

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

Securities Code: 4114

May 31, 2022

To Our Shareholders

Yujiro Goto
President and Representative Member
of the Board
NIPPON SHOKUBAI CO., LTD.
4-1-1 Koraibashi, Chuo-ku, Osaka

**Convocation Notice of
The 110th Ordinary General Meeting of Shareholders**

NIPPON SHOKUBAI CO., LTD. (the “Company”) will be holding the 110th Ordinary General Meeting of Shareholders. The meeting will be held as described below.

In order to prevent the infection and spread of the novel coronavirus, the Company recommends that you exercise your voting rights in advance in writing or via the Internet. Please review the “Reference Materials for the Ordinary General Meeting of Shareholders” set forth below and exercise your voting rights in advance by indicating your intention to vote “for” or “against” each agenda item by returning the enclosed Voting Rights Exercise Form or accessing the Company website to exercise your voting rights at <https://evote.tr.mufg.jp/>. The Voting Rights Exercise Form must be received by 5:00 p.m. on June 20, 2022 (Monday).

We also ask that shareholders attending the meeting take the utmost precautions to prevent infection and the spread of the novel coronavirus disease.

1. **Date/Time:** June 21, 2022 (Tuesday) 10:00 a.m. (reception starts: 9:00 a.m.)
2. **Venue:** Osaka Asahi Seimei Kaikan Building 8F, 4-2-16 Koraibashi, Chuo-ku, Osaka (Asahi Seimei Hall)

3. Meeting Agenda:

[Matters to be Reported]

1. Business report, consolidated financial statements, and financial statements for the 110th Term (from April 1, 2021 to March 31, 2022)
2. Report on results of the audits conducted by the accounting auditor and the board of corporate auditors with respect to the consolidated financial statements for the 110th Term

[Matters to be Resolved]

- 1st Agenda: Appropriation of Retained Earnings
- 2nd Agenda: Partial Amendments to the Articles of Incorporation
- 3rd Agenda: Election of Nine (9) Members of the Board
- 4th Agenda: Election of One (1) Statutory Corporate Auditor
- 5th Agenda: Bonuses for Officers for the 110th Term
- 6th Agenda: Revision of the Amount of Remuneration for Members of the Board
- 7th Agenda: Determination of Amounts and Details of Performance-linked Stock Compensation Plan for Members of the Board
- 8th Agenda: Revision of the Amount of Remuneration for Statutory Corporate Auditors

**Measures to be taken against the novel coronavirus disease
at this Ordinary General Meeting of Shareholders**

The Company would like to inform you as follows regarding the measures to be taken by the Company to prevent the infection and spread of the novel coronavirus disease at this Ordinary General Meeting of Shareholders. We ask for the kind understanding and cooperation of shareholders in advance.

<Measures to be taken by the Company>

- The Company will cancel the distribution of souvenirs and the shareholders reception at this Ordinary General Meeting of Shareholders.
- The Company will measure the body temperature of participants at the reception desk using non-contact thermometer (thermographic camera). Shareholders having a fever or appearing to be unwell may be called upon by staff and asked to refrain from entering the venue.

<Requests to shareholders>

- In order to prevent the infection and spread of the virus, the Company recommends that you exercise your voting rights in advance. Those who are not in good physical condition, and those who may be significantly affected in case of infection, such as these who are elderly, have underlying medical conditions or are pregnant, are particularly requested to call off your attendance in person.
- Shareholders attending the Ordinary General Meeting of Shareholders in person are requested to give due consideration to preventing the infection and spread of the virus by wearing face masks and other means.
- Depending on the status of the spread of the novel coronavirus disease, the meeting venue may be changed to the Company's Osaka Head Office (Kogin Building 5F, 4-1-1 Koraibashi, Chuo-ku, Osaka). In that case, a notice will be posted on the Company's website (<https://www.shokubai.co.jp/ja/>). Please check it before you come to the venue.

In accordance with the state of the spread of the novel coronavirus on the day of Ordinary General Meeting of Shareholders, the Company will take additional necessary measures in addition to the above in order to prevent the spread of the virus.

Any material changes in the operation of the Ordinary General Meeting of Shareholders that may arise due to the situation hereafter will be posted on the Company's website (<https://www.shokubai.co.jp/ja/>).

Reference Materials for the Ordinary General Meeting of Shareholders

Agenda and Reference Matters:

Agenda Item No. 1: Appropriation of Retained Earnings

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

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

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

Matters Concerning the Year-end Dividend

Under the above basic policy, in consideration of the business environment, earnings and future business development, the Company proposes a year-end dividend of 100 yen per share (an ordinary dividend of 95 yen per share and a commemorative dividend of 5 yen per share for the 80th anniversary) for the fiscal year 2021, an increase of 20 yen compared to the interim dividend of 80 yen per share (an ordinary dividend of 75 yen per share and a commemorative dividend of 5 yen per share for the 80th anniversary). Together with the interim dividend, the annual dividend for the fiscal year ended March 31, 2022 will be 180 yen per share, an increase of 90 yen from the previous fiscal year and a record high.

(1) Type of Dividend: Cash

(2) Dividend Payment and Total Amount:

100.00 yen per share of common stock of the Company

Total amount of dividends: 3,987,486,600 yen

(3) Effective Date of Distribution of Retained Earnings: June 22, 2022

Agenda Item No. 2: Partial Amendments to the Articles of Incorporation

1.Reasons for amendments

(1) In order to reflect the global expansion of the Company's business, an English translation of the trade name is added to Article 1 (Trade Name) of the current Articles of Incorporation.

(2) In order to organize the Company's objectives according to the current situation and prepare for future business development, necessary changes to Article 2 (Purpose) of the current Articles of Incorporation are made.

(3) In order to improve the efficiency of the management of shareholders holding less than one unit of shares, a provision to limit the rights to shares less than one unit is introduced. (Article 9 of the proposed amendment)

(4) The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for General Meetings of Shareholders, the Articles of Incorporation of the Company shall be amended as follows.

- 1) The proposed Article 16, Paragraph 1 provides that information contained in the reference materials for the General Meeting of Shareholders, etc., shall be provided electronically.
- 2) The purpose of the proposed Article 16, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- 3) The provisions related to the internet disclosure and deemed provision of the reference materials for the General Meeting of Shareholders, etc., (Article 15 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- 4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc., shall be established.

(5) Article 18 (Minutes) of the current Articles of Incorporation is to be deleted, as the Companies Act and the Regulations for Enforcement of the Companies Act have detailed provisions on the minutes of shareholder meetings.

(6) In order to allow for flexibility in the notice period for the Board meeting and those of the Auditors meeting, Article 22 (Board Meeting) and 27 (Auditors Meeting) is to be partially amended.

(7) In order to enable the flexible establishment of an optimal management structure, Article 24 (Selection of Member of the Board with Management Positions) of the current Articles of Incorporation shall be partially amended and integrated into Article 23 (Representative Member of the Board) of the current Articles of Incorporation (Article 23 of the proposed amendment) so that the President may be elected not only from Members of the Board but also from Executive Officers. In connection with this change, necessary amendments will also be made to Article 12 (Convocation) of the current Articles of Incorporation, which stipulates the person who has the authority to convene the General Meeting of Shareholders, and Article 14 (Chairman) of the current Articles of Incorporation, which stipulates the chairman of the General Meeting of Shareholders.

(8) Although the Board meeting shall, in principle, hold a meeting to pass resolutions, for more flexible decision making, a new provision is established to allow a resolution of the Board meeting to be deemed to have been adopted in writing or by electromagnetic record in case of emergency or depending on the nature of the agenda item. (Article 25 of the proposed amendment)

(9) The Board meeting resolved at a meeting held on May 8, 2019 to discontinue the countermeasures against large-scale purchases of the Company's shares (takeover defense measures); therefore, Chapter 6 Takeover Defense Measures (Articles 33, 34 and 35) in the current Articles of Incorporation is to be deleted.

(10) Other necessary amendments, such as correction of lexical wording, changes in the number of articles in accordance with the above changes, etc., are also made.

2.Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)	
Current Articles of Incorporation	Proposed Amendments
(Trade Name) Article 1 The Company shall be called Nippon Shokubai Kabushiki Kaisha.	(Trade Name) Article 1 The Company shall be called Nippon Shokubai Kabushiki Kaisha in Japanese and <u>NIPPON SHOKUBAI CO., LTD. in English.</u>
(Purpose) Article 2 The purpose of the Company is to engage in the following businesses. 1. Manufacture, processing and sale of the following goods. (1) <u>Phthalic anhydride, maleic anhydride and other organic chemical products and their derivatives</u> (2) <u>Petrochemical products such as ethylene oxide, ethylene glycol, acrylic acid, and their derivatives</u> (3) <u>Polyester resin and other synthetic resins</u> (4) <u>Inorganic chemical products such as catalysts, ceramics, and industrial gases</u> (Newly established) 2. <u>Manufacture, processing and sale of pharmaceuticals, agricultural chemicals, laboratory and diagnostic reagents, food additives, and feed additives</u> (Newly established) 3. <u>Manufacture, processing, and sale of medical equipment and materials</u> 4. <u>Manufacture of electronic control devices for chemical machinery, and research, development and sale of computer software for such devices</u> 5. <u>Manufacture and sale of chemical machinery, fixtures, and equipment</u> (Newly established)	(Purpose) Article 2 The purpose of the Company is to engage in the following businesses. 1. Manufacture, processing and sale of the following products. (1) Organic and <u>inorganic chemical products and other chemical industry products</u> [Deleted (partially amended and integrated into proposed amendment 1. (1))] (2) <u>Synthetic resins and other polymer compounds</u> (3) <u>Catalysts</u> (Partially amended and integrated into proposed amendment 1. (1)) (4) <u>Electronic devices, electronic components, batteries, and their raw materials</u> (5) <u>Pharmaceuticals, quasi-drugs, pharmaceutical additives, medical devices, agricultural chemicals, fertilizers, cosmetics, and their raw materials</u> (Article 2.3 of the current Articles of Incorporation is partially amended and integrated.) (6) <u>Food, food additives, feed additives, microorganisms, and enzymes</u> (Article 2.2 of the current Articles of Incorporation is partially amended and moved.) [Deleted (partially amended and integrated into proposed amendment 1. (5))] [Deleted (partially amended and integrated into proposed amendment 2)] [Deleted (partially amended and integrated into proposed amendment 2)] 2. <u>Development, design, manufacture, installation, sale, maintenance management, and technical guidance for parts, machinery, equipment, devices, and systems related to the preceding item</u> (Articles 2.4 and 2.5 of the current Articles of Incorporation are partially amended and integrated.)
6. <u>Construction contract</u>	3. <u>Design, construction and</u> contract of construction work

Current Articles of Incorporation	Proposed Amendments
<u>7. Manufacture, repair and sale of reinforced plastic vessels</u> <u>8. Sale, purchase, lease, brokerage and management of real estate, and management of parking lots</u>	(Deleted) <u>4. Real estate</u>
<u>9. Non-life insurance agency business, insurance agency business based on the Act on Securing Compensation for Automobile Accidents, and life insurance solicitation</u>	<u>5. Non-life insurance agency business and business related to life insurance solicitation</u>
(Newly established) (Newly established)	<u>6. Warehousing, transportation, and handling</u> <u>7. Waste treatment</u>
<u>10. Production, processing, and sale of agricultural products, as well as development and sale of production systems for these products</u> <u>11. Cultivation, aquaculture, processing and sale of forest and marine products, and development and sale of cultivation and aquaculture systems</u> <u>12. Cultivation and sale of horticultural products, and development and sale of cultivation systems for these products</u> <u>13. Management of driving ranges and other sports facilities, amusement parks, amusement facilities, and coffee shops and restaurants</u>	(Deleted) (Deleted) (Deleted) (Deleted)
<u>14. Businesses related to or incidental to each of the preceding items</u>	<u>8. Businesses related to or incidental to each of the preceding items</u>
(Newly established)	(Restrictions On Rights to Shares less than One Unit) <u>Article 9 Shareholders of the Company may not exercise any rights other than the rights listed below with respect to shares less than one unit held by such shareholder.</u> <u>(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act</u> <u>(2) Right to make a request pursuant to Article 166, Paragraph 1 of the Companies Act</u> <u>(3) Right to receive allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by shareholders</u> <u>(4) Right to make a request as set forth in the following Article</u>
Articles <u>9</u> to <u>10</u> (omitted)	Articles <u>10</u> to <u>11</u> (unchanged)

Current Articles of Incorporation	Proposed Amendments
<p>(Handling of shares) Article <u>11</u> Entry or recording in the shareholders' register and the register of stock acquisition rights, purchase and sale of shares less than one unit, other handling and fees related to shares or stock acquisition rights, and procedures for shareholders to exercise their rights shall be in accordance with the share handling rules established by the Board meeting, in addition to those provided by laws and regulations or the Articles of Incorporation.</p>	<p>(Handling of shares) Article <u>12</u> Entry or recording in the shareholders' register and the register of stock acquisition rights, purchase and sale of shares less than one unit, other handling and fees related to shares or stock acquisition rights, and procedures for shareholders to exercise their rights shall be in accordance with the share handling rules established by the Board meeting, in addition to those provided by laws and regulations or the Articles of Incorporation.</p>
<p>(Convocation) Article <u>12</u> An ordinary General Meeting of Shareholders shall be convened in June of each year, and an extraordinary General Meeting of Shareholders shall be convened whenever necessary. Unless otherwise provided by laws and regulations, a General Meeting of Shareholders shall be convened by the <u>President</u> and Member of the Board based on a resolution of the Board meeting; provided, however, that if the <u>President</u> and the Member of the Board is unable to act, another Member of the Board may convene the meeting as determined by the Board meeting.</p> <p>Article <u>13</u> (omitted)</p>	<p>(Convocation) Article <u>13</u> An ordinary General Meeting of Shareholders shall be convened in June of each year, and an extraordinary General Meeting of Shareholders shall be convened whenever necessary. Unless otherwise provided by laws and regulations, a General Meeting of Shareholders shall be convened by a certain Member of the Board <u>as determined in advance</u> by the Board meeting; provided, however, that if the Member of the Board is unable to act, another Member of the Board may convene the meeting as determined <u>in advance</u> by the Board meeting.</p> <p>Article <u>14</u> (unchanged)</p>
<p>(Chairman) Article <u>14</u> The President <u>and Member of the Board</u> shall preside as chairman at General Meetings of Shareholders, and if the President <u>and Member of the Board</u> is unable to act, another Member of the Board shall act as chairman as determined by the Board meeting.</p> <p><u>(Internet Disclosure and Deemed Provision of Reference Materials for the General Meeting of Shareholders, Etc.)</u> Article <u>15</u> The Company may, when convening a General Meeting of Shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference materials for the General Meeting of Shareholders, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing such information through the internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</p>	<p>(Chairman) Article <u>15</u> The President shall preside as chairman at General Meetings of Shareholders, and if the President is unable to act, another Member of the Board act as chairman as determined in advance by the Board meeting.</p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	(Measures for Electronic Provision, Etc.) <u>Article 16 The Company shall, when convening a General Meeting of Shareholders, provide information contained in the reference materials for the General Meeting of Shareholders, etc., electronically.</u> 2) <u>Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u>
Articles <u>16 to 17</u> (omitted)	Articles <u>17 to 18</u> (unchanged)
(Minutes) <u>Article 18 The substance of proceedings and results of the General Meeting of Shareholders and other matters stipulated by laws and regulations shall be entered or recorded in the minutes, and the chairman and the Members of the Board present at the meeting shall affix their names and seals thereto and preserve at the Company.</u>	(Deleted)
(Board Meeting) Article 22 (omitted) 2) Notice of a meeting of the Board meeting shall be given three (3) days prior to the date of the meeting. However, in case of emergency, this period may be shortened.	(Board Meeting) Article 22 (unchanged) 2) Notice of a meeting of the Board meeting shall be given <u>at least</u> three (3) days prior to the date of the meeting. However, in case of emergency, this period may be shortened.
(Representative Member of the Board) Article 23 (omitted) (Newly established) (Newly established)	(Representative Member of the Board) Article 23 (unchanged) 2) <u>The Board meeting may, by its resolution, select one President from among Members of the Board or Executive Officers.</u> 3) <u>The Board meeting may, by its resolution, select one Chairman from among the Members of the Board.</u>
(<u>Selection of Member of the Board with Management Positions</u>) <u>Article 24 The Board meeting may, by its resolution, select one Chairman and Member of the Board and one President and Member of the Board.</u> Article <u>25</u> (omitted)	[Deleted (partially amended and integrated into proposed amendment Article 23)] Article <u>24</u> (unchanged)

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<u>(Omission of Board Resolution)</u> <u>Article 25 The Company shall deem that a resolution of the Board meeting has been adopted when the requirements of Article 370 of the Companies Act have been fulfilled.</u>
(Auditors Meeting) Article 27 (omitted) 2) Notice of an Auditors meeting shall be given three (3) days prior to the date of the meeting. However, in case of emergency, such period may be shortened.	(Auditors Meeting) Article 27 (unchanged) 2) Notice of an Auditors meeting shall be given <u>at least</u> three (3) days prior to the date of the meeting. However, in case of emergency, such period may be shortened.
(Liability Limitation Agreement with Outside Members of the Board and Outside Statutory Corporate Auditors) Article 30 Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may enter into contracts with Outside Members of the Board <u>and</u> External Statutory Corporate Auditors to limit their liability for damage to the Company. However, the maximum amount of liability under such contracts shall be the amount stipulated by laws and regulations.	(Liability Limitation Agreement with Outside Members of the Board and Outside Statutory Corporate Auditors) Article 30 Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may enter into contracts with Outside Members of the Board <u>and</u> External Statutory Corporate Auditors to limit their liability for damage to the Company. However, the maximum amount of liability under such contracts shall be the amount stipulated by laws and regulations.
<u>Chapter 6 Takeover Defense Measures</u> <u>(Introduction and Implementation of Takeover Defense Measures)</u> <u>Article 33 The Company may introduce takeover defense measures to prevent unjustified damage to the Company's corporate value and the common interests of shareholders.</u> 2) <u>Matters concerning the allotment of stock acquisition rights without contribution in connection with takeover defense measures shall be determined by a resolution of the Board meeting or by a resolution of the Board meeting based on the delegation of authority by a resolution of the General Meeting of Shareholders.</u>	(Deleted) (Deleted)
<u>(Introduction and Abolition of Takeover Defense Measures)</u> <u>Article 34 The Company shall obtain a resolution of the General Meeting of Shareholders for the introduction of takeover defense measures as stipulated in the preceding article.</u> 2) <u>The Company may abolish takeover defense measures at any time upon resolution of the Board meeting.</u>	(Deleted)

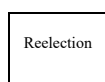
Current Articles of Incorporation	Proposed Amendments
<p><u>(Effective Date of Takeover Defense Measures)</u></p> <p><u>Article 35 The takeover defense measures introduced pursuant to the preceding Article must be continued by a resolution of the Ordinary General Meeting of Shareholders for the last fiscal year ending within three years after obtaining a resolution of the General Meeting of Shareholders, and the same shall apply thereafter.</u></p> <p><u>2) In the event that, after the introduction of takeover defense measures pursuant to the preceding Article, a resolution to continue such measures has not been passed at the Ordinary General Meeting of Shareholders as provided in the preceding paragraph, takeover defense measures introduced pursuant to the preceding Article shall cease to be effective at the conclusion of such Ordinary General Meeting of Shareholders.</u></p>	(Deleted)
(Newly established)	<u>Supplementary provisions</u>
	<p><u>1. The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Materials for the General Meeting of Shareholders, Etc.) of the current Articles of Incorporation and the establishment of proposed Article 16 (Measures for Electronic Provision, Etc.) shall come into effect on September 1, 2022, the effective date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the “Effective Date”).</u></p>
	<p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation shall remain in force with respect to a General Meeting of Shareholders to be held on a date no later than the end of February 2023.</u></p>
	<p><u>3. These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Agenda Item No. 3: Election of Nine (9) Members of the Board

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

The candidates for Member of the Board are as follows:

No.	Name	Positions	Responsibilities	Attendance at the Board meetings	Attribute
1	Yujiro Goto	President and Representative Member of the Board	—	15/15	Reelection
2	Jiro Iriguchi	Representative Member of the Board Senior Managing Executive Officer	Production & Technology, DX Promotion Division, Engineering Division, Indonesia Project, IONEL Construction Team	15/15	Reelection
3	Kazuhiro Noda	Member of the Board Managing Executive Officer	Corporate Planning Division	15/15	Reelection
4	Kuniaki Takagi	Member of the Board Managing Executive Officer	Administration, HR, Finance, Accounting, General Affairs & HR Division	15/15	Reelection
5	Masahiro Watanabe	Member of the Board Managing Executive Officer	Sales, Marketing, Purchasing, Logistics Business Planning Division	11/11	Reelection
6	Yasutaka Sumida	Member of the Board Managing Executive Officer	Innovation & Business Development Corporate Research Division Health & Medical Business Development Office Cosmetics Business Office Director of Innovation & Business Development Division R&D Management Dept.	11/11	Reelection
7	Shinji Hasebe	Member of the Board (Outside)	—	15/15	Reelection Outside Independent
8	Tetsuo Setoguchi	Member of the Board (Outside)	—	15/15	Reelection Outside Independent
9	Miyuki Sakurai	Member of the Board (Outside)	—	15/15	Reelection Outside Independent



Candidate for reelection



Candidate for Outside Member of the Board



Candidate for Independent Officer

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
1	<p>Yujiro Goto (May 4, 1957)</p> <p>Reelection</p> <p>Attendance at the Board meetings during the current fiscal year: 15/15 meetings</p>	<p>Apr. 1980 Joined the Company</p> <p>June 2012 Executive Officer, Plant Manager of Kawasaki Plant</p> <p>June 2015 Member of the Board and Managing Executive Officer</p> <p>Apr. 2017 President and Representative Member of the Board (current)</p>	7,400 shares
	<p><Reasons for nominating as a candidate for Member of the Board></p> <p>Mr. Yujiro Goto has been serving as President and Representative Member of the Board to play key roles in the Company's management, including the formulation and execution of mid-term management plans. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.</p>		
2	<p>Jiro Iriguchi (Oct. 28, 1958)</p> <p>Reelection</p> <p>Attendance at the Board meetings during the current fiscal year: 15/15 meetings</p>	<p>Apr. 1984 Joined the Company</p> <p>Apr. 2004 General Manager of Fine & Specialty Chemicals Production Department of Himeji Plant</p> <p>Apr. 2009 General Manager of Chemicals Production Department of Himeji Plant</p> <p>Apr. 2011 Deputy Plant Manager of Himeji Plant</p> <p>June 2013 Director of NIPPOH CHEMICALS CO., LTD.</p> <p>June 2018 Member of the Board and Managing Executive Officer</p> <p>June 2021 Representative Member of the Board and Senior Managing Executive Officer (current)</p> <p>(Current responsibility in the Company) Production & Technology, DX Promotion Division, Engineering Division, Indonesia Project, and IONEL Construction Team</p>	2,300 shares
	<p><Reasons for nominating as a candidate for Member of the Board></p> <p>Mr. Jiro Iriguchi has been engaging in production and technology divisions for a long time and has achievements in stably operating manufacturing sites and smoothly managing subsidiaries, etc. In addition, he has been serving as Executive Officer in charge of the DX Promotion Division to improve operational efficiency through the use of digital services and other means. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
3	Kazuhiro Noda (Jan. 21, 1963) Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1986 Joined the Company Apr. 2005 General Manager of Superabsorbents Sales Department Apr. 2011 General Manager of Corporate Planning Division Apr. 2015 Deputy Director of Corporate Planning Division and General Manager of Group Management and Project Planning Department Apr. 2017 Director of Superabsorbents Business Division June 2018 Executive Officer June 2020 Member of the Board, Managing Executive Officer (current) Director of Corporate Planning Division (Current responsibility in the Company) Corporate Planning Division	2,600 shares
		<Reasons for nominating as a candidate for Member of the Board> Mr. Kazuhiro Noda has been mostly engaging in corporate planning and sales & marketing divisions for a long time and has achievements in planning and promoting managerial measures and strengthening the competitiveness of the superabsorbent polymer business. In addition, he has been serving as Executive Officer in charge of the Corporate Planning Division to play a central role in the formulation of the new mid-term management plan. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.	
4	Kuniaki Takagi (May 19, 1963) Reelection Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 1987 Joined Sumitomo Chemical Co., Ltd. Apr. 2019 Joined the Company as an entrusted worker May 2019 Director of General Affairs & HR Division June 2019 Executive Officer June 2020 Member of the Board, Managing Executive Officer (current) (Current responsibility in the Company) Administration, HR, Finance, Accounting, General Affairs & HR Division	1,700 shares
		<Reasons for nominating as a candidate for Member of the Board> Mr. Kuniaki Takagi has been mostly engaging in planning, administration and finance divisions and overseas services for a long time and has achievements in strengthening the corporate governance system and executing management strategies from a global perspective. In addition, he has been serving as Executive Officer in charge of Administration, HR, Finance, and Accounting to play a central role in the formulation and introduction of a new human resource system to promote efforts to reform the organization. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.	

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
5	Masahiro Watanabe (Dec. 6, 1960) Reelection Attendance at the Board meetings during the current fiscal year: 11/11 meetings	Apr. 1984 Joined the Company Apr. 2009 General Manager of Raw Materials Purchasing Department Apr. 2013 General Manager of Performance Polymers Sales & Marketing Department Apr. 2016 Director of Purchasing & Logistics Division June 2018 Executive Officer President and Representative Director of Nisshoku Butsuryu Co., Ltd. (current) June 2021 Member of the Board and Managing Executive Officer (current) (Current responsibility in the Company) Sales, Marketing, Purchasing, Logistics, Business Planning Division	1,100 shares
		<Reasons for nominating as a candidate for Member of the Board> Mr. Masahiro Watanabe has been engaging in purchasing & logistics divisions and sales & marketing divisions for a long time and has achievements in formulation and execution of purchasing and logistics strategies and strengthening the sales foundation, etc. In addition, he has been serving as Executive Officer in charge of Sales, Marketing, Purchasing and Logistics to expand the Solutions business and to strengthen the Materials business. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.	
6	Yasutaka Sumida (Oct. 4, 1963) Reelection Attendance at the Board meetings during the current fiscal year: 11/11 meetings	Apr. 1991 Joined the Company Apr. 2017 General Manager of Research Center Apr. 2020 Director of Innovation & Business Development Division (current) June 2020 Executive Officer June 2021 Member of the Board and Managing Executive Officer (current) (Current responsibility in the Company) Innovation & Business Development, Corporate Research Division, Health & Medical Business Development Office, Cosmetics Business Office, Director of Innovation & Business Development Division, R&D Management Department.	892 shares
		<Reasons for nominating as a candidate for Member of the Board> Mr. Yasutaka Sumida has been engaging in research and development divisions for a long time and has achievements in strengthening the research and development capabilities and promoting open innovation, etc. In addition, he has been serving as Executive Officer in charge of Innovation & Business Development to accelerate the creation of new businesses and products and spearhead research and development toward carbon neutrality. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as Member of the Board.	

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

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

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

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

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

(Note 3) Ms. Miyuki Sakurai will assume the office of Outside Auditor of MBS MEDIA HOLDINGS, INC. effective June 22, 2022.

(Note 4) The Company has concluded liability limitation contracts with Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each item in Article 425, Paragraph 1 of the same Act. In the event Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai are reelected as Outside Members of the Board, the Company plans to extend the contract with them.

(Note 5) The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company. In the event of a claim for damages submitted by a shareholder or a third party, the said insurance shall compensate for damages to be borne by the insureds. If the candidates are elected as Members of the Board, they will be included as the insured under the contract. The Company plans to renew the insurance policy with the same details during their term of office.

(Note 6) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai meet the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated on page 21). The Company has reported to the Tokyo Stock Exchange that Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai have been appointed as independent officers, and in the event Mr. Hasebe, Mr. Setoguchi and Ms. Sakurai are reelected, the Company plans to report to the Exchange that they will continue to be independent officers.

(Note 7) The Company has contributed funds for research activities to Kyoto University, at which Mr. Shinji Hasebe serves as a Program-Specific Professor. Compared to the University's ordinary profit, however, the average contribution amount in the recent three fiscal years is nominal (less than 0.1%

and not more than 10 million yen), and the Company has determined that it will have no impact on the independence of Mr. Hasebe.

(Note 8) The Company purchases gas from Osaka Gas Co., Ltd., at which Mr. Tetsuo Setoguchi serves as an Advisor. These and other sales transactions are for the procurement of goods essential to plant operations and the average trading amount in the recent three fiscal years is nominal (less than 0.3%) of the consolidated net sales of Osaka Gas. Also, the Company received services from OGIS-RI Co., Ltd., at which Mr. Tetsuo Setoguchi serves as Chairman and Director. The average transaction amount in the recent three fiscal years is nominal compared with the net sales of OGIS-RI Co., Ltd. (less than 0.1%). The Company has therefore determined that there will be no impact on the independence of Mr. Setoguchi.

(Reference)

Specialty and Experience of Members of the Board (expected after the conclusion of the 110th Ordinary General Meeting of Shareholders)

Name	Corporate management	Inter-nationality	Sustainability	Compliance/ Governance	Finance/ Accounting	Production technology /R&D	Sales and Marketing	Other
Yujiro Goto	●		●			●		
Jiro Iriguchi	●					●		● DX
Kazuhiro Noda	●	●			●			
Kuniaki Takagi		●		●	●			
Masahiro Watanabe	●						●	● SCM
Yasutaka Sumida			●			●		● Intellectual property
(Outside) Shinji Hasebe						●		● Academic experience
(Outside) Tetsuo Setoguchi	●	●					●	
(Outside) Miyuki Sakurai				●				● Internal control, Audit

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

(Note 2) DX is an acronym for Digital Transformation and SCM is an acronym for Supply Chain Management.

Agenda Item No. 4: Election of One (1) Statutory Corporate Auditor

Statutory Corporate Auditor Mr. Yoshihiro Arita will resign at the conclusion of this General Meeting of Shareholders, and the Company proposes the election of one (1) new Statutory Corporate Auditor.

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

The candidate for Statutory Corporate Auditor is as follows.

Name (Date of birth)	Profile (Positions in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
Takashi Kobayashi (Sep. 22, 1962) New appointment	Apr. 1986 Joined the Company Apr. 2006 General Manager of Corporate Planning Division Apr. 2011 General Manager of Accounting Department Apr. 2015 Director of Finance & Accounting Division. June 2018 Executive Officer June 2020 Managing Executive Officer (current) Apr. 2022 Finance & Accounting Division (current)	3,000 shares
<Reasons for nominating as a candidate for Statutory Corporate Auditor> Based on his extensive experience in the Corporate Planning and Finance & Accounting Divisions, we believe that Mr. Takashi Kobayashi can provide useful opinions to the Board meeting of the Company and properly audit the legality of management execution, etc. Thus, Company proposes him to serve as Statutory Corporate Auditor.		

(Note 1) There are no special interests between Mr. Takashi Kobayashi and the Company.

(Note 2) The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company. In the event of a claim for damages submitted by a shareholder or a third party, the said insurance shall compensate for damages to be borne by the insureds. If Mr. Takashi Kobayashi is elected as Statutory Corporate Auditor, he will be included as the insured under the contract. The Company plans to renew the insurance policy with the same details during his term of office.

(Reference)
Criteria of Independence

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

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

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

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

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

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

(Note 5) (i) In the event that the professional is providing services to the Company Group as an individual, an individual whose compensation received from the Company Group (excluding executive compensation) exceeds 10 million yen a year in average of the three most recent fiscal years.
(ii) In the event that the professional is providing services to the Company Group as a member of a legal entity, association, or other organization, an organization whose average compensation received from the Company Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

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

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

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

Agenda Item No. 5: Bonuses for Officers for the 110th Term

In recognition of the efforts made by Members of the Board, the Company proposes that a total of 150 million yen as bonuses to six of the nine Members of the Board (excluding Outside Members of the Board) as of the end of the current fiscal year in light of earnings and various other factors.

This proposal is necessary and reasonable for the payment of bonuses to Members of the Board in accordance with the Company's policy for determination of remuneration for Members of the Board for the current fiscal year (please refer to pages 47 through 49 of the Business Report). Since this proposal was deliberated by the Nomination and Remuneration Committee, the majority of whose members are independent Outside Members of the Board, and decided by the Board meeting, the Company believes that the contents of this proposal are appropriate.

The Company requests that determination of the amount to be paid to each of the Members of the Board be left to the discretion of the Board meeting.

Agenda Item No. 6: Revision of the Amount of Remuneration for Members of the Board

At the 93rd Ordinary General Meeting of Shareholders held on June 22, 2005, the amount of remuneration for Members of the Board of the Company was approved as an annual amount not more than 400 million yen. In addition, the specific amounts of bonuses to be paid to Members of the Board have been separately resolved at the ordinary General Meeting of Shareholders each time.

The Company has decided to review the remuneration system for Members of the Board with the aim of further encouraging Members of the Board to achieve the goals of the mid-term management plan and motivating them to contribute not only to the performance of a single fiscal year but also to improving the Company's performance and increasing corporate value over the medium to long term.

The Company has decided to make the monetary remuneration for Members of the Board (excluding Outside Members of the Board) more closely linked to the Company's business performance, while also taking into consideration trends in the remuneration levels of comparative companies. In addition, the Company takes account of the expected roles of Outside Members of the Board in the Company in the future as well as the possibility to increase their number. Therefore, the Company proposes to increase the amount of remuneration for Members of the Board to not more than 550 million yen per year (including not more than 75 million yen per year for Outside Members of the Board).

The Company will pay base remuneration, which is fixed remuneration, and bonuses, which are performance-linked remuneration, to Members of the Board within the amount of such remuneration. From the perspective of their supervisory function and independence from management, Outside Members of the Board will continue to receive only base remuneration, a fixed remuneration, as in the past.

Furthermore, subject to the approval of this proposal and Agenda Item No. 7 "Determination of Amounts and Details of Performance-linked Stock Compensation Plan for Members of the Board" as originally proposed, a new policy for determining the content of individual Member of the Board remuneration, etc., has been established at the Board meeting held on May 12, 2022, and the outline of the policy is shown on pages 28 through 29. Since this proposal is necessary and reasonable to pay remuneration to Members of the Board in accordance with such policy, and since the Nomination and Remuneration Committee, the majority of whose members are independent Outside Members of the Board, has deliberated on the proposal and the Board meeting has decided on it, the Company believes that the contents of this proposal are appropriate.

If Agenda Item No. 3 "Election of Nine (9) Members of the Board" is approved as proposed, the number of Members of the Board will be nine (9) (including three (3) Outside Members of the Board).

Agenda Item No. 7: Determination of Amounts and Details of Performance-linked Stock Compensation Plan for Members of the Board

1. Reasons for proposal and reasons of appropriateness of the said compensation

This proposal requests an approval for the introduction of a new “Performance-linked Stock Compensation Plan” (hereinafter referred to as the “Plan”) under which the Company’s Members of the Board (excluding Outside Members of the Board and non-residents in Japan; the same applies hereinafter in this agenda) will be delivered with the Company’s shares and a monetary amount equivalent to the market value of the Company’s shares (hereinafter referred to as the “Company’s Shares, etc.”).

Towards the realization of the Company’s mid-term management plan, the purpose of introducing this Plan is, by clarifying the linkage between remuneration for Members of the Board and the Company’s business performance and stock value, and enabling Members of the Board not only to enjoy the benefits of higher stock prices, but also to share the risk of stock price declines with shareholders, to motivate Members of the Board to contribute to the medium and long-term growth of the Company’s performance and corporate value.

Subject to the approval of Agenda Item No. 6 “Revision of the Amount of Remuneration for Members of the Board” and this proposal and as originally proposed, a new policy for determining the content of individual Members of the Board compensation, etc., has been established at the Board meeting held on May 12, 2022, and the outline of the policy is shown on pages 28 through 29. Since this proposal is necessary and reasonable to pay compensation to Members of the Board in accordance with such policy, and since the Nomination and Remuneration Committee, the majority of whose members are independent Outside Members of the Board, has deliberated on the proposal, and the Board meeting has decided on it, the Company believes that the contents of this proposal are appropriate.

This proposal is to provide stock compensation to Members of the Board, which is separate from the amount of remuneration for Members of the Board approved in Agenda Item No. 6 “Revision of the Amount of Remuneration for Members of the Board.”

If Agenda Item No. 3 “Election of Nine (9) Members of the Board” is approved and passed as proposed, the number of Members of the Board subject to this Plan will be six (6).

(Reference)

The Company intends to use the same Trust for the Company’s Executive Officers as the subject of this plan, subject to the approval of this proposal as originally proposed. The amount of compensation and the number of shares for the Company’s Executive Officers are not subject to this proposal.

For details of this Plan, please refer to the timely disclosure of “Notice Concerning Introduction of Performance-linked Stock Compensation Plan for Members of the Board, etc. of the Company” dated May 12, 2022, which was disclosed in Japanese only.

2. Amounts and details of remuneration, etc., under the Plan

(1) Outline of the Plan

This is a stock-based compensation plan under which a trust established by monetary contributions from the Company (hereinafter referred to as the “Trust”) acquires the Company’s shares as compensation for Members of the Board, and the Company’s Shares, etc., in a number equivalent to the number of points to be granted to Members of the Board are delivered to Members of the Board through the Trust in accordance with the Company’s share delivery rules. For details, see (2) below and beyond.

1) Persons eligible for transfer and delivery of the Company Shares, etc., under this Agenda	Members of the Board of the Company
2) Impact of the Company shares covered under this Agenda on the total number of outstanding shares	
Maximum amount of money contributed by the Company (as per (4) below)	<ul style="list-style-type: none"> • The amount obtained by multiplying 63 million yen by the number of fiscal years included in the subject period. The maximum amount for the initial subject period (including three fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025) is 189 million yen.
Maximum number of Company Shares to be delivered to Members of the Board (as per (5) below)	<ul style="list-style-type: none"> • Number of shares equivalent to the number of points obtained by multiplying 9,600 points by the number of fiscal years included in the subject period. The maximum number of points to be granted in the three fiscal years of the initial subject period is 28,800 points (equivalent to 28,800 shares). • The proportion of the number of shares (9,600 shares) corresponding to the number of points allotted per fiscal year to Members of the Board above, is approximately 0.02% of the Company's total number of shares issued and outstanding (as of March 31, 2022, net of treasury stock). • The Company shares will be acquired from the Company (treasury stock disposition) or from the stock market.
3) Detailed conditions for achieving performance targets (as per (5) below)	<ul style="list-style-type: none"> • "Performance-linked points" vary depending on the degree of achievement of performance targets set forth in the mid-term management plan. • Key performance indicators (KPIs) for the initial subject period will be "operating profit" and "ROE (Ratio of profit to equity attributable to owners of parent)" as set forth in the mid-term management plan, and will vary from 0 to 150% depending on the degree of achievement of the performance targets.
4) Timing of transfer and delivery of the Company Shares, etc. to Members of the Board (as per (6) below)	<ul style="list-style-type: none"> • In principle, delivered to Member of the Board after his/her retirement.

(2) Period covered by this Plan

In principle, the period covered by this Plan shall be the period corresponding to the mid-term management plan set forth by the Company (hereinafter referred to as the "Target Period"). The initial period of the Plan shall be from the fiscal year ending on March 31, 2023 to the fiscal year ending on March 31, 2025 (hereinafter referred to as the "Initial Target Period").

In addition, the Target Period that begins after the Initial Target Period has elapsed shall be the period for each of the three fiscal years corresponding to the mid-term management plan. If the Board meeting separately resolves on a period exceeding three fiscal years, the relevant period shall be applied.

(3) Trust period

The Trust period is from August 2022 (scheduled) to the termination of the Trust. (No specific termination date has been set, and the Trust shall continue as long as the Plan continues.) This plan shall be terminated due to delisting of the Company's shares, abolition of the share delivery rules, etc.

(4) Maximum amount of trust funds to be contributed to the Trust as share acquisition fund

Subject to approval of the introduction of this Plan at this Ordinary General Meeting of Shareholders, the Company will contribute funds up to an amount obtained by multiplying 63 million yen by the number of fiscal years included in the Target Period (189 million yen for the Initial Target Period (three fiscal years)) to the Trust as funds for the acquisition of the Company's shares in order to deliver the Company's Shares, etc., to the Members of the Board under the Plan corresponding to the Target Period. (Note)

After the Initial Target Period, the Company shall make additional contributions to the Trust, per the Target Period, up to an amount equal to an amount obtained by multiplying 63 million yen by the number of fiscal years included in the Target Period until the termination of the Plan, in order to fund the acquisition of the Company's shares for the purpose of delivering the Company's Shares, etc. to Members of the Board under the Plan corresponding to the Target Period. However, in the event of such additional contribution, if there are any Company shares (excluding the Company's shares equivalent to the number of points granted to Members of the Board during each of the Target Period up to and including the Target Period prior to such Target Period, but not yet delivered to the Members of the Board) and money remaining in the trust assets of the Trust (hereinafter collectively referred to as the "Remaining Shares, etc.") immediately prior to the commencement date of the Target Period, the total amount of the Remaining Shares, etc., and the trust fund to be additionally contributed shall be within the respective maximum amounts.

During the Target Period, including during the Initial Target Period, the Company may additionally contribute to funds for the acquisition of shares in the Trust to the extent that the total amount of contributions during the Target Period is equal to each of the aforementioned maximum amounts.

(Note) The actual amount of money to be contributed to the Trust by the Company will be the sum of the above-mentioned funds for acquisition of the Company shares and the estimated amount of necessary expenses such as trust fees and trust administrator fees.

(5) Calculation method and maximum number of the Company's shares to be granted to Members of the Board

During each Target Period, Members of the Board are granted "fixed points," which are determined according to their position in the Company, and "performance-linked points," which are determined according to the degree of achievement of performance targets set in the mid-term management plan, in accordance with the share delivery rules.

The total number of points granted to Members of the Board during the Target Period shall be limited to the number of points obtained by multiplying 9,600 points by the number of fiscal years included in the Target Period (28,800 points for the Initial Target Period (three fiscal years)).

Each point is converted into one share of the Company's stock at the time of stock benefits to Members of the Board. (Fractions less than one point shall be rounded down.) Therefore, the total number of shares to be acquired by the Trust in each Target Period and delivered to Members of the Board will be limited to a number obtained by multiplying 9,600, the number of shares, by the number of fiscal years included in the Target Period (28,800 shares for the Initial Target Period (three fiscal years)). However, in the event of a stock split, allotment of shares without contribution, or reverse stock split of the Company's shares after the approval of this Plan at this Ordinary General Meeting of Shareholders, the Company will make reasonable adjustments to the conversion ratio of the Company's shares per point in accordance with such ratio and other factors.

(Point Calculation Formula)

1) Fixed points

Points will be awarded for each fiscal year during each Target Period in proportion to the position of Members of the Board in the Company.

<Each fiscal year>

Position point (*1) x Number of months in office (*2) / 12 months

2) Performance-linked points

Points will be awarded for each fiscal year during the Target Period in proportion to the position held. After the end of the Target Period, the cumulative total of the points granted shall be multiplied by the performance-linked coefficient corresponding to the degree of achievement of the performance targets set forth in the mid-term management plan.

<Each fiscal year>

Position point (*1) x Number of months in office (*2) / 12 months

< After the end of the Target Period >

Cumulative total of the points granted in each fiscal year x Performance-linked coefficient (*3)

- *1 In principle, the points shall be commensurate with the position of Members of the Board as of the end of March of each fiscal year. However, in the event of a change in position during the fiscal year, points shall be allocated proportionally to the number of months in office for each position.
- *2 If there are days in the tenure of office that are less than one month, the tenure shall be carried forward to one month.
- *3 The performance-linked coefficient varies from 0% to 150% depending on the degree of achievement of performance targets set in accordance with the mid-term management plan. Key performance indicators (KPIs) to evaluate the achievement of performance targets are determined for each target mid-term management plan. The KPIs for the Initial Target Period will be “operating profit” and “ROE (ratio of profit to equity attributable to owners of parent)” as stated in the mid-term management plan.

(6) Delivery of the Company's Shares, etc. to Members of the Board

In principle, when a Member of the Board retires, etc., and satisfies the beneficiary requirements stipulated in the share delivery rules, the Company's shares corresponding to the cumulative number of points granted up to the time of retirement will be paid to the Member of the Board by completing the procedures to determine the beneficiary as stipulated in the share delivery rules. However, for a certain percentage of these shares, a cash payment equivalent to the market value of the Company's shares will be made in lieu of the payment of the Company's shares, in order to ensure tax payment funds. In some cases, the Company's shares may be sold within the Trust in order to provide monetary benefits.

(7) Method of acquisition of the Company's shares by the Trust

The Trust will acquire the Company's shares through the stock market or by subscribing to the Company's disposal of treasury stock, within the maximum amount of trust money mentioned in (4) above and the maximum number of shares to be granted to Members of the Board mentioned in (5) above.

(8) Exercise of voting rights with respect to the Company's shares in the Trust

The voting rights of the Company's shares held in the Trust (in other words, the Company's shares prior to the delivery to the Members of the Board in accordance with (6) above) shall be uniformly non-exercisable during the Trust period in order to ensure neutrality toward the Company's management.

(9) Handling of dividends pertaining to the Company's shares in the Trust

The dividends pertaining to the Company's shares in the Trust will be received by the Trust and used as funds for the acquisition of the Company's shares and for trust fees related to the Trust.

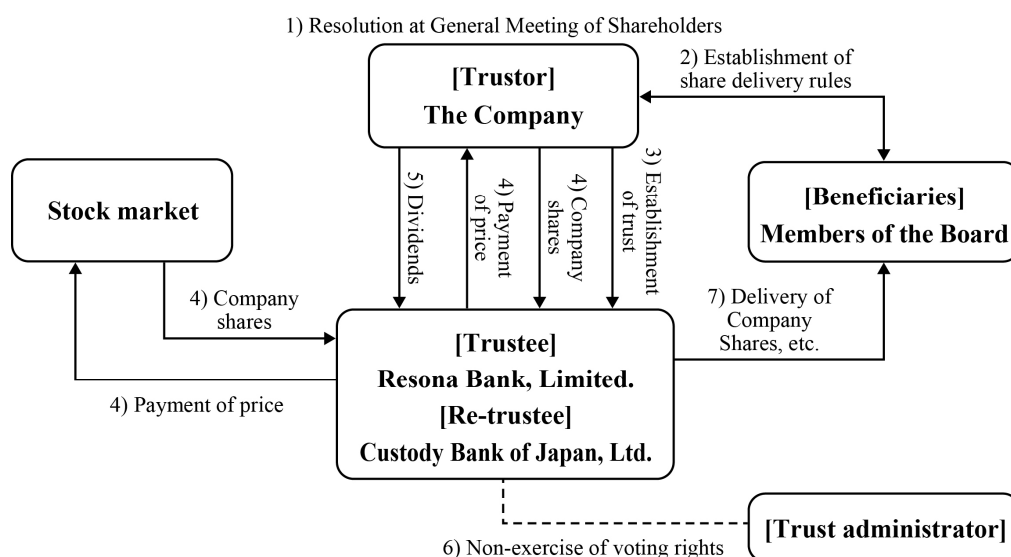
(10) Treatment upon termination of the Trust period

Of the residual assets of the Trust at the time of termination of the Trust, all of the Company's shares will be acquired by the Company free of charge and then cancelled by a resolution of the Board meeting. Cash in the residual assets of the Trust at the time of termination of the Trust will be distributed to the Members of the Board in office at that time on a pro rata basis according to the number of points accumulated by each of them, or will be donated to a public benefit corporation, etc., that have no interest in the Members of the Board.

(11) Other details of the Plan

Other details of the Plan will be determined by the Board meeting each time the Trust is established, the Trust Agreement is amended, or additional contributions are made to the Trust.

(Reference: Structure of the Plan)



- (1) The Company will obtain approval of this Ordinary General Meeting of Shareholders for the remuneration of Members of the Board in connection with the introduction of the Plan.
- (2) The Board meeting will establish the share delivery rules of the Plan pertaining to the delivery of the Company Shares, etc.
- (3) The Company will make a monetary contribution within the scope approved at this Ordinary General Meeting of Shareholders' meeting as described in (1) above and establish a trust (the Trust) under which the persons eligible for the Plan are beneficiaries. The Company may make additional monetary contributions to the extent approved at this Ordinary General Meeting of Shareholders' meeting as described in (1) above.
- (4) The Trust will acquire Company shares from the Company (disposal of treasury stock) or from the stock market, using the money entrusted in (3) above as the source of funds.
- (5) Dividends are paid to the Company's shares in the Trust in the same manner as other Company shares.
- (6) Voting rights pertaining to the Company's shares held by the Trust will not be exercised uniformly throughout the trust period in order to ensure neutrality in management.
- (7) During the trust period, points will be granted to Members of the Board in accordance with the share delivery rules described in (2) above based on their position in the Company and the degree of achievement of their performance targets, and the Company's Shares, etc., in the number corresponding to the accumulated points granted will be delivered to eligible persons who satisfy certain beneficiary requirements stipulated in the share delivery rules such as when they retire from the Company.

(Reference)

The Company's New Policy for Determining Remuneration for Members of the Board (Outline)

The following is an outline of the Company's new policy for determining remuneration for individual Members of the Board if Agenda Item No. 6: "Revision of the Amount of Remuneration for Members of the Board" and Agenda Item No. 7: "Determination of Amounts and Details of Performance-linked Stock Compensation Plan for Members of the Board" are approved as proposed.

1. Basic Policy

- To have Members of the Board put the Company's mission into practice and provide an incentive to sustainably enhance corporate value
- To have Members of the Board share interests with shareholders according to the Company's business results and commensurate with their responsibilities
- To set at a reasonable level in light of the Company's business results, the level of employee salaries, and that of other companies
- To have the Nomination and Remuneration Committee, consisting mainly of independent Outside Members of the Board, deliberate on the matter, thereby ensuring transparency and fairness

2. Components of the Remuneration

Components of the remuneration for Members of the Board (excluding Outside Members of the Board) are basic remuneration, which is fixed remuneration, and bonuses and stock compensation, which are performance linked remuneration. Each will be determined in accordance with the policies in (1) through (3) below. The ratio of basic remuneration, bonuses, and stock compensation is generally 60%, 30%, and 10%, but is subject to change according to the Company's business results, stock market conditions, and the degrees of achievement of targets by each individual as assessed by the target management system. Outside Members of the Board receive only basic remuneration as fixed remuneration because they oversee business operations from an independent standpoint.

(1) Basic remuneration

- The remuneration shall be a monthly cash remuneration based on the position and responsibilities.
- The amount of remuneration for Outside Members of the Board is determined by comprehensively considering the level of remuneration for the Company's officers and that of other companies.

(2) Bonuses

- Bonuses shall be monetary compensation to be paid at a certain time after the Ordinary General Meeting of Shareholders each year in order to raise awareness of the need to improve business performance in each fiscal year.
- Evaluation indicators shall be the degree of achievement of key performance indicators (KPIs) and the degrees of achievement of targets by each individual as assessed by the target management system.
- KPIs consist of "profit before tax" and "ROA (return on assets before tax)," with achievement ratings ranging from 0 to 150%.

(3) Stock compensation

- To improve incentives to achieve the goals of the mid-term management plan and to link this with the value of the Company's shares, shares and money will be delivered to Members of the Board upon their retirement.
- Utilizing the share benefit trust mechanism, in accordance with the share delivery rules, performance-linked points, which are linked to the achievement level of the mid-term management plan, and fixed points, which are for the purpose of holding shares to share stock value, will be granted at a ratio of 1:1.
- Performance-linked points will vary depending on the degree of achievement of KPI results in the final year of the mid-term management plan against the targets of the mid-term management plan set as KPIs.
- KPIs consist of "operating profit" and "ROE (return on equity attributable to owners of parent)," with evaluation weights of 50% for "operating profit" and 50% for "ROE." In addition, each achievement rating shall be in the range of 0 to 150%.

3. Process for Determining Remuneration

- The Nomination and Remuneration Committee, a voluntary advisory organization consisting mainly of independent Outside Members of the Board, has been established. The Committee deliberates on policies, systems, and issues related to the determination of remuneration for Members of the Board, as well as the appropriateness of the level of remuneration, and reports back to the Board meeting.
- Based on the Committee's report, the Board meeting determines the policy for determining the details of remuneration, etc. for each individual Member of the Board and details of remuneration, etc. within the framework of the amount of remuneration approved by the General Meeting of Shareholders. The President and Representative Member of the Board is delegated by the decision of the Board meeting the authority to determine the details of remuneration, excluding stock compensation, for individual Members of the Board, and accordingly make decisions in light of the contents of the Committee's report.

Agenda Item No. 8: Revision of the Amount of Remuneration for Statutory Corporate Auditors

At the 93rd Ordinary General Meeting of Shareholders held on June 22, 2005, the amount of remuneration for Statutory Corporate Auditors of the Company was approved as an annual amount not more than 70 million yen.

Considering the recent economic situation, the level of remuneration at comparable companies, and other various factors, the Company proposes to revise the amount of remuneration for Statutory Corporate Auditors to not more than 100 million yen per year.

If Agenda Item No. 4 "Election of One (1) Statutory Corporate Auditor" is approved and passed as proposed, the number of Statutory Corporate Auditors will be four (4).

Business Report
(April 1, 2021 through March 31, 2022)

I. Current Status of the Group

1. Progress and Results of Operations

(1) Outline of Business

In the current fiscal year, the global economy continued to recover from the impact of the novel coronavirus infection (COVID-19). While the degree of economic recovery varied by country and industry, economic activities were resuming. In the current situation, there are concerns about economic downside due to soaring resource prices and supply-side constraints amid uncertainty about the future due to the situation in Ukraine and other factors.

In the United States, the economy is steadily picking up, while in Europe, the economy is slowing down due to soaring prices of raw materials and fuels such as natural gas. In China, the economy continued to recover gradually, but the pace of recovery slowed down due to the re-expansion of infection and the resulting zero-corona policy and other factors. In emerging Asian countries, there were signs of economic recovery. In Japan, exports and corporate earnings generally showed signs of improvement, as capital investment and production activities continued to pick up, although personal consumption stalled amid the severe conditions caused by expanding the Omicron variant infection. In the chemical industry, the yen weakened against the U.S. dollar due to differences in monetary policy between Japan and the United States and other factors, and crude oil prices also rose, which drove up prices of raw materials and fuels such as domestically produced naphtha. In addition, marine transportation costs rose due to continued disruptions in the global logistics network.

Under these conditions, the Group's revenue in the current fiscal year increased 35.2% year-on-year to 369,293 million yen, up 96,130 million yen, due to higher selling prices in line with higher raw material prices and conditions of overseas market prices for products, as well as an increase in sales volume.

With regard to profits, operating profit increased by 44,982 million yen year-on-year to 29,062 million yen. Although selling, general and administrative expenses increased due to soaring marine transportation costs and other factors, the increase in profit was due to factors such as a widening of the spread due to higher overseas market prices for some products, an increase in production and sales volumes, and the impact of inventory valuation differences due to higher raw material prices. In addition, there were no impairment losses of (A) 11,903 million yen on fixed assets of NIPPON SHOKUBAI EUROPE N.V. (hereinafter, "NSE") and 9,282 million yen on goodwill and technology-related assets related to SIRRUS Inc., and 1,713 million yen in costs related to the cancellation of the business integration between the Company and Sanyo Chemical Industries, Ltd., which were recorded in the previous fiscal year.

Profit before tax was 33,675 million yen, a year-on-year increase of 46,601 million yen, due to increases in operating profit and share of profit of investments accounted for using equity method.

As a result, profit attributable to owners of parent of 23,720 million yen was posted, up 34,619 million yen year-on-year.

Consolidated revenue	369.3 billion yen (up 35.2% year-on-year)
Consolidated operating profit	29.1 billion yen (- % year-on-year)
Consolidated profit before tax	33.7 billion yen (- % year-on-year)
Profit attributable to owners of parent	23.7 billion yen (- % year-on-year)

Sales by business segment are as follows.

[Basic Chemicals]

Sales of acrylic acids and acrylates increased due to higher selling prices resulting from higher raw material prices and higher overseas market prices for products, as well as an increase in sales volume.

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

Sales of ethylene glycol increased due mainly to higher selling prices resulting from higher overseas market prices of the product, despite a decrease in sales volume.

Sales of secondary alcohol ethoxylates increased due to an increase in sales volume and higher selling prices in line with higher raw material prices and other factors.

As a result, revenue in the basic chemicals segment increased 44.1% year-on-year to 158,896 million yen.

Operating profit increased 16,507 million yen year-on-year to 21,042 million yen due to factors such as widening spreads resulting from higher overseas market prices for products, increased production and sales volumes, and the impact of inventory valuation differences resulting from higher raw material prices.

[Functional Chemicals]

Sales of superabsorbent polymers increased due to higher selling prices in line with rising raw material prices and product overseas market conditions, as well as an increase in sales volume.

Sales of special acrylates increased due to higher selling prices in line with rising overseas market prices of the products and higher sales volumes.

Sales of polymers for concrete admixtures, water-soluble polymers such as raw materials for detergents, ethyleneimine derivatives, and resins for paints increased mainly due to higher sales volumes.

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

Sales of iodine compounds increased due to an increase in product sales mix and sales volume.

Sales of resin modifiers, electronic and information materials, and processed adhesive products decreased due to lower sales volumes.

As a result, revenue in the functional chemicals segment increased 28.8% year on year to 200,004 million yen.

Operating profit increased due to higher production and sales volumes and the impact of inventory valuation differences resulting from higher raw material prices, despite an increase in selling, general and administrative expenses due to higher marine transportation costs and other factors. In addition, the absence of impairment losses on fixed assets of NSE and goodwill and technology-related assets of SIRRUS Inc., which were recorded in the previous period, resulted in 8,669 million yen, a year-on-year increase of 27,788 million yen.

[Environment & Catalysts]

Sales of process catalysts, De-NOx catalysts, and fuel cell materials increased due to higher sales volumes.

Sales of materials for lithium-ion batteries increased due to an increase in sales volume despite a decline in selling prices.

Sales of wet air oxidation catalysts decreased due to a decline in sales volume.

As a result, revenue in the environment & catalysts segment increased 36.2% year on year to 10,393 million yen.

Operating profit decreased 1,144 million yen year-on-year to operating loss of 941 million yen due to the impact of inventory valuation difference and an increase in selling, general and administrative expenses.

(Revenue by Business Segment)

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Fiscal Year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	Change
Basic Chemicals	110,261	158,896	48,634
Functional Chemicals	155,272	200,004	44,732
Environment & Catalysts	7,629	10,393	2,764

(Operating Profit (Loss) by Business Segment)

(Unit: Millions of yen)

	Fiscal Year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Fiscal Year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	Change
Basic Chemicals	4,535	21,042	16,507
Functional Chemicals	-19,119	8,669	27,788
Environment & Catalysts	203	-941	-1,144

(2) Capital Expenditures

The total amount of the Company's capital expenditures for FY 2021 was 16,522 million yen (on a construction basis), which was mainly the construction of production plant (PT. NIPPON SHOKUBAI INDONESIA) of acrylic acids.

(3) Fund Procurement

During FY 2021, the Company's requirements for funds included capital investment, working capital and repayment of borrowings and redemption of corporate bond, which were met by using internal resources and taking out loans from financial institutions.

Interest-bearing debt as of March 31, 2022 was 59,677 million yen, 1,895 million yen lower compared to the end of the previous fiscal year primarily due to the progress in repayment of borrowings from financial institutions at overseas subsidiaries in particular.

(4) Issues to Be Addressed

The business environment surrounding the Group has changed significantly, and while chemical products are becoming more global and commoditized, the functions required for them are also diversifying. In order to respond flexibly to such drastic changes and achieve further growth, under the Long-Term Vision “TechnoAmenity for the future” formulated in April 2021 and the new mid-term management plan “TechnoAmenity for the future-I” formulated in March 2022, the Group will accelerate three transformations.

[Outline of Long-Term Vision “TechnoAmenity for the future”]

Under the Long-Term Vision “TechnoAmenity for the future,” “The Goals in 2030” are defined as “Providing materials and solutions required by people and society,” “Chemical company that keeps evolving by identifying social changes,” and “Growing with various stakeholders inside and outside the company,” and toward achieving these goals, three transformations have been established.

<Three transformations toward the goals for 2030>

[1] Business transformation

Transforming portfolio from the existing areas to growing areas

Expanding the highly profitable Solutions business
Rebuilding the Materials business fundamentally to strengthen our business foundation
Improving productivity and creating new value by promoting digital transformation (DX)

[2] Transforming ourselves for environmental initiatives

Promoting sustainability to achieve carbon neutrality in 2050

[3] Organizational transformation

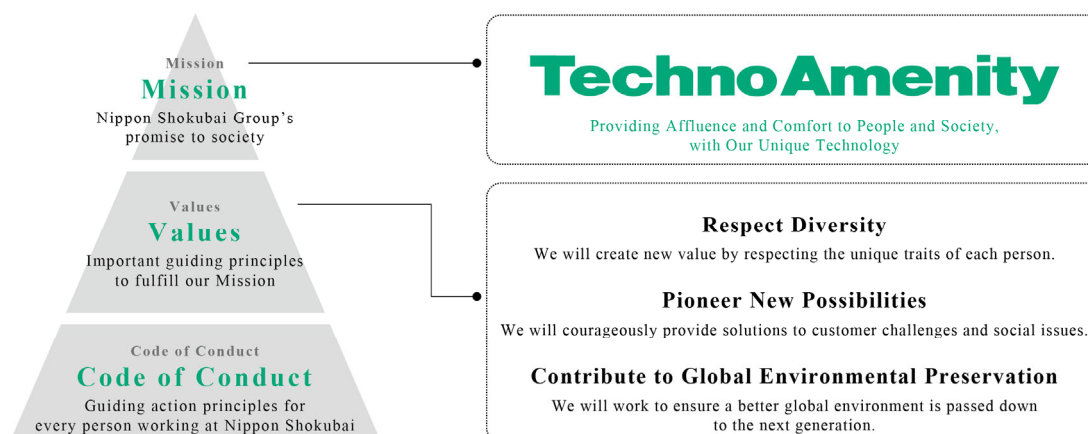
Transforming ourselves to be a continuously growing organization and company where diverse human resources work energetically.

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

The Group formulated the new mid-term management Plan as the first three years (FY2022 - FY2024) of actions towards achieving our long-term vision. It defines the first three years of actions to solidify a foundation in each of our fields and spearhead various initiatives toward transformations. We will steadily implement the new mid-term management Plan, aiming to achieve record-high earnings in FY2024, as a milestone of “The Goals in 2030” as defined in the long-term vision.

[Group Mission Framework]

We have reorganized our philosophy framework and its contents to realize our long-term vision, and revised it into a framework of values and code of conduct with our group mission at the top.



[Management Targets]

As part of the “Business transformation,” we aim to increase the ratio of operating profit of the Solutions business to total operating profit to 50% and achieve a record-high operating profit of 33.0 billion yen. We have also set goals for “Strategic transformation for environmental initiatives,” “Organizational transformation,” and “Capital policy” to promote each of these initiatives steadily.

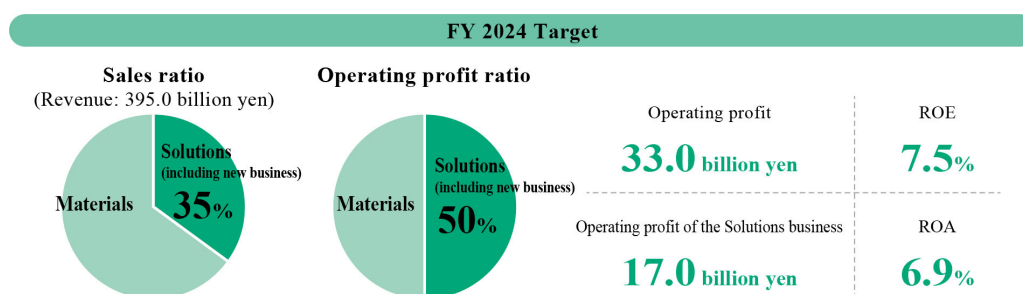
		FY2024 Targets	Goals in FY2030
Financial targets	Operating profit	33.0 billion yen	Approx. of 60.0 billion yen
	Solutions Business operating profit	17.0 billion yen	Approx. of 40.0 billion yen
	ROE	7.5%	9% or higher
	ROA	6.9%	9% or higher
	Total shareholder return ratio	50%	-
	Revenue from new products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

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

[Three transformations]

i) Business transformation

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



a. Initiatives to expand the Solutions Business

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

b. Initiatives to strengthen the Materials Business

In the acrylic business, to strengthen profitability, we will continue the "SAP (superabsorbent polymer) Survival Project" that was undertaken during the previous mid-term management plan, as well as reduce manufacturing costs by introducing highly efficient production technology. Sustainability efforts will include development of biomass raw materials for acrylic acids (bio-based AA), initiatives of bio-based superabsorbent polymer (bio-based SAP), and the promotion of SAP recycling and initiatives through the supply chain.

We plan to start commercial operation of an acrylic acid (AA) facility (100,000 tons/year) in Indonesia in 2023.

Bio-based AA Development	Bio-based SAP Initiatives	Promotion of SAP Recycling
Progress with the development of new production methods for biomass raw materials for acrylic acids. (Investigate multiple routes) <ul style="list-style-type: none"> ●Proof-of-concept pilot project by FY 2025 ●Target practical use by FY 2030 Strength: Catalyst design and mass-manufacturing technologies	Start production of AA/SAP from bio-based propylene using a mass balance system. (Pioneer effort at NSE in Europe)	Prove the concept of producing recycled SAP from used disposable diapers that have been collected.

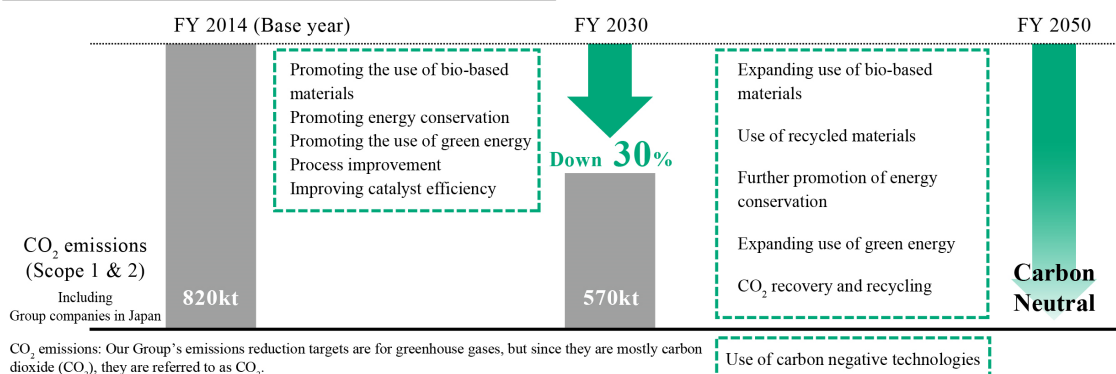
In the ethylene oxide (EO) business, we will apply the knowledge from the "SAP Survival Project" to EO and its derivatives to improve profitability at the manufacturing facility and group companies as a whole (the EO Resilience project). In addition, as part of our sustainability efforts, we will move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

ii) Strategic transformation for environmental initiatives

Toward carbon neutrality in 2050, we have set our own CO₂ emissions reduction (Scopes 1 & 2) target of 30% in 2030 (vs. 2014). In addition to conventional energy-saving activities, we aim to achieve this target through a complex of activities, including innovation in manufacturing processes and technologies, and conversion of raw materials and energy.

Furthermore, as a contribution to the reduction of emissions in society as a whole, we will strive to reduce CO₂ emissions through our business activities by setting revenue targets for environmental contribution products and expanding sales of these products. (Scope 3)

CO₂ Emissions Reduction Roadmap for 2050 (Scope 1 & 2)

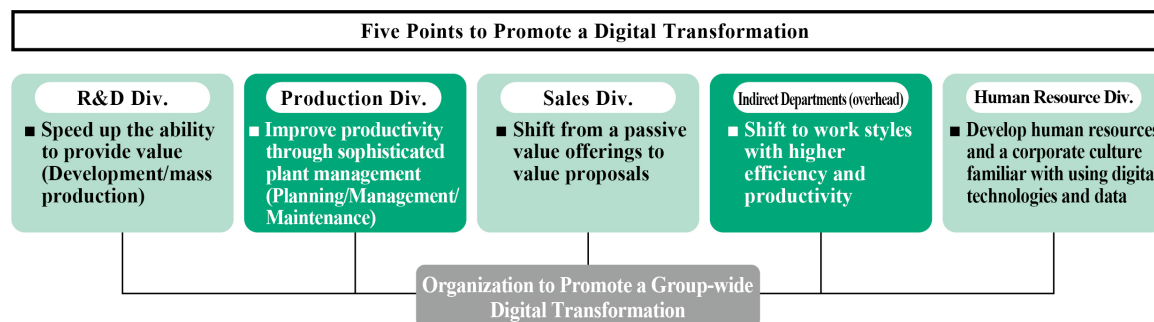


iii) Organizational transformation

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

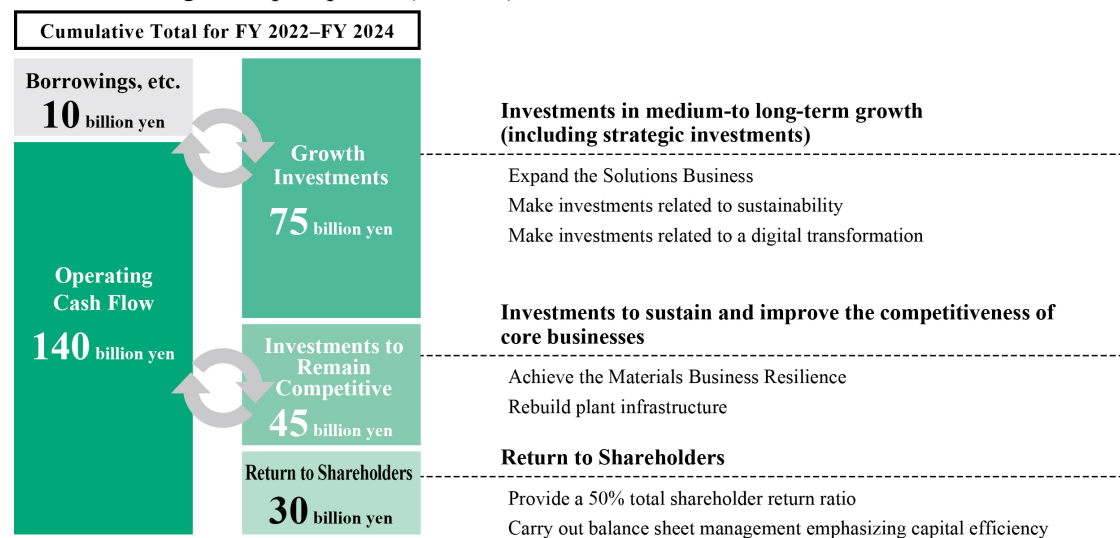
[Promotion of DX]

A DX promotion organization will be established to lead and support activities across the Group and accelerate DX promotion.



[Capital policy]

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



[Progress in FY2021 (as the zero year of the Mid-term Management Plan)]

As stated in the Long-Term Vision, we have sequentially implemented the necessary initiatives in the fiscal year 2021, the previous year of the new mid-term management plan.

In “Business transformation,” we have completed the establishment of a new organization and increased the number of employees to strengthen the planning, development, and marketing functions to expand the Solutions business, and have begun collecting, analyzing, and sharing information using marketing automation and other tools already in place. In addition, for the purpose of establishing a timely production system, we have almost completed the construction of a system to share the progress of R&D and commercialization with related divisions as needed, and plan to start full-scale operation in the fiscal year 2022.

In “Materials business strengthening,” we have started to promote related cost reduction projects, and NIPPON SHOKUBAI EUROPE N.V., a European subsidiary, has completed the acquisition of biomass SAP production certification, and will gradually establish its supply system in response to customer requests.

In the “Strategic transformation for environmental initiatives” area, we have completed the formulation of CO₂ reduction scenarios for the 2030 target, have begun the conversion of energy use, and expect to bring many of the themes currently under research and development to the market as environmental contribution products.

In the area of “Organizational transformation,” we have already completed the establishment of a new personnel system to promote the development and success of human resources and the establishment of rules for the transfer of duties and authority, which were reviewed for the growth of the organization, and began to operate the system in April 2022.

As for DX promotion, the renewal of the IT infrastructure and the Group-wide core operating system (ERP), which support diverse work styles, is proceeding as planned. The newly established organization will play a central role in ensuring more effective operation.

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

2. Financial Condition, Profit and Loss

Financial Condition, Profit and Loss of the Group

	107th Term (April 2018 - March 2019)	108th Term (April 2019 - March 2020)	109th Term (April 2020 - March 2021)	110th Term (April 2021 - March 2022)
Japanese GAAP (*)				
Net sales (¥ millions)	349,678			
Operating profit (¥ millions)	26,110			
Ordinary profit (¥ millions)	33,101			
Profit attributable to owners of parent (¥ millions)	25,012			
Basic earnings per share (¥)	627.20			
Total assets (¥ millions)	471,050			
Net assets (¥ millions)	325,371			
Net assets per share (¥)	8,089.98			
ROA (Return on Assets) (%)	7.1			
ROE (Return on Equity) (%)	7.9			
IFRS				
Revenue (¥ millions)	338,869	302,150	273,163	369,293
Operating profit (loss) (¥ millions)	26,170	13,178	-15,921	29,062
Profit (loss) before tax (¥ millions)	32,119	15,748	-12,926	33,675
Profit (loss) attributable to owners of parent (¥ millions)	23,849	11,094	-10,899	23,720
Basic earnings (loss) per share (¥)	598.05	278.21	-273.33	594.86
Total assets (¥ millions)	481,668	475,641	471,617	518,151
Total equity (¥ millions)	329,227	326,108	323,725	351,123
Equity attributable to owners of parent per share (¥)	8,099.97	8,017.17	7,959.07	8,624.02
ROA (Ratio of profit before tax to total assets) (%)	6.7	3.3	-2.7	6.8
ROE (Ratio of profit to equity attributable to owners of parent) (%)	7.5	3.5	-3.4	7.2

- (1) For the fiscal year ended March 31, 2019 (107th Term), net sales increased due to a revision in sales prices on account of rising raw material prices and market conditions for products outside of Japan. With regard to profits, in spite of the volume effects resulting from increased production and sales volume, higher processing costs led to lower operating profit. Non-operating income increased due to an increase in share of profit of entities accounted for using equity method. As a result, profit attributable to owners of parent rose.

- (2) For the fiscal year ended March 31, 2020 (108th Term), revenue decreased due to a decline in sales prices on account of a fall in raw material prices and weak market conditions for products outside of Japan, and a decline in sales volume. With regard to profits, narrowed spreads owing to a decline in product prices in excess of the decrease in raw materials prices, as well as lower sales volume and increased processing costs such as depreciation associated with the introduction of additional facilities led to lower operating profit. Profit before tax decreased due to decreases in operating profit and share of profit of investments accounted for using equity method. As a result, profit attributable to owners of parent declined.
- (3) For the fiscal year ended March 31, 2021 (109th Term), revenue decreased due to a decline in sales prices on account of a fall in raw material costs and weak market conditions for products outside of Japan due to COVID-19, along with slowdown in the global economy and a decline in sales volume. With regard to profits, operating loss was recorded due to lower production and sales volume, as well as narrowed spreads owing to a decline in product prices in excess of the decrease in raw materials costs, impairment losses of non-current assets recorded by the Company's consolidated subsidiary NIPPON SHOKUBAI EUROPE N.V., impairment losses of goodwill and technology-related assets, etc., associated with SIRRUS Inc., and business integration expenses associated with the cancellation of the business integration between the Company and Sanyo Chemical Industries, Ltd. Profit before tax decreased due to decreases in operating profit and share of profit of investments accounted for using equity method, despite decreased foreign exchange loss. As a result, profit attributable to owners of parent declined.
- (4) For information concerning the fiscal year ended March 31, 2022 (110th Term), please refer to "1. Progress and Results of Operation" above

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

	107th Term (April 2018 - March 2019)	108th Term (April 2019 - March 2020)	109th Term (April 2020 - March 2021)	110th Term (April 2021 - March 2022)
Net sales (¥ millions)	232,222	204,690	181,073	224,366
Operating profit (¥ millions)	17,356	10,178	4,884	18,148
Ordinary profit (¥ millions)	26,216	18,677	11,280	24,444
Profit (loss) (¥ millions)	20,371	14,776	-19,650	17,609
Basic earnings (loss) per share (¥)	510.83	370.54	-492.78	441.60
Total assets (¥ millions)	352,742	355,380	332,494	356,044
Net assets (¥ millions)	263,718	268,014	250,569	260,212
Net assets per share (¥)	6,613.17	6,721.06	6,283.76	6,525.71
ROA (Return on Assets) (%)	7.4	5.3	3.3	7.1
ROE (Return on Equity) (%)	7.9	5.6	-7.6	6.9

3. Significant Subsidiaries

Name	Capital (¥ millions, unless otherwise quoted)	Nippon Shokubai's Shareholding Percentage (%)	Major Businesses
Nippoh Chemicals Co., Ltd.,	517	84.47	Manufacture and sale of iodine, iodine compounds, raw materials for pharmaceuticals and agricultural chemicals, and natural gas
NIPPON NYUKAZAI CO., LTD.	1,000	100.00	Manufacture and sale of surfactants and chemical products
Nisshoku Butsuryu Co., Ltd.	100	100.00	General distribution of chemicals
Nippon Shokubai America Industries, Inc.	* (US\$ thousands) 100,000	100.00	Manufacture and sale of superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders
PT. NIPPON SHOKUBAI INDONESIA	(US\$ thousands) 120,000	99.99	Manufacture and sale of acrylic acids, acrylates, and superabsorbent polymers
NIPPON SHOKUBAI EUROPE N.V.	(€ thousands) 243,000	100.00	Manufacture of acrylic acids and manufacture and sale of superabsorbent polymers
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	(US\$ thousands) 52,820	100.00	Manufacture and sale of superabsorbent polymers and polymers for concrete admixtures
NIPPON SHOKUBAI (ASIA) PTE. LTD.	* (US\$ thousands) 4,175	100.00	Manufacture and sale of glacial acrylic acids and sale of other chemicals
Singapore Acrylic PTE LTD	(US\$ thousands) 27,007	79.42	Manufacture and sale of crude acrylic acids

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

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

4. Description of Principal Businesses

The Group mainly manufactures and sells the following products:

Business	Principal Products
Basic Chemicals	Acrylic acid, acrylates, ethylene oxide, ethylene glycol, ethanolamine, secondary alcohol ethoxylates, glycol ether
Functional Chemicals	Superabsorbent polymers, special acrylates, intermediates for pharmaceuticals, polymers for concrete admixtures, electronic and information materials, iodine, maleic anhydride, resins for adhesives/paints, processed adhesive products
Environment & Catalysts	Automotive catalysts, De-NOx catalysts, dioxin decomposition catalysts, process catalysts, equipment for waste gas treatment, and fuel cell materials

5. Principal Offices and Plants

(1) The Company

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

(2) Subsidiaries

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

6. Employees of the Company and Group Companies

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year
4,526	Decrease of 29 persons

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

(Reference) Employees of the Company

Number of Employees	Increase / Decrease Compared to the End of the Previous Fiscal Year	Average Age	Average Length of Service
2,412	Increase of 21 persons	38.7 years old	16.5 years

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

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

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

7. Principal Lenders

(Millions of yen)

Name of Lender	Amount Outstanding
Resona Bank, Limited	12,889
Japan Bank for International Cooperation	11,749
Mizuho Bank, Ltd.	9,006
MUFG Bank, Ltd.	8,030
The Norinchukin Bank	4,753

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

II. Matters Concerning the Company

1. Matters Concerning the Company's Shares as of March 31, 2022

- (1) Total Number of Authorized Shares: 127,200,000 (common stock)
- (2) Total Number of Issued and Outstanding Shares: 40,800,000 (common stock)
- (3) Number of Shareholders: 10,765
- (4) Major Shareholders (Top 10 shareholders)

Name	Number of Shares Owned (thousand shares)	Ratio of Capital Contribution (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,641	11.63
Sumitomo Chemical Company, Limited	2,727	6.84
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,304	5.77
ENEOS Holdings, Inc.	2,129	5.33
Custody Bank of Japan, Ltd. (Trust Account)	1,708	4.28
Resona Bank, Limited.	1,373	3.44
Sanyo Chemical Industries, Ltd.	1,267	3.17
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,139	2.85
Mizuho Bank, Ltd.	948	2.37
Toyo Ink SC Holdings Co., Ltd.	904	2.26

- (Note 1) In addition to the above, there are treasury shares of 925 thousand shares held by the Company, which are not included in the above table.
- (Note 2) Treasury share is excluded from the calculation for “Shareholding Ratio of the Total Shares Outstanding” above.
- (Note 3) Figures in “Number of Shares Owned” and “Shareholding Ratio of the Total Shares Outstanding” are truncated.

2. Executives of the Company

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

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

(Note 1) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai are Outside Members of the Board.

(Note 2) Mr. Yoritomo Wada and Mr. Tsukasa Takahashi are External Statutory Corporate Auditors.

(Note 3) Statutory Corporate Auditor Mr. Yoritomo Wada has years of experience as a certified public accountant and possesses considerable knowledge in finance and accounting.

(Note 4) Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai, Outside Members of the Board, and Mr. Yoritomo Wada and Mr. Tsukasa Takahashi, External Statutory Corporate Auditors, are registered at Tokyo Stock Exchange Markets as independent officers.

(Note 5) There was a change in positions, responsibilities in the Company and/or important positions concurrently held at other companies of Members of the Board of the Company as follows:

As of April 1, 2022

Position	Name	Responsibility in the Company
Representative Member of the Board, Senior Managing Executive Officer	Jiro Iriguchi	Production & Technology, DX Promotion Division, Engineering Division, Indonesia Project, and IONEL Construction Team
Member of the Board, Managing Executive Officer	Kazuhiro Noda	Corporate Planning Division
Member of the Board, Managing Executive Officer	Kuniaki Takagi	Administration, HR, Finance, Accounting, General Affairs & HR Division
Member of the Board, Managing Executive Officer	Masahiro Watanabe	Sales, Marketing, Purchasing, Logistics, Business Planning Division President and Representative Director of Nisshoku Butsuryu Co., Ltd.
Member of the Board, Managing Executive Officer	Yasutaka Sumida	Innovation & Business Development, Corporate Research Division, Health & Medical Business Development Office, Cosmetics Business Office, Director of Innovation & Business Development Division, R&D Management Dept.
Member of the Board	Tetsuo Setoguchi	Advisor to Osaka Gas Co., Ltd., Outside Auditor of YOMIURI TELECASTING CORPORATION, and Chairman and Director of OGIS-RI Co., Ltd.

(Reference)

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

(As of April 1, 2022)

Position	Name	Responsibility in the Company
Managing Executive Officer	Masaya Yoshida	Energy & Electronics Solutions Division
Managing Executive Officer	Yukihiro Matsumoto	Plant Manager of Himeji Plant
Managing Executive Officer	Takashi Kobayashi	Finance & Accounting Division
Managing Executive Officer	Katsunori Kajii	Director of Acrylic Business Division
Executive Officer	Kazukiyo Arakawa	Director of Production Division
Executive Officer	Gun Saito	Director of Responsible Care Division
Executive Officer	Naoki Hijikuro	Director of Basic Materials Business Division
Executive Officer	Yoshihisa Oka	Plant Manager of Kawasaki Plant
Executive Officer	Kenta Kanaida	Director of Nippon Shokubai America Industries, Inc.
Executive Officer	Kazuhiro Sakuma	Director of Industrial & Household Solutions Division
Executive Officer	Shinya Kataoka	Director of Purchasing & Logistics Division

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

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

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

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

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

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

Category of positions	Aggregate Amount of Remuneration (¥ millions)	Aggregate Amount of Remuneration by Type (¥ millions)				Number of persons to be paid (persons)
		Fixed Remuneration	Performance-linked Remuneration			
		Basic Remuneration	Basic Remuneration	Bonuses	Aggregate Amount	
Members of the Board (Outside Members of the Board)	369 (36)	181 (36)	38 (－)	150 (－)	188 (－)	10 (3)
Statutory Corporate Auditors (External Statutory Corporate Auditors)	64 (18)	64 (18)	－ (－)	－ (－)	－ (－)	4 (2)
Total (Outside Officers)	433 (54)	245 (54)	38 (－)	150 (－)	188 (－)	14 (5)

(Note 1) The number of persons and the amounts of remuneration above include one Member of the Board who stepped down during the fiscal year 2021.

(Note 2) The total amount of remuneration, etc., includes bonuses of 150 million yen for Members of the Board of to be resolved at this Ordinary General Meeting of Shareholders.

2) Policy for Determination of Remuneration for Members of the Board and Statutory Corporate Auditors

a. Matters concerning Determination Policy for the Contents of Remuneration for Individual Members of the Board

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

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

The aggregate amount of basic remuneration for Members of the Board is determined based on resolution of the General Meeting of Shareholders. Amounts of basic remuneration for each Member of the Board are determined within such aggregate amount. Of the basic remuneration, fixed remuneration is comprised of a basic salary and a salary for duties performed, the amounts of which

are determined according to the position, work responsibility, and years of service of each Member of the Board. Policy for determination of performance-linked remuneration and bonuses as performance-linked remuneration, which are components of the basic remuneration, is as described in “b. Matters concerning Performance-linked Remuneration, etc.” The amount of basic remuneration as fixed remuneration for Outside Members of the Board is determined by comprehensively considering the level of remuneration for the Company’s officers and that of other companies. Basic remuneration is paid monthly, while bonuses are paid at certain times every year after the Board meetings, each type of which is cash.

With regard to the ratio by type of remuneration for Members of the Board (excluding Outside Members of the Board), amounts are determined based on the ratio of roughly 40:20:40 between fixed remuneration (under basic remuneration), performance-linked remuneration (under basic remuneration), and bonuses (under performance-linked remuneration). However, the ratio is subject to change according to the Company’s business results and degrees of achievement of targets by each individual as assessed by the target management system.

Determination policy for the contents of remuneration, etc. for individual Members of the Board was deliberated at the Nomination and Remuneration Committee, which received consultation from the Board meeting, and was resolved at the Board meeting held on February 26, 2021 upon receiving a report from the Nomination and Remuneration Committee. In addition, in the determination of the contents of remuneration, etc. for individual Members of the Board for the fiscal year 2021, the Nomination and Remuneration Committee discussed the contents of the remuneration, etc., including conformity of remuneration to the determination policy. The Board meeting therefore believes that the contents of the remuneration, etc. are in line with the determination policy.

b. Matters concerning Performance-linked Remuneration, etc.

Performance-linked remuneration, which is part of the basic remuneration for Members of the Board, uses ROA (ratio of profit before tax to total assets) as the index for performance-linked remuneration. The amount of performance-linked remuneration is calculated based on a predetermined formula using the actual ROA results for the target fiscal year, a variable coefficient set at certain ranges, and coefficients based on positions. The reason for selecting ROA as an index for performance-linked remuneration is that the Company belongs to the apparatus industry, and has long worked to increase ROA with an emphasis on profitability and asset efficiency. The trends in ROA including the fiscal year 2021 is as shown in “2. Financial Condition, Profit and Loss” on page 39.

The total amount of bonuses for Members of the Board is determined at the General Meeting of Shareholders each time the payment is made by taking thoroughly into account the profit for the fiscal year, status of dividend payment and other circumstances. Amounts of payments for individual Members of the Board (excluding Outside Members of the Board) are determined based on a predetermined formula according to positions and degrees of achievement of targets by each individual as assessed by the target management system.

c. Matters concerning Remuneration, etc. for Statutory Corporate Auditors

Statutory Corporate Auditors receive only basic remuneration (in principle, fixed remuneration) because they oversee business operations from an independent standpoint.

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

The aggregate amount of remuneration for Members of the Board of the Company was resolved to be 400 million yen or less per year at the 93rd Ordinary General Meeting of Shareholders held on June 22, 2005, and the aggregate amount of remuneration for Statutory Corporate Auditors was resolved to be 70 million yen or less per year at the 93rd Ordinary General Meeting of Shareholders held on June

22, 2005. The number of Members of the Board and that of Statutory Corporate Auditors at the closing of the said Ordinary General Meeting of Shareholders were 16 and 4, respectively.

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

With regard to the amounts of remuneration for individual Members of the Board for the fiscal year 2020, based on the policy for determination of the contents of remuneration, etc. for individual Members of the Board resolved at the Board meeting held on February 26, 2021, Yujiro Goto, who is President and Representative Member of the Board reserves the right to determine its specific contents. The scope of this right is the amounts of basic remuneration for individual Members of the Board and the allocation of bonuses. The reason for delegating this authority to President and Representative Member of the Board is because it was determined that President and Representative Member of the Board would be the most appropriate to evaluate the operations and work responsibilities of each Member of the Board, while at the same time taking into account the business results of the entire Company. In order to ensure that the authority is executed by President and Representative Member of the Board in an appropriate manner, policy for determination of remuneration for Members of the Board, remuneration systems and issues thereof, as well as appropriateness of the level of remuneration are deliberated by the Nomination and Remuneration Committee upon receiving consultation from the Board meeting, and the deliberation outcome is reported to the Board meeting before the determination is made by President and Representative Member of the Board based on such authority.

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

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

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

(Note 1) There are no special interests between the Company and either of the entities referred to above.

(Note 2) Member of the Board Mr. Tetsuo Setoguchi retired as Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd. on March 31, 2022, and assumed the position of Chairman and Director of OGIS-RI Co., Ltd. on April 1, 2022.

2) Principal activities during the fiscal year 2021

Name	Activities Undertaken as Part of Expected Roles of Outside Members of the Board
Shinji Hasebe (Outside Member of the Board)	Mr. Shinji Hasebe attended all of the 15 Board meetings that were held during the fiscal year 2021. From the perspective of a specialist in chemical engineering who is familiar with the chemical industry, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Tetsuo Setoguchi (Outside Member of the Board)	Mr. Tetsuo Setoguchi attended all of the 15 Board meetings that were held during the fiscal year 2021. Based on his wealth of experience in corporate management in the manufacturing industry and at a company with high public utility properties, he provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Miyuki Sakurai (Outside Member of the Board)	Ms. Miyuki Sakurai attended all of the 15 Board meetings that were held during the fiscal year 2021. Based on her highly professional expertise and a wealth of experience as an attorney-at-law and achievements as External Director of other companies, she provides useful opinions and proposals that contribute to the Company's management and supervises the Company's management from an independent perspective.
Yoritomo Wada (External Statutory Corporate Auditor)	Mr. Yoritomo Wada attended 14 of the 15 Board meetings that were held during the fiscal year 2021. At these meetings, he provides useful opinions that contribute to the Company's management as required from the perspective of an accounting expert and based on his achievements as External Statutory Corporate Auditor of other companies. Mr. Wada also attended 14 of the 15 Auditors meetings that were held during the fiscal year 2021, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.
Tsukasa Takahashi (External Statutory Corporate Auditor)	Mr. Tsukasa Takahashi attended all of the 15 Board meetings that were held during the fiscal year 2021. At these meetings, he provides useful opinions that contribute to the Company's management as required from the perspective of a legal expert and based on his achievements as External Statutory Corporate Auditor of other companies. Mr. Takahashi also attended all of the 15 Auditors meetings that were held during the fiscal year 2021, exchanged opinions with respect to the results of audits and discussed important issues regarding such audits. Furthermore, he periodically exchanged opinions with the senior management.

3) Summary of Contract for Limitation of Liability

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

3. Matters Concerning Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Remuneration Paid to Accounting Auditor

Classification	Amount Paid
(1) Total amount payable by the Company to the Accounting Auditor	¥60 million
(2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the Accounting Auditor	¥75 million

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

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

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

(3) Content of Non-auditing Services

Not applicable.

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

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

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

III. Systems and Policies of the Company

1. Systems to Ensure Proper Business Activities

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

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

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

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

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

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

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

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

Outline of the State of Operations of Internal Control Systems

(1) Legal Compliance

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

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

(2) Execution of Duties by Members of the Board

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

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

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

During the fiscal year, the corporate management meeting convened 21 times to deliberate on matters regarding basic management policies and the execution of items of importance. Attempts are being made to realize more efficient business operations, and measures are being taken regarding the execution of important business duties.

(3) Management of Risks of Loss

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

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

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

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

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

(5) Ensuring the Efficacy of Auditor Audits

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

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

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

(6) The Elimination of Anti-Social Forces

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

Note: The Outline of the State of Operations of Internal Control Systems is described in accordance with the basic policy with respect to the internal control system before the amendment.

2. Basic Policies Concerning Control of the Company

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

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

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

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

Consolidated Statements of Financial Position

(As of March 31, 2022)

(Unit: Millions of yen)

[Assets]	
Current assets	237,656
Cash and cash equivalents	39,363
Trade receivables	103,577
Inventories	75,311
Other financial assets	12,427
Other current assets	6,979
Non-current assets	280,495
Property, plant and equipment	191,143
Intangible assets	7,895
Investments accounted for using equity method	22,868
Other financial assets	40,981
Retirement benefit asset	12,820
Deferred tax assets	3,320
Other non-current assets	1,468
Total assets	518,151

[Liabilities]	
Current liabilities	109,014
Trade payables	57,616
Borrowings	23,559
Other financial liabilities	10,570
Income taxes payable	5,812
Provisions	5,931
Other current liabilities	5,527
Non-current liabilities	58,014
Borrowings	28,634
Other financial liabilities	6,784
Retirement benefit liability	14,044
Provisions	2,347
Deferred tax liabilities	6,205
Total liabilities	167,028
[Equity]	
Total equity attributable to owners of parent	343,882
Share capital	25,038
Capital surplus	22,472
Treasury shares	-6,291
Retained earnings	288,124
Other components of equity	14,538
Non-controlling interests	7,241
Total equity	351,123
Total liabilities and equity	518,151

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

Consolidated Statements of Profit or Loss
(April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

Revenue	369,293
Cost of sales	291,586
Gross profit	77,707
Selling, general and administrative expenses	48,992
Other operating income	3,013
Other operating expenses	2,667
Operating profit	29,062
Finance income	1,932
Finance costs	682
Share of profit of investments accounted for using equity method	3,362
Profit before tax	33,675
Income tax expense	9,204
Profit	24,470
Profit attributable to	
Owners of parent	23,720
Non-controlling interests	750
Profit	24,470

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

Consolidated Statements of Changes in Equity
(April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,472	-6,286	267,729	7,691	—
Profit	—	—	—	23,720	—	—
Other comprehensive income	—	—	—	—	-2,157	999
Comprehensive income	—	—	—	23,720	-2,157	999
Purchase of treasury shares	—	—	-5	—	—	—
Dividends	—	—	—	-4,984	—	—
Transfer from other components of equity to retained earnings	—	—	—	1,659	-660	-999
Total transactions with owners	—	—	-5	-3,325	-660	-999
Balance at end of period	25,038	22,472	-6,291	288,124	4,874	—

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	730	8,420	317,373	6,352	323,725
Profit	—	—	23,720	750	24,470
Other comprehensive income	8,935	7,777	7,777	535	8,312
Comprehensive income	8,935	7,777	31,497	1,285	32,782
Purchase of treasury shares	—	—	-5	—	-5
Dividends	—	—	-4,984	-396	-5,380
Transfer from other components of equity to retained earnings	—	-1,659	—	—	—
Total transactions with owners	—	-1,659	-4,989	-396	-5,385
Balance at end of period	9,664	14,538	343,882	7,241	351,123

(Reference)

Consolidated Statements of Cash Flows
(April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Profit before tax	33,675
	Depreciation and amortization	28,875
	Loss (gain) on sale of property, plant and equipment	-502
	Impairment losses	575
	Decrease (increase) in retirement benefit asset	-46
	Increase (decrease) in retirement benefit liability	-11
	Interest and dividend income	-1,483
	Interest expenses	338
	Share of loss (profit) of investments accounted for using equity method	-3,362
	Decrease (increase) in trade receivables	-19,005
	Decrease (increase) in inventories	-15,750
	Increase (decrease) in trade payables	10,231
	Other	1,314
	Subtotal	34,848
	Interest and dividends received	2,775
	Interest paid	-340
	Income taxes paid	-2,225
	Net cash provided by (used in) operating activities	35,058
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-20,189
	Proceeds from sale of property, plant and equipment	730
	Purchase of intangible assets	-2,067
	Purchase of investments	-895
	Proceeds from sale and redemption of investments	1,727
	Acquisition of shares of subsidiaries and affiliates	-500
	Other	-1,963
	Net cash provided by (used in) investing activities	-23,158
III	Cash flows from financing activities	
	Net increase (decrease) in short-term borrowings	6,227
	Proceeds from long-term borrowings	10,035
	Repayments of long-term borrowings	-9,722
	Redemption of bonds	-10,000
	Repayments of lease liabilities	-1,906
	Purchase of treasury shares	-5
	Dividends paid	-4,984
	Dividends paid to non-controlling interests	-396
	Net cash provided by (used in) financing activities	-10,751
IV	Effect of exchange rate changes on cash and cash equivalents	1,872
V	Net increase (decrease) in cash and cash equivalents	3,022
VI	Cash and cash equivalents at beginning of period	36,341
VII	Cash and cash equivalents at end of period	39,363

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

Notes to Consolidated Financial Statements

◆ Significant Accounting Policies

1. Basis of Preparation for Consolidated Financial Statements

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

2. Scope of Consolidation

Consolidated subsidiaries are as follows:

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

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

(2) Associates accounted for by the equity method: 12 companies

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

3. Accounting Policies

(1) Basis and methods of valuation of financial assets

1) Non-derivative financial assets

(i) Initial recognition and measurement and subsequent measurement

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

(ii) Derecognition

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

(iii) Impairment of financial assets

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

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

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

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

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

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

2) Derivatives and hedge accounting

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

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

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

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

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

(2) Basis and methods of valuation of inventories

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

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

1) Property, plant and equipment

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

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

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

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

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

2) Goodwill and intangible assets

(i) Goodwill

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

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

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

(ii) Intangible assets

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

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

- Software: 5 years

3) Leases

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

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

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

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

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

(4) Impairment of non-financial assets

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

(5) Method of providing major allowances and provisions

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

1) Provision for bonuses

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

2) Asset retirement obligations

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

(6) Method of accounting for post-employment benefits

1) Defined benefit plans

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

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

2) Defined contribution plans

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

(7) Revenue recognition

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

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

(8) Foreign currency translation

1) Foreign currency transactions

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

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

2) Foreign operations

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

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

◆ Notes to Accounting Estimates

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

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

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

1. Impairment of non-financial assets

(1) NIPPON SHOKUBAI EUROPE N.V.

The Group conducted impairment reviews on property, plant and equipment of 25,694 million yen owned by NIPPON SHOKUBAI EUROPE N.V. (hereinafter, "NSE"), a consolidated subsidiary of the Company under the Functional Chemicals segment, based on its business plan, market interest rates and other factors during the current fiscal year. Although there are signs of a recovery from the effects of the novel coronavirus infection, the business environment for superabsorbent polymers in Europe, where NSE is located, continues to be harsh due to continued high raw material and fuel prices. However, we expect the impact of the sharp rise in raw material and fuel prices to be transitory, and we believe that the supply-demand balance will improve over the medium to long term.

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

Key assumptions in the development of the business plan are sales volume and sales price. Future sales volumes and sales prices are set based on information obtained from customers, future market forecasts and other information. If the supply-demand balance for superabsorbent polymers or the market outlook changes differently than expected, sales volumes and sales prices may fluctuate, which could have a significant impact on the valuation of property, plant and equipment.

(2) Electronic information material products

In the current fiscal year, the Group conducted an impairment test for property, plant and equipment, etc. of 1,788 million yen related to certain products of electronic information materials in the Functional Chemicals business segment as the assets showed signs of impairment due to a decline in profitability caused by changes in the business environment. The recoverable amount of the relevant cash-generating unit was measured at the value in use based on the business plan, which was calculated by discounting future cash flows. As a result, no impairment loss was recognized since the recoverable amount exceeded the carrying amount.

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

2. Measurement of defined benefit obligations

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

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

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

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

(Unit: Millions of yen)	
Present value of defined benefit obligations	-41,185
Fair value of plan assets	39,960
Net amount of liability and asset recorded on Consolidated Statements of Financial Position	-1,225
Amounts recorded on Consolidated Statements of Financial Position	
Retirement benefit liability	-14,044
Retirement benefit asset	12,820
Net amount of liability and asset recorded on Consolidated Statements of Financial Position	-1,225

(2) Major actuarial assumptions

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

Discount rate	0.89%
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(3) Sensitivity analysis of defined benefit obligations

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

(Unit: Millions of yen)		
Discount rate	In case of 0.5% increase	-2,738
	In case of 0.5% decrease	3,096

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

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

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

(Unit: Millions of yen)

1.	Accumulated depreciation and accumulated impairment losses on property, plant and equipment:	489,229
2.	Collateral assets and secured liabilities:	
	Assets pledged as collateral:	281
	Cash and cash equivalents	8
	Property, plant and equipment:	273
	Obligations corresponding to the above items:	521
	Trade payables:	6
	Bonds and borrowings:	515
3.	Allowance for doubtful accounts directly deducted from assets	43
4.	Balance of guaranteed debt, etc.	
	Balance of guaranteed debt:	1,485
	Balance of guaranteed debt includes 742 million yen of debt that has been re-guaranteed by other companies.	

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

Impairment of non-financial assets

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

In the current fiscal year, the book value of land, and buildings and structures was reduced to the recoverable amount, and the amount of reduction was recorded as impairment loss (575 million yen) in other operating expenses in the Consolidated Statements of Profit or Loss, because the employee welfare facility owned in Sanda City, Hyogo Prefecture, which is a corporate asset not belonging to any reportable segment, was classified as idle assets with no future utilization plan at the end of the current fiscal year.

The recoverable amount of such assets was determined based on fair value less costs for disposal, and the fair value less costs for disposal was determined based on real estate appraisal values. The hierarchy of such fair value is Level 3.

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

- Number of issued and outstanding shares of the Company's stock at end of the fiscal year 2021
Common stock: 40,800,000 shares
- Matters related to distribution of retained earnings
 - Dividend payment

Resolution	Class of Shares	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 22, 2021	Common Stock	1,794	45.00	March 31, 2021	June 23, 2021
The Board meeting held on November 5, 2021	Common Stock	3,190	80.00	September 30, 2021	December 6, 2021

(2) Dividends with a record date in the fiscal year 2021 but an effective date in the following fiscal year

Resolution	Class of Shares	Source of Dividends	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2022	Common Stock	Retained Earnings	3,987	100.00	March 31, 2022	June 22, 2022

◆ Notes to Financial Instruments

1. Conditions of financial instruments

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

(1) Market risk

1) Foreign exchange risk

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

2) Interest rate risk

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

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

3) Share price fluctuation risk

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

4) Derivative transactions

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

(2) Credit risk

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

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

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

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

(3) Liquidity risk

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

2. Fair value of financial instruments

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

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

(Unit: Millions of yen)

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Long-term borrowings	41,536	41,372
Total financial liabilities	41,536	41,372

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

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

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

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

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

Level 3: Fair value measured using unobservable inputs

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Debt instruments	766	—	—	766
Other	—	52	546	598
Financial assets at measured fair value through other comprehensive income				
Equity financial instruments	35,911	—	3,444	39,355
Other	—	—	0	0
Total assets	36,677	52	3,990	40,719
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	740	—	740
Total liabilities	—	740	—	740

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

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

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

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

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

(Unit: Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Total
Beginning balance	2,871	841	3,712
Purchase	833	100	933
Profit (loss)	—	-343	-343
Other comprehensive income	-317	—	-317
Other	57	-52	4
Ending balance	3,444	546	3,990

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

◆ Per Share Information

Equity attributable to owners of parent per share: ¥8,624.02

Basic profit per share: ¥594.86

◆ Notes to Significant Subsequent Events

(Introduction of Performance-linked Stock Compensation Plan for Members of the Board, etc. of the Company)

At a the Board meeting held on May 12, 2022, the Company resolved to introduce a new “Performance-linked Stock Compensation Plan” (hereinafter referred to as the “Plan”) for the Company’s Members of the Board (excluding Outside Members of the Board and non-residents in Japan) and Executive Officers (excluding non-residents in Japan) (hereinafter collectively referred to as “Members of the Board, etc.”), and has decided to submit a proposal for the introduction of the Plan to the 110th Ordinary General Meeting of Shareholders scheduled to be held on June 21, 2022 (hereinafter referred to as the “Shareholders’ Meeting”).

1. Introduction of the Plan

- (1) Towards the realization of the Company’s mid-term management plan, the purpose of introducing the Plan is, by clarifying the linkage between remuneration for Members of the Board, etc. and the Company’s business performance and stock value, and enabling Members of the Board, etc. not only to enjoy the benefits of higher stock prices, but also to share the risk of stock price declines with shareholders, to motivate Members of the Board to contribute to the medium and long-term growth of the Company’s performance and corporate value.
- (2) With the introduction of the Plan, the remuneration for Members of the Board will consist of basic remuneration, which is fixed remuneration, and bonuses and stock compensation, which are performance linked remuneration.
- (3) The introduction of the Plan shall be subject to approval by a resolution at this Ordinary General Meeting of Shareholders.

2. Outline of the Plan

This is a stock-based compensation plan under which a trust established by monetary contributions from the Company (hereinafter referred to as the “Trust”) acquires the Company’s shares as compensation for Members of the Board, etc., and the Company’s shares and a monetary amount equivalent to the market value of the Company’s shares (hereinafter referred to as the “Company’s Shares, etc.”) in a number equivalent to the number of points to be granted to Members of the Board, etc. are delivered to Members of the Board, etc. through the Trust in accordance with the share delivery rules established by the Company (hereinafter referred to as the “Share Delivery Rules”).

Timing of transfer and delivery of the Company’s Shares, etc. to Members of the Board, etc. shall be, in principle, after his/her retirement.

Details of the Plan are as follows.

- (1) Name of trust: Stock Benefit Trust for Officers
- (2) Trustor: The Company
- (3) Trustee: Resona Bank, Limited
Resona Bank, Limited and Custody Bank of Japan, Ltd. enter into a specific comprehensive trust agreement and Custody Bank of Japan, Ltd. will be the re-trustee.
- (4) Beneficiaries: Members of the Board, etc. who meet the requirements for beneficiaries as stipulated in the Share delivery rules
- (5) Trust administrator: Third parties with no interest in the Company
- (6) Type of trust: Trust of money other than money trust (third party benefit trust)
- (7) Date of execution of the Trust Agreement: August 2022 (scheduled)
- (8) Date of the money trust: August 2022 (scheduled)
- (9) Trust period: From August 2022 (scheduled) until the termination of the Trust (no specific termination date shall be set, and the Trust shall continue as long as the Plan continues).
- (10) Maximum amounts of trust funds to be contributed to the Trust: Maximum amounts for the three fiscal years that are the initial target period (fiscal years ending March 31, 2023 through March 31, 2025) are 189 million yen for Members of the Board and 129 million yen for Executive Officers. (The actual amount of money to be contributed to the Trust by the Company will be the sum of the above-mentioned funds for acquisition of the Company shares and the estimated amount of necessary expenses such as trust fees and trust administrator fees.)
- (11) Maximum number of the Company’s shares to be granted to Members of the Board, etc.: Maximum total number of points granted to Members of the Board, etc. for the three fiscal years that are the initial target period are 28,800 points (equivalent to 28,800 shares) for Members of the Board and 19,800 points (equivalent to 19,800 shares) for Executive Officers.
- (12) Delivery of the Company’s Shares, etc. to Members of the Board, etc.: When the beneficiary requirements stipulated in the Share Delivery Rules is satisfied, the Company’s shares corresponding to the cumulative number of points granted up to the time of retirement will be delivered by completing the procedures to determine the beneficiary as stipulated in the Share Delivery Rules. However, for a certain percentage of these shares, a cash payment equivalent to the market value of the Company’s shares will be made in lieu of the delivery of the Company’s shares, in order to ensure tax payment funds.

(13) Type of shares to be acquired: Common stock of the Company

(14) Method of acquisition of the Company's shares:

The Trust will acquire the Company's shares through the stock market or by subscribing to the Company's disposal of treasury stock.

(15) Exercise of voting rights:

Voting rights for the Company's shares held in the Trust shall be uniformly non-exercised in order to ensure neutrality toward management.

◆ Notes to Revenue Recognition

1. Revenue disaggregation

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

(Unit: Millions of yen)

	Japan	Asia	Europe	North America	Others	Total
Basic Chemicals	95,051	53,991	3,683	3,510	2,661	158,896
Functional Chemicals	59,659	47,413	52,752	27,052	13,129	200,004
Environment & Catalysts	4,383	1,223	496	4,291	—	10,393
Total	159,093	102,627	56,931	34,852	15,790	369,293

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

2. Major countries and regions of each area:

(1) Asia: East and South East Asian countries

(2) Europe: European countries

(3) North America: North American countries

(4) Others: Countries and regions except Asia, Europe, North America, and Japan

(1) Basic Chemicals

Basic Chemicals business is engaged in sales of chemicals including acrylic acids and acrylates, ethylene oxide and their derivatives, whose main customers are product users.

In the sales of products in the Basic Chemicals business, when the control of product is transferred to the customer, that is, when the product is delivered to the customer, the legal and physical ownership of the product and material risks and rewards of ownership of such product are transferred to the customer, and the Group becomes entitled to receive payment from customer. Therefore, revenue is recognized at that timing. Revenue from the sales of these products is measured at the transaction price according to the contract with customers. In addition, consideration for transactions are received within a year after satisfying performance obligations, and do not involve significant financial elements.

(2) Functional Chemicals

Functional Chemicals business is engaged in sales of chemicals including superabsorbent polymers, polymers for concrete admixture and electronic information material, whose main customers are product users.

In the sales of products in the Functional Chemicals business, when the control of product is transferred to the customer, that is, when the product is delivered to the customer, the legal and physical ownership of the product and material risks and rewards of ownership of such product are transferred to the customer, and the Group becomes entitled to receive payment from customer. Therefore, revenue is recognized at

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

(3) Environment & Catalysts

Environment & Catalysts business is engaged in sales of chemicals including process catalysts, De-NOx catalysts, dioxin decomposition catalysts and fuel cell materials, whose main customers are product users.

In the sales of products in the Environment & Catalysts business, when the control of product is transferred to the customer, that is, when the product is delivered to the customer, the legal and physical ownership of the product and material risks and rewards of ownership of such product are transferred to the customer, and the Group becomes entitled to receive payment from customer. Therefore, revenue is recognized at that timing. As the performance obligation for the sale of equipment for waste gas treatment in the Environment & Catalysts business is satisfied over time, revenue is recognized in proportion to the progress of the performance obligations. The measurement of progress is based on the cost-to-cost method (an amount in proportion to the ratio of accumulated actual costs incurred to the estimated total costs at end of current period) as the Group believes that the accrual of cost is an appropriate measure of the degree of progress of the performance obligations. Revenue from the sales of these products is measured at the transaction price according to the contract with customers. In addition, consideration for transactions are received mainly within a year after satisfying performance obligations, and do not involve significant financial elements.

2. Contract balance outstanding

(Unit: Millions of yen)

Receivables arising from contract with customers	
Notes and accounts receivable - trade	103,587
Contract liability	48

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

Nonconsolidated Financial Statements

(As of March 31, 2022)

(Unit: Millions of yen)

[Assets]	
Current assets	154,458
Cash and deposits	20,674
Notes receivable - trade	213
Accounts receivable - trade	77,291
Merchandise and finished goods	22,997
Work in process	5,441
Raw materials and supplies	16,484
Prepaid expenses	929
Short-term loans receivable from subsidiaries and associates	4,789
Accounts receivable - other	2,756
Other	2,885
Non-current assets	201,586
Property, plant and equipment	84,911
Buildings	20,725
Structures	8,836
Machinery and equipment	27,322
Vehicles	47
Tools, furniture and fixtures	2,286
Land	24,565
Construction in progress	3,867
Accumulated depreciation	-2,736
Intangible assets	5,278
Patent right	338
Leasehold right	120
Software	1,633
Telephone subscription right	16
Right of using facilities	7
Other	3,164
Investments and other assets	111,397
Investment securities	37,300
Shares of subsidiaries and associates	51,057
Investments in capital of subsidiaries and associates	5,646
Long-term loans receivable	392
Long-term loans receivable from employees	1
Long-term loans receivable from subsidiaries and associates	6,595
Long-term prepaid expenses	967
Lease and guarantee deposits	447
Prepaid pension cost	9,186
Other	200
Allowance for doubtful accounts	-394
Total assets	356,044

[Liabilities]	
Current liabilities	73,782
Accounts payable - trade	43,154
Short-term loans payable	9,857
Current portion of long-term loans payable	5,182
Accounts payable - other	3,729
Accrued expenses	1,699
Income taxes payable	2,947
Advances received	15
Deposits received	339
Provision for bonuses	2,546
Provision for directors' bonuses	150
Provision for repairs	3,224
Other	940
Non-current liabilities	22,050
Long-term loans payable	12,395
Deferred tax liabilities	14
Provision for retirement benefits	8,938
Other	704
Total liabilities	95,832
[Net assets]	
Shareholders' equity	248,121
Capital stock	25,038
Capital surplus	22,071
Legal capital surplus	22,071
Other capital surplus	0
Retained earnings	207,302
Legal retained earnings	3,920
Other retained earnings	203,382
Reserve for dividends	760
Reserve for advanced depreciation of non-current assets	484
General reserve	157,665
Retained earnings brought forward	44,474
Treasury shares	-6,291
Valuation and translation adjustments	12,091
Valuation difference on available-for-sale securities	12,091
Total net assets	260,212
Total liabilities and net assets	356,044

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

Nonconsolidated Statements of Income

(April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

Net sales	224,366
Cost of sales	170,139
Gross profit	54,227
Selling, general and administrative expenses	36,079
Operating profit	18,148
Non-operating income	7,893
Interest and dividend income	3,791
Miscellaneous income	4,102
Non-operating expenses	1,597
Interest expenses	309
Miscellaneous loss	1,288
Ordinary profit	24,444
Extraordinary income	1,097
Gain on sales of investment securities	1,097
Extraordinary losses	2,337
Transfer of money for price adjustment to subsidiaries and associates	938
Impairment losses	575
Loss on removal of non-current assets	557
Loss on valuation of shares of subsidiaries and associates	267
Profit before income taxes	23,204
Income taxes	5,595
Income taxes - current	3,327
Income taxes - deferred	2,268
Profit	17,609

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

Nonconsolidated Statements of Changes in Equity
(April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

	Shareholders' equity									
	Capital stock	Capital Surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other Retained earnings				Total Retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	25,038	22,071	0	22,071	3,920	760	485	157,665	32,137	194,966
Cumulative effects of changes in accounting policies				—					-288	-288
Restated balance	25,038	22,071	0	22,071	3,920	760	485	157,665	31,848	194,678
Changes of items during period										
Dividends of surplus				—					-4,984	-4,984
Profit				—					17,609	17,609
Reversal of reserve for advanced depreciation of non-current assets				—			-1		1	—
Purchase of treasury shares				—						—
Net changes of items other than shareholders' equity				—						—
Total changes of items during period	—	—	—	—	—	—	-1	—	12,625	12,624
Balance at end of current period	25,038	22,071	0	22,071	3,920	760	484	157,665	44,474	207,302

(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-6,286	235,790	14,779	14,779	250,569
Cumulative effects of changes in accounting policies		-288		—	-288
Restated balance	-6,286	235,502	14,779	14,779	250,281
Changes of items during period					
Dividends of surplus		-4,984		—	-4,984
Profit		17,609		—	17,609
Reversal of reserve for advanced depreciation of non-current assets		—		—	—
Purchase of treasury shares	-5	-5		—	-5
Net changes of items other than shareholders' equity		—	-2,689	-2,689	-2,689
Total changes of items during period	-5	12,620	-2,689	-2,689	9,931
Balance at end of current period	-6,291	248,121	12,091	12,091	260,212

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

(Reference)

Nonconsolidated Statements of Cash Flows
(April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

I	Cash flows from operating activities	
	Profit before income taxes	23,204
	Depreciation	11,239
	Loss (gain) on sales of investment securities	-1,097
	Impairment losses	575
	Loss on valuation of shares of subsidiaries and associates	267
	Increase (decrease) in provision for retirement benefits	134
	Decrease (increase) in prepaid pension costs	-937
	Interest and dividend income	-3,791
	Interest expenses	309
	Decrease (increase) in notes and accounts receivable - trade	-17,502
	Decrease (increase) in inventories	-11,673
	Increase (decrease) in notes and accounts payable - trade	9,716
	Other, net	611
	Subtotal	11,053
	Interest and dividend income received	3,820
	Interest expenses paid	-325
	Income taxes (paid) refund	-42
	Net cash provided by (used in) operating activities	14,505
II	Cash flows from investing activities	
	Purchase of property, plant and equipment	-8,863
	Purchase of intangible assets	-2,357
	Proceeds from sales of investment securities	1,727
	Payments of loans receivable	-2,308
	Collection of loans receivable	5,668
	Other, net	-887
	Net cash provided by (used in) investing activities	-7,021
III	Cash flows from financing activities	
	Net increase (decrease) in short-term loans payable	8,455
	Proceeds from long-term borrowings	6,000
	Repayments of long-term loans payable	-4,666
	Redemption of bonds	-10,000
	Cash dividends paid	-4,984
	Other, net	-5
	Net cash provided by (used in) financing activities	-5,200
IV	Net increase (decrease) in cash and cash equivalents	2,284
V	Cash and cash equivalents at beginning of period	18,305
VI	Cash and cash equivalents at end of period	20,589

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

Notes to Nonconsolidated Financial Statements

◆ Significant Accounting Policies

1. Basis and methods of valuation of assets

(1) Basis and methods of valuation of securities

1) Shares of subsidiaries and associates:

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

2) Other securities:

Securities other than nonmarketable securities, etc.:

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

Nonmarketable securities, etc.:

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

(2) Basis and methods of valuation of inventories:

Inventories held for sale in the ordinary course:

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

2. Depreciation methods applicable to depreciable assets

(1) Property, plant and equipment:

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

(2) Intangible assets:

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

3. Method of providing allowances and provisions

(1) Allowance for doubtful accounts:

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

(2) Provision for bonuses:

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

(3) Provision for directors' bonuses:

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

(4) Provision for repairs:

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

(5) Provision for retirement benefits:

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

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

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

4. Standard for recognizing revenues and expenses

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

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

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

(1) Provision for retirement benefits

Methods of accounting for unrecognized actuarial differences for retirement benefits and unrecognized prior service costs differ from those employed in the consolidated financial statements.

(2) Method of material hedge accounting

1) Hedging method:

Deferred hedge treatment is adopted.

2) Hedging instruments and risks hedged:

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

a. Hedging instruments : Forward exchange contracts

Hedged risk: Foreign currency-denominated monetary assets and liabilities

b. Hedging instruments : Interest rate swaps

Hedged risk: Borrowing

3) Hedging policy:

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

4) Evaluation method for the effectiveness of hedges:

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

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

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

◆Changes in Accounting Policy

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Accounting Standard for Revenue Recognition”) and other standards have been adopted from the beginning of the current fiscal year, and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

As a result, the Company will recognize revenue from export sales when the risk burden is transferred to the customer based on the trade terms defined by Incoterms and other regulations, whereas it used to recognize revenue mainly at the time of shipment of products. In addition, in the case of a transaction in which the Company purchases raw materials, etc. from a customer and sells them to the customer after processing, the Company previously recognized revenue at the gross amount of consideration including the purchase price of the raw materials, etc., but now recognizes revenue at the net amount of consideration excluding the purchase price of the raw materials, etc.

In accordance with the transitional treatment prescribed in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings brought forward at the beginning of the current fiscal year, and the new accounting policy is applied from such beginning balance. However, applying the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year.

As a result, net sales and cost of sales for the current fiscal year decreased by 27,922 million yen and 28,390 million yen, respectively, and operating profit, ordinary profit, and profit before income taxes increased by 468 million yen, respectively.

The cumulative effect was reflected in net assets at the beginning of the current fiscal year, resulting in 288 million yen decrease in the beginning balance of retained earnings brought forward in the Nonconsolidated Statements of Changes in Equity.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the current fiscal year. This change has no impact on the Nonconsolidated Financial Statements.

◆Notes to Accounting Estimates

(Impairment of non-current assets)

In the current fiscal year, the Company conducted an assessment of recognition of impairment loss on property, plant and equipment, etc. of 1,788 million yen related to certain products of electronic information materials as the assets showed signs of impairment due to a decline in profitability caused by changes in the business environment. As a result, no impairment loss was recognized because the undiscounted future cash flows of the asset group exceeded the carrying amount.

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

◆Notes to Nonconsolidated Balance Sheet

1. Monetary claims and liabilities relating to subsidiaries and associates	
Short-term monetary claims:	35,865 million yen
Long-term monetary claims:	6,606 million yen
Short-term monetary liabilities:	11,480 million yen
Long-term monetary liabilities:	18 million yen
2. Accumulated depreciation on property, plant and equipment:	294,973 million yen
3. Guarantee obligations and guarantee reservations and obligations	
Outstanding balance of guarantee obligations:	13,234 million yen
Outstanding balance of guarantee reservations and obligations:	3,281 million yen

With regard to 742 million yen within the guarantee obligations, reinsurance from another company has been secured.

◆Notes to Nonconsolidated Statements of Income

1. Transfer of money for price adjustment to subsidiaries and associates
The accounting item is a transfer of money for price adjustment pursuant to the transfer pricing taxation concerning transactions with overseas subsidiaries.
2. Balance of transactions with subsidiaries and associates
Balance of operating transactions
 Net sales: 56,320 million yen
 Total purchase of goods: 39,235 million yen
Balance of non-operating transactions: 5,348 million yen

◆Notes to Nonconsolidated Changes in Shareholder's Equity

Class and number of shares of treasury stock at end of current period	
Common stock:	925,134 shares

◆Notes to Tax Effect Accounting

Major factors for deferred tax assets and liabilities

Deferred tax assets

Shares of subsidiaries and associates	8,482 million yen
Land	1,015 million yen
Provision for repairs	986 million yen
Depreciation (including impairment loss)	862 million yen
Provision for bonuses	779 million yen
Investment securities	541 million yen
Other:	1,161 million yen
Deferred tax assets subtotal:	13,827 million yen
Valuation allowance:	-8,827 million yen
Total deferred tax assets:	5,000 million yen

Deferred tax liabilities

Valuation difference on available-for-sale securities	-4,801 million yen
Reserve for advanced depreciation of non-current assets	-213 million yen
Total deferred tax liabilities	-5,014 million yen

Deferred tax assets (liabilities), net	-14 million yen
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◆Notes with Regard to Business Partners

Subsidiaries and associates

Type	Subsidiary			Associates	
Name	NIPPON SHOKUBAI EUROPE N.V.	PT. NIPPON SHOKUBAI INDONESIA		Umicore Shokubai Japan Co., Ltd.	
Location	Antwerp, Kingdom of Belgium	Banten, Indonesia		Tokoname City, Aichi Prefecture, Japan	
Paid-in capital or equity stake	€243,000,000	US\$120,000,000		750 million yen	
Business description	Manufacturing of chemicals	Manufacturing of chemicals		Wholesale of chemicals	
Holding/held ratio of voting rights	Ownership Direct 100.0%	Ownership Direct 99.9%		Ownership Indirect 40.0%	
Relationship	Guarantor of obligations Concurrent director (2 directors)	Guarantor of obligations Financial assistance Concurrent director (2 directors)		Supply of Nippon Shokubai Products (automotive catalysts) and related transactions Concurrent director (1 director)	
Transactions	Guarantee reservations	Collection of loans	Guaranty of loans	Sale of automotive catalysts (Note 1)	Procurement of raw materials (Note 1)
Amount (millions of yen)	3,281	2,666	11,749	28,041	28,085
Category	—	Short-term loans receivable from subsidiaries and associates	Long-term loans receivable from subsidiaries and associates	—	Accounts receivable - trade
Amount at end of term (millions of yen)	—	3,182	6,395	—	9,582
					6,901

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

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

◆Notes with Regard to Information Per Share

Net assets per share: 6,525.71 yen

Basic loss per share: 441.60 yen

◆Notes on Significant Subsequent Events

(Introduction of performance-linked stock-based compensation plan)

Details are omitted as the same information is provided in “◆Notes on Significant Subsequent Events” in the Notes to Consolidated Financial Statements.

◆Notes on Revenue Recognition

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