auditor and appropriately exchange opinions with the president.

## **6. Basic Policy on the Control of Stock Corporations**

### **(1) Basic Policy on Company Financial and Business Policy Decision Controllers (Summary; herein referred to the “Basic Policy”)**

As a public company, the Company permits the shares of the Company to be traded freely. Accordingly, we believe that the intent of shareholders should ultimately be reflected in who the person controlling decisions on the Company's financial and business policies should be. We also believe that any large-scale purchase of share certificates, etc. of the Company should not be denied unless it is inappropriate or insufficient from the perspective of protecting and improving the corporate value of the Company, and in turn, the common interests of the shareholders of the Company over the medium- to long-term.

However, there is a possibility that a large-scale purchaser is unwilling to provide the Board of Directors of the Company and shareholders with sufficient information and time to determine whether the large-scale purchaser is appropriate as a person controlling decisions on the Company's financial and business policies. There is also a possibility that a large-scale purchaser is inappropriate or insufficient from the perspective of protecting and improving the corporate value of the Company, and in turn, the common interests of the shareholders of the Company over the medium- to long-term, given the purpose, etc., of the large-scale purchase. This can include those that would be clearly detrimental to the aforementioned corporate value and common shareholder interests, or those that would effectively force shareholders to sell the share certificates, etc. of the Company.

For these reasons, the Board of the Directors of the Company has determined that a large-scale purchaser should only be allowed to commence a large-scale purchase in accordance with certain rules that the Company established and disclosed in advance (hereinafter referred to as the “Large-Scale Purchase Rules”).

### **(2) Efforts to Improve Corporate Value for Realization of the Basic Policy (Summary)**

The Company has established the following management policy: “Through the quest for constant corporate growth and acquisition of optimum profits while achieving harmony with nature, Kanto Denka is working with all its shareholders, users and employees to create a successful company and a sustainable society. To achieve this end, we are endeavoring to ensure our unique technologies and superior services meet the requirements of our users and build a trusted company based on the principles of sincerity, creativity, prompt response and harmony with nature.” In other words, the Company's corporate goal is to contribute to the realization of a sustainable society while enhancing its corporate value. To realize this goal, the Company is working to establish a good relationship with stakeholders including shareholders, local communities, users, and employees.

The Company believes that the source of its corporate and social value is its unique proprietary technologies developed through steady research activities, and that the foundation of these technologies is its human resources supporting technologies and generating new innovative ones. Since its founding in 1938, the Company has focused on the core technologies of electrolysis, fluorination, chlorination, and organic/inorganic synthesis. In particular, to this day, the Company has accumulated expertise in hydrofluoric acid electrolysis technology, which efficiently generates large amounts of high-purity fluorine gases, and fluorine-related technology, which has a wide range of applications including battery materials and medical and agricultural chemicals.

For fluorochemicals, the Company utilizes its unique fluorination technology to supply fluorinated gas products such as etching gases, cleaning gases, and wiring material gases. These products are essential in the manufacture of semiconductors, liquid crystals, and other products. While fluorine is dangerous and very difficult to handle, the Company produces and supplies various fluorinated gas products in a stable and efficient manner. This is done through the electrolysis of anhydrous hydrofluoric acid to generate fluorine and reacting this with nitrogen, tungsten, and other substances. The Company's core technology of hydrofluoric acid electrolysis may also be converted to military applications. The Amendment to the Foreign Exchange and Foreign Trade Act, which came into effect on May 8, 2020, was enacted with the aim of appropriately responding to investments that may undermine national security. In this act and related ministerial ordinances and notices, the Company is listed as a listed company that operates within what are called “core industries” among a series of designated industries.

For battery materials products, the Company is the only manufacturer in Japan that produces and sells high-purity electrolytes for lithium-ion secondary batteries. Amid the urgent worldwide need for environmental reforms to curb global warming, the move toward electrification of society is accelerating

in Japan, with the declaration of carbon neutrality by 2050 and the ban on the sale of new gasoline and diesel vehicles by mid-2030. The Company is also the only Japanese provider of high-purity electrolytes for lithium-ion secondary batteries, a core component of this market and one that is expected to grow. It supplies world-class, high-grade products that meet the demanding needs of customers, supports the high performance and long life of lithium-ion secondary batteries, and plays an important role in the supply chain toward the realization of a decarbonized society.

The Company will continue to create unique proprietary technologies by building the capabilities of its human resources and harnessing its accumulated specialized technologies. We believe that this will improve our corporate value and contribute to the realization of a sustainable society.

### **(3) Efforts to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Inappropriate Parties in the Context of the Basic Policy (Summary)**

In line with the Basic Policy, and with the aim of securing and enhancing the Company's corporate value and the common interests of its shareholders over the medium- to long-term, the Company has adopted the Policy toward Large-Scale Purchase of Share Certificates, Etc. of the Company (Takeover Defense Measures; herein referred to as the "Policy") at the General Meeting of Shareholders held on June 29, 2021. Within the Policy, the Company has stipulated the Large-Scale Purchase Rules. The outline of the rules are that (i) the Company shall request that the large-scale purchaser provides necessary and sufficient information regarding the large-scale purchase, (ii) a certain assessment period for the Board of Directors of the Company shall be secured, (iii) the Board of Directors of the Company shall present the plans, alternatives, etc., of the Company's management to shareholders and conduct negotiations with the large-scale purchaser, and (iv) in principle, a General Meeting of Shareholders or other appropriate meeting shall be held to confirm the shareholders' intent as to whether to take countermeasures against the large-scale purchase. With these procedures established, the large-scale purchaser shall only commence the large-scale purchase after the completion of the procedures described in (i) to (iv) above so as to secure the opportunity to confirm the shareholders' intent.

(Note) For details on the Policy, please refer to the May 14, 2021 press release "Notice of the Policy toward Large-Scale Purchase of Share Certificates, Etc. of the Company (Takeover Defense Measures)" published on the Company's website (<https://www.kantodenka.co.jp/>) (Japanese only).

### **(4) The Policy's Compliance with the Basic Policy, Non-Harmfulness to Company Shareholder Common Interest, Non-Pursuance of Maintaining the Status of the Company Officers, and the Reasons Therefor**

#### **(i) The Policy's compliance with the Basic Policy**

In the Policy, it is stipulated that a large-scale purchaser is required to provide the Board of Directors of the Company with all necessary and sufficient information concerning the large-scale purchase in advance, that it is required to commence the large-scale purchase only after a certain assessment period for the Board of Directors of the Company has elapsed and the intention of shareholders as to whether the Board of Directors should take countermeasures has been confirmed directly, in principle, at a General Meeting of Shareholders, etc., and that the Board of Directors of the Company may take countermeasures against any large-scale purchaser who does not observe these rules. In addition, it is stipulated that, even if the large-scale purchaser observes the Large-Scale Purchase Rules, in the event that the Board of Directors of the Company judges that the large-scale purchase by the large-scale purchaser is inappropriate or insufficient from the perspective of protecting and improving the corporate value of the Company and the common interests of the shareholders of the Company over the medium- to long-term, the Board of Directors of the Company may take countermeasures against the large-scale purchaser, in principle, based on the judgment of the shareholders at a General Meeting of Shareholders or other appropriate meeting. As set forth above, the Policy is consistent with the Basic Policy.

#### **(ii) The Policy shall not be harmful to the common interests of shareholders of the Company**

The Policy is consistent with the Basic Policy and intended to ensure that shareholders of the Company are provided with the information necessary to decide whether or not to accept a large-scale purchase, the opinion of the Board of Directors of the Company, and the opportunity to receive alternative plans, so that ultimately the shareholders can decide whether countermeasures should be

taken at the time the Company has received the proposal for a large-scale purchase. Because the shareholders of the Company and investors can make proper investment judgments through the Policy, it does not damage the common interests of the shareholders of the Company, but rather contributes to their interests.

(iii) The Policy shall not pursue the maintenance of the status of the Company officers

The Policy has a broad principle that leaves the final decision whether or not a large-scale purchase shall be accepted to the judgment of the shareholders of the Company, while requiring compliance with the Large-Scale Purchase Rules and allowing countermeasures to the extent necessary to protect the common interests of the shareholders of the Company. The Policy discloses instances where the Board of Directors of the Company may take countermeasures in advance and in detail, and any countermeasures by the Board of Directors will be taken in accordance with the provisions of the Policy. In addition, the Policy prescribes that when the Board of Directors of the Company intends to take countermeasures against a large-scale purchase, it shall, in principle, hold a General Meeting of Shareholders or other appropriate meeting to seek the judgment of the shareholders. Furthermore, in exceptional situations in which the Board of Directors makes a decision to take such countermeasures or any other important judgment concerning the Policy without holding a General Meeting of Shareholders or other appropriate meeting, the Board of Directors shall request advice from outside experts and others, as necessary, and consult with the Special Committee consisting of members who are independent of the management team operating businesses of the Company and give utmost respect to the recommendation of the Special Committee. As such, the Policy includes procedures through which the appropriate operations by the Board of Directors of the Company are ensured. As described above, it is clear that the Policy is not designed arbitrarily to pursue the maintenance of the status of the Company officers.

## **7. Policy for Determining Dividends from Surplus, etc.**

In determining dividends from surplus, the Company's basic policy is to provide appropriate return of profits while securing funds for capital investment, an indispensable driver of greater earnings, and strengthening its financial position. These actions are founded in its business plans over the medium- to long-term and take into consideration trends of business performance over time.

(Note) The year-end dividend for the fiscal year under review was set at ¥14 per share at the Board of Directors meeting held on May 27, 2022, after comprehensive consideration of the business performance and environment for the fiscal year ended March 31, 2022. This makes the annual dividend per share ¥22, including the interim dividend already paid. Note that the start date for payment of the year-end dividend will be June 30, 2022.

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(Note) Figures in this business report are rounded down to the indicated unit for monetary amounts and share amounts, and rounded off for ratios and figures otherwise.



## Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021 (Reference)		As of March 31, 2022	As of March 31, 2021 (Reference)
<b>Assets:</b>			<b>Liabilities:</b>		
<b>Current assets</b>	<b>61,705</b>	<b>50,700</b>	<b>Current liabilities</b>	<b>27,265</b>	<b>20,738</b>
Cash and deposits	26,728	23,684	Notes and accounts payable—trade	8,068	5,868
Notes and accounts receivable—trade	—	13,804	Electronically recorded obligations—operating	835	735
Notes and accounts receivable—trade, and contract assets	16,921	—	Short-term borrowings	4,200	4,390
Electronically recorded monetary claims—operating	1,101	1,003	Current portion of long-term borrowings	5,886	5,304
Merchandise and finished goods	5,182	4,294	Lease obligations	100	77
Work in process	4,416	3,737	Income taxes payable	2,600	551
Raw materials and supplies	3,526	2,543	Provision for bonuses to officers	134	79
Other	3,896	1,703	Other	5,439	3,730
Allowance for doubtful accounts	(68)	(69)			
<b>Non-current assets</b>	<b>48,196</b>	<b>41,624</b>	<b>Non-current liabilities</b>	<b>22,727</b>	<b>19,163</b>
<b>Property, plant and equipment</b>	<b>38,221</b>	<b>31,430</b>	Long-term borrowings	20,166	17,049
Buildings and structures	8,872	8,838	Lease obligations	558	145
Machinery and equipment	11,655	13,663	Deferred tax liabilities	23	30
Land	2,633	2,627	Provision for retirement benefits for directors (and other officers)	137	128
Lease assets	351	223	Provision for share awards for directors (and other officers)	11	6
Construction in progress	11,001	2,699	Retirement benefit liability	1,754	1,704
Other	3,707	3,378	Other	75	98
			<b>Total liabilities</b>	<b>49,993</b>	<b>39,901</b>
<b>Intangible assets</b>	<b>728</b>	<b>681</b>	<b>Net assets:</b>		
Other	728	681	<b>Shareholders' equity</b>	<b>55,122</b>	<b>48,221</b>
<b>Investments and other assets</b>	<b>9,246</b>	<b>9,512</b>	Capital	2,877	2,877
Investment securities	7,464	7,845	Capital surplus	1,829	1,829
Deferred tax assets	1,165	997	Retained earnings	50,483	43,584
Other	621	671	Treasury shares	(68)	(70)
Allowance for doubtful accounts	(4)	(2)	<b>Accumulated other comprehensive income</b>	<b>3,132</b>	<b>2,759</b>
			Valuation difference on available-for-sale securities	2,527	2,817
			Foreign currency translation adjustment	413	(214)
			Remeasurements of defined benefit plans	191	156
			<b>Non-controlling interests</b>	<b>1,654</b>	<b>1,443</b>
			<b>Total net assets</b>	<b>59,908</b>	<b>52,423</b>
<b>Total assets</b>	<b>109,902</b>	<b>92,324</b>	<b>Total liabilities and net assets</b>	<b>109,902</b>	<b>92,324</b>

## Consolidated Statement of Income

(Millions of yen)

	From April 1, 2021 to March 31, 2022	From April 1, 2020 to March 31, 2021 (Reference)
<b>Net sales</b>	<b>62,286</b>	<b>51,927</b>
<b>Cost of sales</b>	<b>42,421</b>	<b>38,362</b>
<b>Gross profit</b>	<b>19,864</b>	<b>13,564</b>
<b>Selling, general and administrative expenses</b>	<b>8,700</b>	<b>7,896</b>
<b>Operating profit</b>	<b>11,164</b>	<b>5,668</b>
<b>Non-operating profit</b>	<b>694</b>	<b>461</b>
Interest income	10	3
Dividend income	204	185
Surrender value of insurance policies	—	54
Foreign exchange gains	243	82
Miscellaneous income	235	135
<b>Non-operating expenses</b>	<b>713</b>	<b>547</b>
Interest expenses	313	203
Loss on valuation of derivatives	84	62
Loss on sale of trial products	204	220
Miscellaneous loss	110	60
<b>Ordinary profit</b>	<b>11,145</b>	<b>5,582</b>
<b>Extraordinary income</b>	<b>131</b>	<b>—</b>
Gain on sale of investment securities	131	—
<b>Extraordinary losses</b>	<b>116</b>	<b>404</b>
Loss on retirement of non-current assets	116	139
Loss on valuation of investment securities	—	265
<b>Profit before income taxes</b>	<b>11,160</b>	<b>5,178</b>
<b>Income taxes—current</b>	<b>3,234</b>	<b>1,508</b>
<b>Income taxes—deferred</b>	<b>(36)</b>	<b>(80)</b>
<b>Profit</b>	<b>7,961</b>	<b>3,750</b>
<b>Profit attributable to non-controlling interests</b>	<b>198</b>	<b>144</b>
<b>Profit attributable to owners of parent</b>	<b>7,762</b>	<b>3,605</b>

## Consolidated Statement of Changes in Equity

From April 1, 2021 to March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance on April 1, 2021	2,877	1,829	43,584	(70)	48,221
Changes during the consolidated fiscal year					
Dividends of surplus			(862)		(862)
Profit attributable to owners of parent			7,762		7,762
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				1	1
Net changes in items other than shareholders' equity during the consolidated fiscal year					
Total changes during the consolidated fiscal year	—	—	6,899	1	6,901
Balance on March 31, 2022	2,877	1,829	50,483	(68)	55,122

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance on April 1, 2021	2,817	(214)	156	2,759	1,443	52,423
Changes during the consolidated fiscal year						
Dividends of surplus						(862)
Profit attributable to owners of parent						7,762
Purchase of treasury shares						(0)
Disposal of treasury shares						1
Net changes in items other than shareholders' equity during the consolidated fiscal year	(289)	627	35	372	211	584
Total changes during the consolidated fiscal year	(289)	627	35	372	211	7,485
Balance on March 31, 2022	2,527	413	191	3,132	1,654	59,908

## Balance Sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2021 (Reference)		As of March 31, 2022	As of March 31, 2021 (Reference)
<b>Assets:</b>			<b>Liabilities:</b>		
<b>Current assets</b>	<b>46,664</b>	<b>40,316</b>	<b>Current liabilities</b>	<b>23,038</b>	<b>16,922</b>
Cash and deposits	14,743	15,974	Notes payable—trade	79	110
Notes receivable—trade	462	481	Electronically recorded obligations—operating	881	846
Electronically recorded monetary claims—operating	930	883	Accounts payable—trade	5,165	3,677
Accounts receivable—trade	16,024	13,310	Short-term borrowings	3,050	3,050
Merchandise and finished goods	3,402	2,519	Current portion of long-term borrowings	5,418	4,842
Work in process	4,191	3,132	Lease obligations	73	63
Raw materials and supplies	3,318	2,333	Accounts payable—other	2,532	1,291
Advance payments to suppliers	1,461	0	Accrued expenses	1,174	1,041
Prepaid expenses	203	204	Income taxes payable	2,326	453
Short-term loans receivable from subsidiaries and associates	549	628	Derivatives liabilities	42	33
Accounts receivable—other	1,371	851	Deposits received	66	39
Other	23	11	Notes payable—facilities	171	102
Allowance for doubtful accounts	(18)	(15)	Electronically recorded obligations—facilities	1,980	1,332
			Provision for bonuses to officers	75	36
<b>Non-current assets</b>	<b>46,745</b>	<b>39,714</b>	<b>Non-current liabilities</b>	<b>19,151</b>	<b>17,383</b>
<b>Property, plant and equipment</b>	<b>26,200</b>	<b>24,994</b>	Long-term borrowings	17,001	15,420
Buildings	4,860	5,014	Lease obligations	241	109
Structures	2,066	1,867	Provision for retirement benefits	1,879	1,802
Machinery and equipment	10,135	11,985	Provision for share awards for directors (and other officers)	11	6
Vehicles	18	23	Other	18	44
Tools, furniture and fixtures	3,289	3,273	<b>Total liabilities</b>	<b>42,190</b>	<b>34,305</b>
Land	2,065	2,065			
Lease assets	314	173	<b>Net assets:</b>		
Construction in progress	3,449	591	<b>Shareholders' equity</b>	<b>48,884</b>	<b>43,093</b>
<b>Intangible assets</b>	<b>548</b>	<b>512</b>	<b>Capital</b>	<b>2,877</b>	<b>2,877</b>
Software	543	507	<b>Capital surplus</b>	<b>1,524</b>	<b>1,524</b>
Other	5	5	Legal capital surplus	1,524	1,524
<b>Investments and other assets</b>	<b>19,996</b>	<b>14,207</b>	<b>Retained earnings</b>	<b>44,551</b>	<b>38,761</b>
Investment securities	6,449	6,908	Legal retained earnings	436	436
Shares of subsidiaries and associates	4,704	2,560	Other retained earnings	44,115	38,325
Investments in capital of subsidiaries and associates	5,393	2,840	Reserve for dividends	371	371
Long-term loans receivable from subsidiaries and associates	2,070	693	General reserve	4,608	4,608
Long-term loans receivable from employees	12	12	Retained earnings brought forward	39,135	33,345
Long-term prepaid expenses	—	44	<b>Treasury shares</b>	<b>(68)</b>	<b>(70)</b>
Deferred tax assets	1,071	835	<b>Valuation and translation adjustments</b>	<b>2,335</b>	<b>2,632</b>
Other	298	311	Valuation difference on available-for-sale securities	2,335	2,632
Allowance for doubtful accounts	(2)	(1)	<b>Total net assets</b>	<b>51,219</b>	<b>45,725</b>
<b>Total assets</b>	<b>93,410</b>	<b>80,031</b>	<b>Total liabilities and net assets</b>	<b>93,410</b>	<b>80,031</b>

## Statement of Income

(Millions of yen)

	From April 1, 2021 to March 31, 2022	From April 1, 2020 to March 31, 2021 (Reference)
<b>Net sales</b>	<b>55,750</b>	<b>47,071</b>
<b>Cost of sales</b>	<b>39,603</b>	<b>36,168</b>
<b>Gross profit</b>	<b>16,146</b>	<b>10,902</b>
<b>Selling, general and administrative expenses</b>	<b>7,126</b>	<b>6,431</b>
<b>Operating profit</b>	<b>9,020</b>	<b>4,470</b>
<b>Non-operating profit</b>	<b>909</b>	<b>519</b>
Interest income	28	18
Dividend income	244	236
Foreign exchange gains	410	123
Miscellaneous income	225	140
<b>Non-operating expenses</b>	<b>528</b>	<b>484</b>
Interest expenses	164	149
Loss on valuation of derivatives	119	62
Loss on sale of trial products	204	220
Miscellaneous loss	39	52
<b>Ordinary profit</b>	<b>9,400</b>	<b>4,505</b>
<b>Extraordinary income</b>	<b>131</b>	<b>—</b>
Gain on sale of investment securities	131	—
<b>Extraordinary losses</b>	<b>145</b>	<b>508</b>
Loss on retirement of non-current assets	145	243
Loss on valuation of investment securities	—	265
<b>Profit before income taxes</b>	<b>9,386</b>	<b>3,996</b>
<b>Income taxes—current</b>	<b>2,842</b>	<b>1,250</b>
<b>Income taxes—deferred</b>	<b>(109)</b>	<b>(149)</b>
<b>Profit</b>	<b>6,652</b>	<b>2,895</b>

## Statement of Changes in Equity

From April 1, 2021 to March 31, 2022

(Millions of yen)

	Shareholders' equity									
	Capital	Capital surplus		Retained earnings					Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings		
					Reserve for dividends	General reserve	Retained earnings brought forward			
Balance on April 1, 2021	2,877	1,524	1,524	436	371	4,608	33,345	38,761	(70)	43,093
Changes during the fiscal year										
Dividends of surplus							(862)	(862)		(862)
Profit							6,652	6,652		6,652
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares									1	1
Net changes in items other than shareholders' equity during the fiscal year										
Total changes during the fiscal year	—	—	—	—	—	—	5,790	5,790	1	5,791
Balance on March 31, 2022	2,877	1,524	1,524	436	371	4,608	39,135	44,551	(68)	48,884

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance on April 1, 2021	2,632	2,632	45,725
Changes during the fiscal year			
Dividends of surplus			(862)
Profit			6,652
Purchase of treasury shares			(0)
Disposal of treasury shares			1
Net changes in items other than shareholders' equity during the fiscal year	(296)	(296)	(296)
Total changes during the fiscal year	(296)	(296)	5,494
Balance on March 31, 2022	2,335	2,335	51,219

# Accounting Audit Report on Consolidated Financial Statements

## Independent Auditor's Report (English Translation)

May 24, 2022

The Board of Directors of Kanto Denka Kogyo Co., Ltd.

Ernst & Young ShinNihon LLC  
Tokyo Office

Certified Public Accountant Shigeyuki Honda (Seal)  
Designated Limited Liability Partner  
Engagement Partner

Certified Public Accountant Tsuyoshi Nakano (Seal)  
Designated Limited Liability Partner  
Engagement Partner

### *Opinion*

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements, of Kanto Denka Kogyo Co., Ltd. (“the Company”) for the fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in “Auditor's Responsibility for the Audit of the Consolidated Financial Statements.” We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### *Other Information*

Other information is the business report and the supplementary schedules thereof. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the execution of directors' duties related to designing and operating reporting processes for other information.

Other information is not subject to our audit opinion on the consolidated financial statements, and we express no opinion on the other information.

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

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

We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the execution of directors' duties related to designing and operating the financial reporting process.

*Auditor's Responsibility for the Audit of the Consolidated Financial Statements*

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.



The auditor reports to Audit & Supervisory Board members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

*Interest*

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act.

## Accounting Audit Report

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

May 24, 2022

The Board of Directors of Kanto Denka Kogyo Co., Ltd.

Ernst & Young ShinNihon LLC  
Tokyo Office

Certified Public Accountant Shigeyuki Honda (Seal)  
Designated Limited Liability Partner  
Engagement Partner

Certified Public Accountant Tsuyoshi Nakano (Seal)  
Designated Limited Liability Partner  
Engagement Partner

#### *Opinion*

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the non-consolidated financial statements, and the supplementary schedules, of Kanto Denka Kogyo Co., Ltd. (“the Company”) for the fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company for the period covered by the financial statements in conformity with accounting principles generally accepted in Japan.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in “Auditor's Responsibility for the Audit of the Financial Statements.” We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

#### *Other Information*

Other information is the business report and the supplementary schedules thereof. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the execution of directors' duties related to designing and operating reporting processes for other information.

Other information is not subject to our audit opinion on the financial statements, and we express no opinion on the other information.

Our responsibility when auditing the financial statements and the accompanying supplementary schedules is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the execution of directors' duties related to designing and operating the financial reporting process.

*Auditor's Responsibility for the Audit of the Financial Statements*

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements in the audit report, or if the notes to the financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements including related notes, and whether the financial statements fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

*Interest*

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act.

## **Audit & Supervisory Board's Report**

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

We, the Audit & Supervisory Board, based on the audit report prepared by each Audit & Supervisory Board member on the performance by the directors of their duties during the fiscal year from April 1, 2021 to March 31, 2022, prepared this audit report upon deliberation and hereby report as follows.

#### 1. Method of Audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof

- (1) The Audit & Supervisory Board determined the audit policy and plans and received from each Audit & Supervisory Board member reports on the state of their performance of audits and the results thereof. The Board also received reports from the directors and other parties as well as the accounting auditor on the state of performance of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board member, in accordance with the auditing standards of Audit & Supervisory Board members and the audit policy and plans determined by the Audit & Supervisory Board, maintained communication with the directors, internal auditing unit, employees, and other parties in an effort to collect information and improve the environment for auditing, and conducted audits in accordance with the following methods.
  - i. Members attended important meetings, such as those of the Board of Directors, received reports from directors, employees, and other parties about the status of execution of their duties, asked for explanations as necessary, inspected important approval documents and others, and investigated the status of operations and assets at the Headquarters and major business locations. Members worked to communicate and exchange information with the directors, auditors, and others at subsidiaries, receiving business reports from these subsidiaries as necessary.
  - ii. For the system (internal control system) listed in the business report established based on resolution of the Board of Directors and the content thereof related to the establishment of systems as prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, as a system for ensuring that the execution of duties of directors complies with laws, regulations, and the Articles of Incorporation and for ensuring the propriety of business activities in a group of enterprises comprised of the relevant stock company and its subsidiaries, members regularly received reports on its structure and operation status from directors, employees, and other parties, asked for explanations as necessary, and expressed their opinions, in accordance with the auditing standards related to internal control systems established by the Audit & Supervisory Board.
  - iii. For the basic policy and efforts listed in the business report corresponding to Article 118, Item 3, (a) and (b) of the Ordinance for Enforcement of the Companies Act, respectively, the contents of these have also been examined based on the status of deliberations at the Board of Directors meetings and other meetings.
  - iv. Members monitored and verified whether the accounting auditor had maintained an independent position and conducted adequate audits, received from the accounting auditor reports on the state of performance of their duties, and requested explanations as necessary. In addition, members received from the accounting auditor a notice that the systems to secure adequate performance of duties (as listed in the items of Article 131 of the Ordinance for Corporate Accounting) had been established in accordance with the Standard for Quality Control Concerning Audits (the Business Accounting Council, October 28, 2005), and requested explanations as necessary.

In accordance with these methods, we investigated the business report and its supplementary schedules, non-consolidated financial statements (the balance sheet, the statement of income, the statement of changes in equity, and the notes to financial statements) and its supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to consolidated financial statements), for the fiscal year under review.

## 2. Results of Audit

### (1) Results of audit of the business report, etc.

We are of the opinion:

- i. That the business report and its supplementary schedules fairly present the state of the Company in accordance with laws and regulations and the Articles of Incorporation;
- ii. That in connection with the performance by the directors of their duties, no fraudulent act or material fact of violation of laws and regulations and the Articles of Incorporation exists;
- iii. That the details of the resolutions of the Board of Directors on internal control systems are proper. Furthermore, that there are no matters to be pointed out regarding the content of the business report and performance by the directors of their duties concerning such internal control systems; and
- iv. That there are no matters to be pointed out regarding the Basic Policy on Company Financial and Business Policy Decision Controllers as listed in the business report, and that the efforts listed in the business report corresponding to Article 118, Item 3, (b) of the Ordinance for Enforcement of the Companies Act are recognized as consistent with this Basic Policy, and these efforts are not found to be detrimental to the Company's common shareholder interest, nor are they intended to protect the positions of the Company officers.

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

We are of the opinion that the method and results of the audit made by the accounting auditor, Ernst & Young ShinNihon LLC, are proper.

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

We are of the opinion that the method and results of the audit made by the accounting auditor, Ernst & Young ShinNihon LLC, are proper.

May 25, 2022

Audit & Supervisory Board, Kanto Denka Kogyo Co., Ltd.  
Full-time Audit & Supervisory Board Member Takeaki Yajima (Seal)  
Full-time Audit & Supervisory Board Member Masatomo Hayashi (Seal)  
Outside Audit & Supervisory Board Member Naozumi Furukawa (Seal)  
Outside Audit & Supervisory Board Member Kenichi Ikeda (Seal)

## Reference Documents for the General Meeting of Shareholders

### Proposals and References

#### Proposal 1: Partial Amendments to the Articles of Incorporation

##### 1. Reasons for proposal

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for general meetings of shareholders in electronic format.

- (1) Article 14, Paragraph 1 in “Proposed Amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of Reference Documents for the General Meeting of Shareholders, etc. in electronic format.
- (2) Article 14, Paragraph 2 in “Proposed Amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 14 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

##### 2. Details of the amendments

The details of the proposed amendments are as follows:

(Underlined portions indicate changes.)

Pre-amendment Articles of Incorporation	Proposed Amendments
<p><u>(Internet disclosure and deemed provision of reference materials for the general meeting of shareholders, etc.)</u></p> <p><u>Article 14</u></p> <p><u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u></p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>(Electronic provision of information, etc.)</u></p> <p><u>Article 14</u></p> <p><u>1 When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p><u>2 Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p><u>(Supplementary Provisions)</u></p> <p><u>1. Deletion of Article 14 of the pre-amendment Articles of Incorporation (Internet disclosure and deemed provision of reference materials for the general meeting of shareholders, etc.) and new establishment of Article 14 of the Articles of Incorporation (Electronic provision of information, etc.) shall be effective from the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>2. Notwithstanding the provision(s) of the preceding paragraph, Article 14 of the pre-amendment Articles of amendment Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. These Supplementary Provisions shall be deleted after six months have elapsed from the Effective Date or after three months have elapsed from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></p>



**Proposal 2: Election of 11 Directors**

The terms of office of all 9 directors will expire at the conclusion of this year's Ordinary General Meeting of Shareholders. Therefore, in order to further strengthen the management structure, bolster the supervisory function of the Board of Directors, and improve corporate governance, the Company proposes the election of 11 directors, including 2 additional directors and 4 outside directors.

The candidates for director are as follows:

No.	Name (Date of birth)	Past experience, positions, area of responsibility and significant concurrent positions	Number of shares of the Company held
1	Jun'ichi Hasegawa (November 11, 1958) Reappointment	<p>January 2000      Joined the Company</p> <p>July 2004          General Manager, Fine Chemicals Sales Dept.-II, Sales Div. of the Company</p> <p>June 2007          Executive Officer; General Manager, Fine Chemicals Sales Dept.-II, Sales Div.</p> <p>June 2009          Director and Executive Officer; General Manager, Sales Div.</p> <p>January 2011       Director and Executive Officer; General Manager, Sales Div.; General Manager, Fine Chemicals Sales Dept.-I</p> <p>June 2011          Director and Executive Officer of the Company; Chairman and Managing Director, Kanto Denka Kogyo (Shanghai) Co., Ltd.</p> <p>June 2015          President</p> <p>June 2019          President; General Manager, Business Div., (to present) (In charge of Internal Auditing Dept., Corporate Planning Dept., Overseas Business Development Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Jun'ichi Hasegawa as a candidate for director because Mr. Hasegawa has long experience in the sales division and at overseas subsidiaries, experience as a director and broad insights concerning the overall management of the Company.</p>	<p>39,935</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>4,135</p>
2	Yasunari Yamaguchi (August 1, 1965) Reappointment	<p>April 1990          Joined the Company</p> <p>April 2009          General Manager, Production Dept.-I, Shibukawa Plant</p> <p>June 2013          General Manager, Corporate Planning Dept.</p> <p>June 2015          Executive Officer; Plant Manager, Mizushima Plant</p> <p>June 2019          Director and Executive Officer; Plant Manager, Shibukawa Plant</p> <p>November 2019     Director and Executive Officer; Plant Manager, Shibukawa Plant; General Manager, Production Engineering Dept., Shibukawa Plant</p> <p>June 2020          Director and Executive Officer; Plant Manager, Shibukawa Plant</p> <p>June 2021          Director and Executive Officer; General Manager, Technical Div. (to present) (In charge of Purchasing Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Yasunari Yamaguchi as a candidate for director because Mr. Yamaguchi has long experience in engineering divisions, including plant operations as well as corporate planning divisions, experience as a director and broad insights concerning the overall management of the Company.</p>	<p>7,257</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>2,757</p>

No.	Name (Date of birth)	Past experience, positions, area of responsibility and significant concurrent positions	Number of shares of the Company held
3	Kazuki Niimi (September 22, 1960) Reappointment	<p>April 1984      Joined Asahi Mutual Life Insurance Company</p> <p>April 2006      General Manager, Finance Unit, Asahi Mutual Life Insurance Company</p> <p>April 2010      General Manager, Accounting Unit, Asahi Mutual Life Insurance Company</p> <p>April 2013      General Manager, Bond Management Unit, Asahi Mutual Life Insurance Company</p> <p>April 2015      General Manager, Securities Management Dept., Asahi Mutual Life Insurance Company</p> <p>April 2016      General Manager, Financial Controller Dept., Asahi Mutual Life Insurance Company</p> <p>April 2020      General Manager, in charge of Financial Controller Dept., Asahi Mutual Life Insurance Company</p> <p>June 2020      Director and Executive Officer of the Company (to present) (In charge of Accounting &amp; Finance Dept., Information Systems Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Kazuki Niimi as a candidate for director because Mr. Niimi has long experience at a financial institution, experience as a director, considerable knowledge in finance and accounting, and broad insights concerning the overall management of the Company.</p>	<p>4,957</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>2,757</p>
4	Yuki Abe (January 21, 1969) Reappointment	<p>April 1991      Joined the Company</p> <p>June 2009      Representative Director, Kanto Denka Korea Co., Ltd.</p> <p>April 2012      General Manager, Fine Chemicals Sales Dept.-II, Sales Div. of the Company</p> <p>June 2018      Executive Officer; General Manager of Osaka Branch Office</p> <p>June 2020      Director and Executive Officer; Deputy General Manager, Business Div.; General Manager of Osaka Branch Office</p> <p>January 2021    Director and Executive Officer; Deputy General Manager, Business Div.; Representative Director, Kanto Denka Korea Co., Ltd. (to present)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Yuki Abe as a candidate for director because Mr. Abe has long experience in the sales division and at an overseas subsidiary, experience as a director, and broad insights concerning the overall management of the Company.</p>	<p>3,488</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>788</p>

No.	Name (Date of birth)	Past experience, positions, area of responsibility and significant concurrent positions	Number of shares of the Company held
5	Kunihiko Uramoto (August 24, 1959) Reappointment	<p>April 1982      Joined Asahi Mutual Life Insurance Company</p> <p>December 2002      Joined the Company</p> <p>April 2008      General Manager, Personnel &amp; General Affairs Dept.</p> <p>June 2011      Executive Officer; General Manager, Personnel &amp; General Affairs Dept.</p> <p>June 2017      Senior Executive Officer; General Manager, Legal &amp; General Affairs Dept.</p> <p>June 2018      Full-time Audit &amp; Supervisory Board Member</p> <p>June 2021      Director and Executive Officer (to present) (In charge of Sustainability Dept., Legal &amp; General Affairs Dept., Personnel Dept., Business Support Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Kunihiko Uramoto as a candidate for director because Mr. Uramoto has long experience at the personnel and legal &amp; general affairs divisions of the Company, experience as an Audit &amp; Supervisory Board member and director, and broad insights concerning the overall management of the Company.</p>	<p>12,182</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>1,182</p>
6	Ryoji Masujima (June 16, 1967) New appointment	<p>April 1992      Joined the Company</p> <p>June 2015      General Manager, Corporate Planning Dept.</p> <p>June 2017      Chairman and Managing Director, Kanto Denka Kogyo (Shanghai) Co., Ltd.</p> <p>June 2019      Executive Officer of the Company; Chairman and Managing Director, Kanto Denka Kogyo (Shanghai) Co., Ltd.</p> <p>March 2021      Executive Officer; General Manager, Legal &amp; General Affairs Dept.</p> <p>December 2021      Executive Officer; General Manager of Legal &amp; General Affairs Dept. and General Manager of Sustainability Dept. (to present)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Ryoji Masujima as a candidate for director because Mr. Masujima has long experience in the corporate planning division, the legal &amp; general affairs division, and at an overseas subsidiary, and has broad insights concerning the overall management of the Company.</p>	0
7	Go Takikawa (January 12, 1970) New appointment	<p>April 1994      Joined the Company</p> <p>April 2010      General Manager, Production Dept.-II, Mizushima Plant</p> <p>June 2020      Executive Officer; General Manager, Production Dept.-II, Mizushima Plant; Deputy General Manager, New Products Development Div.</p> <p>June 2021      Executive Officer; Plant Manager, Mizushima Plant; Deputy General Manager, New Products Development Div. (to present)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Go Takikawa as a candidate for director because Mr. Takikawa has long experience in the engineering division, including plant operations, and the new products development division of the Company, and he also has broad insights concerning the overall management of the Company.</p>	0

No.	Name (Date of birth)	Past experience, positions, area of responsibility and significant concurrent positions	Number of shares of the Company held
8	Hideki Matsui (July 9, 1962) Reappointment Outside	<p>April 1987 Admitted as Attorney-at-Law</p> <p>April 1987 Joined Marunouchi Sogo Law Office</p> <p>October 2006 Outside Auditor, Kanebo Cosmetics Inc.</p> <p>September 2011 Co-Representative Attorney-at-law, Marunouchi Sogo Law Office (to present)</p> <p>June 2015 Outside Director of the Company (to present)</p> <p>[Significant concurrent position] Co-Representative Attorney-at-law, Marunouchi Sogo Law Office</p> <p>[Reasons for nomination as candidate for outside director] Although Hideki Matsui has not been involved in corporate management other than as an outside officer, the Company has nominated him as a candidate for outside director because Mr. Matsui has engaged in corporate legal affairs as an attorney-at-law for many years, and the Company expects him to utilize his wealth of experience and broad insights for the management of the Company.</p>	0
9	Masaharu Sugiyama (June 20, 1954) Reappointment Outside	<p>November 1979 Joined Daiichi Audit Corporation (current Ernst &amp; Young ShinNihon LLC)</p> <p>August 1983 Registered as Certified Public Accountant (CPA)</p> <p>May 2002 Representative Partner (current Senior Partner), Ernst &amp; Young ShinNihon LLC</p> <p>August 2008 Councilor of Employee Council, Ernst &amp; Young ShinNihon LLC</p> <p>August 2010 Audit Commissioner, Ernst &amp; Young ShinNihon LLC</p> <p>August 2013 Chairman of Audit Committee, Ernst &amp; Young ShinNihon LLC</p> <p>August 2014 Vice-Chairman of Employee Council, Ernst &amp; Young ShinNihon LLC</p> <p>June 2016 Outside Director of the Company (to present)</p> <p>[Reasons for nomination as candidate for outside director] Although he has not been involved in corporate management other than as an outside officer, the Company has nominated Masaharu Sugiyama as a candidate for outside director because Mr. Sugiyama has engaged in corporate accounting for many years as a Certified Public Accountant, and the Company expects him to utilize his wealth of experience and broad insights for the management of the Company.</p>	0

No.	Name (Date of birth)	Past experience, positions, area of responsibility and significant concurrent positions	Number of shares of the Company held
10	Hitoshi Habuka (March 25, 1957) Reappointment Outside	<p>April 1981      Joined Shin-Etsu Chemical Co., Ltd.</p> <p>March 2000      Retired from Shin-Etsu Chemical Co., Ltd.</p> <p>April 2000      Associate Professor, Department of Material Science and Chemical Engineering, Faculty of Engineering, Yokohama National University (current National University Corporation Yokohama National University)</p> <p>April 2002      Professor, Department of Chemical Engineering Science, Faculty of Engineering, National University Corporation Yokohama National University</p> <p>April 2017      Vice Dean, College of Engineering Science, National University Corporation Yokohama National University</p> <p>June 2019      Outside Director of the Company (to present)</p> <p>April 2022      Professor Emeritus, National University Corporation Yokohama National University (to present) Lecturer (part-time), Faculty of Engineering, National University Corporation Yokohama National University (to present)</p> <p>[Significant concurrent positions] Professor Emeritus, National University Corporation Yokohama National University Lecturer (part-time), Faculty of Engineering, National University Corporation Yokohama National University</p> <p>[Reasons for nomination as candidate for outside director] Although he has not been involved in corporate management other than as an outside officer, the Company has nominated Hitoshi Habuka as a candidate for outside director because Dr. Habuka has worked at Shin-Etsu Chemical Co., Ltd. and has experience as an engineering advisor and guest researcher, etc. at other companies. Also, he has engaged in research and development for many years, and the Company expects him to utilize his wealth of experience and broad insights for the management of the Company.</p>	0
11	Yuko Kariya (April 15, 1960) New appointment Outside	<p>April 1983      Joined Torii Pharmaceutical Co., Ltd.</p> <p>June 2012      Executive Vice President; Head of Pharmacovigilance &amp; Quality Assurance Group, Torii Pharmaceutical Co., Ltd.</p> <p>June 2013      Member of the Board, Director; Head of Pharmacovigilance &amp; Quality Assurance Group, Torii Pharmaceutical Co., Ltd.</p> <p>March 2020      Standing Corporate Advisor, Torii Pharmaceutical Co., Ltd.</p> <p>March 2021      Retired from Torii Pharmaceutical Co., Ltd.</p> <p>[Reasons for nomination as candidate for outside director] The Company has nominated Yuko Kariya as a candidate for outside director because Ms. Kariya has engaged in management of a pharmaceutical manufacturer as director for many years, and the Company expects her to utilize her wealth of experience and broad insights, including with regard to quality assurance, for the management of the Company.</p>	0

- (Notes) 1. The number of shares of the Company held includes shares to be delivered in the stock-based remuneration plan.
2. Hideki Matsui, Masaharu Sugiyama, Hitoshi Habuka, and Yuko Kariya are candidates for outside director. Each is a candidate for independent officer as stipulated by the rules of the Tokyo Stock Exchange.
3. Although Hideki Matsui belongs to the Marunouchi Sogo Law Office, with which the Company has a legal advisory retainer contract and to which it pays fees for legal services provided by attorneys, the Company paid only about ¥2 million for the fiscal year ended March 31, 2022, and this amount does not affect the independence of Mr. Matsui with regard to either the Company or from the law office.
4. Although Masaharu Sugiyama belonged to Ernst & Young ShinNihon LLC, which is the Company's accounting auditor, he retired from the audit firm in June 2016. Although the Company pays compensation for audits conducted by the firm, the Company paid only ¥38 million for the fiscal year ended March 31, 2022, and this amount does not affect the independence of Mr. Sugiyama with regard to either the Company or from the audit firm. Mr. Sugiyama has not been in charge of audits of the Company.
5. Hitoshi Habuka belongs to National University Corporation Yokohama National University, with which the

- Company has concluded a joint research agreement. Although the Company provides research grants to the said university, the amount of donations was less than ¥1 million for the fiscal year ended March 31, 2022, and this amount does not affect the independence of Mr. Habuka with regard to either the Company or the university.
6. The Company has an agreement with Hideki Matsui, Masaharu Sugiyama, and Hitoshi Habuka to limit their liability as outside director on the basis of the provisions of Article 427, Paragraph 1, of the Companies Act with the liability limit set forth in the relevant law. In case Mr. Matsui, Mr. Sugiyama, and Mr. Habuka are elected as outside directors and assume office as such, the Company plans to continue to enter into a similar agreement with them. In the case Yuki Kariya is elected as outside director and assumes office as such, the Company plans to enter into the same agreement with her.
  7. The Company has entered into a directors and officers liability insurance agreement for directors and Audit & Supervisory Board members of the Company and its subsidiaries (excluding subsidiaries for which the Company holds all shares) as insureds, which is outlined below. The Company plans to renew the agreement in October 2022. Each candidate who is currently a director is included as an insured under the said agreement, and when each candidate is elected and assumes office, they will all be included as an insured under the said agreement.
    - 1) Outline of events insured against  
The agreement covers damages that may arise due to insured directors, Audit & Supervisory Board members, officers, etc. being held liable for the execution of his or her duties or being subject to a claim for this liability. However, the policy does include certain exemption clauses, such as for liabilities arising from acts committed by insureds while aware that doing so would be in violation of laws and regulations.
    - 2) Insurance premiums will be fully borne by the Company.
  8. The term of office of Hideki Matsui, Masaharu Sugiyama, and Hitoshi Habuka as outside directors of the Company upon the conclusion of this General Meeting of Shareholders will be seven years, six years, and three years, respectively.

[Reference] Director candidate expertise and experience (skill matrix)

The expertise and experience of the candidates for director are as follows:

Expertise and experience							
Name	Corporate management / management strategy	Globalization	Sales / marketing	Technology / R&D	Sustainability	Finance / accounting	Legal affairs / risk management
Jun'ichi Hasegawa	√	√	√		√		
Yasunari Yamaguchi	√			√	√		
Kazuki Niimi	√					√	
Yuki Abe	√	√	√				
Kunihiko Uramoto	√				√	√	√
Ryoji Masujima	√	√			√		√
Go Takikawa	√			√			
Hideki Matsui							√
Masaharu Sugiyama						√	
Hitoshi Habuka				√			
Yuko Kariya	√			√			

Note: The above list is not intended to be an exhaustive list of the expertise and experience possessed by each candidate.