

[Translation: Please note that this is an English translation of the Japanese original Notice of the 13th Ordinary General Meeting of Shareholders of KH Neochem Co., Ltd. prepared for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.]

Securities code: 4189

Date of sending: March 2, 2023

Start date for measures for providing information in electronic format: March 2, 2023

To our shareholders,

Michio Takahashi
Representative Director
President & Chief Executive Officer

KH Neochem Co., Ltd.

2-3-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo

Notice of the 13th Ordinary General Meeting of Shareholders

We are pleased to announce the 13th Ordinary General Meeting of Shareholders (the “Meeting”) of KH Neochem Co., Ltd. (the “Company”), which will be held as indicated below. In the course of convening the Meeting, we have taken measures for providing information electronically—specifically, publishing the information comprising the Reference Documents for the Meeting, etc. (matters subject to measures for providing information electronically) under “Notice of the 13th Ordinary General Meeting of Shareholders” on the following website(s) on the Internet. Thus, we ask that you please visit the website(s) to look over the information.

[The Company’s website]<https://www.khneochem.co.jp/en/>
(To access the information, please visit the website above and click “Investor Relations,” then “Stock Information,” and then “General Meeting of Shareholders.”)

[Website containing the notice of the ordinary general meeting of shareholders]
<https://d.sokai.jp/4189/teiji/> (in Japanese only)

[Tokyo Stock Exchange website (Listed Company Search)]
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>
(To access the information, please visit the website above and enter “KH Neochem” in the “Issue name (company name)” field or the Company’s securities code (“41890”) in the “Code” field, click “Search,” then “Basic information,” and then “Documents for public inspection/PR information,” and then check the “Notice of General Shareholders Meeting / Informational Materials for a General Shareholders Meeting” column under “Documents for public inspection.”)

If you are attending the Meeting in person, from the perspective of preventing the spread of COVID-19, we kindly ask that you check the status of infections and the condition of your health on the date when the meeting is held, and that you take precautions to prevent the spread of COVID-19.

If you are unable to attend the Meeting in person, you may exercise your voting rights in writing or via the Internet, or by other means. We ask that you check the attached “Instructions for Exercising Voting Rights” on pages 3-5 for guidance on exercising your voting rights.

1. **Date and Time:** Friday, March 24, 2023, at 10:00 a.m. (JST) (Reception will open at 9:00 a.m.)

2. **Venue:** Nihonbashi Mitsui Hall, (Reception: 4F), COREDO Muromachi 1,
2-2-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo

3. **Proposes:**

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 13th term (from January 1, 2022 to December 31, 2022), as well as the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Financial Statements for the 13th term (from January 1, 2022 to December 31, 2022)

Items to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Election of Eight Directors

<Matters decided upon convocation>

- When exercising your voting rights by mail, if your approval or disapproval of a proposal is not indicated on the Voting Card, it will be handled as though you had indicated your approval of the proposal.
- If you exercise your voting rights in duplicate both by mail (Voting Card) and via the Internet or by other means, your voting via the Internet or by other means shall prevail. Additionally, if you exercise your voting rights multiple times via the Internet or by other means, only your last voting instructions will be valid.

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- If any revisions are made to the matters subject to measures for providing information electronically, we will publish the fact that revisions were made as well as the original and revised versions of the matters on the website(s) indicated above.
 - Pursuant to laws and regulations and Article 16, paragraph 2 of the Company's Articles of Incorporation, the following matters are not included in documents delivered to shareholders. We publish them on the websites listed above.
 - System to ensure appropriateness of operations and operational status of said system in the Business Report
 - Consolidated statement of changes in equity and Notes to the consolidated financial statements in the Consolidated Financial Statements
 - Statement of changes in equity and Notes to the financial statements in the Financial Statements

Accordingly, the Business Report, Consolidated Financial Statements, and Financial Statements (Non-Consolidated) included in this notice are a portion of the documents audited, specifically when the Accounting Auditor prepares Independent Auditor's Audit Reports and when Audit & Supervisory Board Members prepare Audit Reports.

Instructions for Exercising Voting Rights

You may exercise your voting rights by using any of the following three methods:

[Mailing the Voting Card]

Complete the Voting Card sent together with this notice by indicating your approval or disapproval of the proposals and return it without affixing a stamp.

Votes to be received by: 5:40 p.m. on Thursday, March 23, 2023 (JST)

[Exercising Voting Rights via the Internet or by other means]

Scan the QR code with smartphone or access the Voting Website (for PC) (<https://soukai.mizuho-tb.co.jp/>(in Japanese only)) through a computer, enter the “voting rights exercise code” and “password,” which are provided on the Voting Card sent together with this notice, and follow the instructions on the screen to exercise your voting rights.

Votes to be given by: 5:40 p.m. on Thursday, March 23, 2023 (JST)

<Electronic Voting Platform>

Institutional investors may use the platform for institutional investors operated by ICJ, Inc. to electronically exercise the voting rights.

[Attending the Meeting]

Submit the Voting Card sent together with this notice at the venue’s reception.

Date/Time: Friday, March 24, 2023, at 10:00 a.m. (JST) (Reception will open at 9:00 a.m.)

Venue: Nihonbashi Mitsui Hall, (Reception: 4F), COREDO Muromachi 1,
2-2-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo

- If you are attending the Meeting in person, from the perspective of preventing the spread of COVID-19, we kindly ask that you check the status of infections and the condition of your health on the date when the meeting is held, and that you take precautions to prevent the spread of COVID-19.
- We will take shareholders’ temperatures at the reception of the venue. Those who appear to have a fever or to be unwell may be refused to enter the venue.
- When entering the venue, please sanitize your hands with alcohol and wear a mask.
- The venue will be arranged with a substantially reduced number of chairs for shareholders at the Meeting to ensure ample distance is maintained between shareholders. Therefore, please understand that we may have no other option but to refuse your entry even if you come to the venue on the day.

<Exercising Voting Rights by Proxy>

You may exercise your voting rights by a proxy who is also a shareholder with voting rights.

Please be aware that a written statement attesting to the right of proxy must be submitted.

How to scan QR code, “Smart voting”

You can log in to the voting website for exercising voting rights without having to enter your “voting rights exercise code” and “password.”

1. Scan the QR code printed on the right side of Voting Card.
2. Then indicate your approval or disapproval for each of the proposals by following the instructions on the screen.

“Smart voting” can only be used once to exercise your voting rights.

In the event that you wish to modify the details of your vote after exercising your voting rights, please access the Voting Website (for PC) below from a PC or any other means, enter the voting rights exercise code printed on the Voting Card together with your password, log in, and exercise your voting rights once again.

* If the QR code is read a second time, you will be transferred to the Voting Website (for PC).

How to enter the “voting rights exercise code” and “password”

Voting Website (for PC): <https://soukai.mizuho-tb.co.jp/> (in Japanese only)

1. Please access the Voting Website (for PC) and click “次へすすむ (Next).”
2. Enter the voting rights exercise code printed on Voting Card and click “次へ (Next).”
3. Enter the password printed on Voting Card, set the new password that you actually use, and click “登録 (Register).”
4. Then indicate your approval or disapproval for each of the proposals by following the instructions on the screen.

Please contact the following if you have questions about the operation of your computer or smartphone regarding the exercise of voting rights via the Internet.

Inquiries: Mizuho Trust & Banking Co., Ltd.
Securities Agent Department, Web Support Desk
Telephone: 0120-768-524 (available only in Japan)
(Business hours: 9:00 a.m. to 9:00 p.m. excluding the New Year holidays)

Cautions regarding exercising voting rights via the Internet or by other means

- (1) Please be aware that, in order to prevent illegal online access by third parties who are non-shareholders (spoofing) and unauthorized changing of voting details, you will be asked to change your password when you log in to the voting website for the first time.
- (2) If you enter your password incorrectly for a certain number of times, the password will be locked and you will no longer be able to use it. If this occurs, please complete the procedures indicated in the guidance on the screen.
- (3) If you exercise your voting rights in duplicate both via the Internet or by other means and in writing, your voting via the Internet or by other means shall prevail.
- (4) If you exercise your voting rights multiple times via the Internet or by other means, only your last voting instructions will be valid.
- (5) Your password (including the password after you have changed it) shall be effective only for the Meeting.
- (6) Voting rights exercised via the Internet or by other means are accepted until 5:40 p.m. on Thursday, March 23, 2023; however, we kindly ask that you vote as early as possible.
- (7) We conducted operation checks of the voting website using common Internet access devices. However, you may not be able to use the website on some devices.
- (8) Please note that shareholders bear any costs incurred when accessing the voting website.

English Summary of the PROXY STATEMENT of KH Neochem

KH Neochem provides the official version of “Notice of the 13th Ordinary General Meeting of Shareholders” in Japanese, and this “English Summary of the PROXY STATEMENT of KH Neochem” is provided for reference purposes only.

Reference Documents for the Meeting

Proposal No. 1: Appropriation of Surplus

The Company’s basic policy regarding the return of profits to our shareholders is to strive to provide continuous and stable dividends in consideration of the balance between investments for future growth areas and retained earnings.

Based on the above policy, the Company proposes to pay ¥42.50 per share as the year-end dividend for the 13th term (fiscal year under review), in comprehensive consideration of factors such as the consolidated financial results and financial condition for the fiscal year under review. As a result, the annual dividend including the interim dividend (¥42.50 per share) will be ¥85.00 per share.

Year-end dividends

1	Type of dividend property	Cash
2	Allotment of dividend property and aggregate amount thereof	Dividends per common share of the Company: ¥42.50 Total dividends: ¥1,578,830,630
3	Effective date of dividends of surplus	March 27, 2023

Proposal No. 2: Election of Eight Directors

At the conclusion of the Meeting, the terms of office of all eight current Directors will expire. Accordingly, the Company proposes the election of eight Directors, including three Outside Directors.

The Board of Directors passed a resolution to submit this proposal after deliberation by the Company's voluntary Nomination and Compensation Advisory Committee (the majority of whose members are Outside Directors).

The candidates for Director are as follows:

No.	Name		Gender	Position and responsibility in the Company (Significant concurrent positions outside the Company)	Attendance at Board of Directors meetings (fiscal year under review)
1	Michio Takahashi	Reelection	Male	Representative Director President & Chief Executive Officer	100% (16 of 16 meetings)
2	Toshihiro Matsuoka	Reelection	Male	Board Director, Senior Corporate Officer, and Head of Production Planning and Engineering (In charge of Procurement, Production Planning and Engineering, and Environment, Safety, and Quality Assurance)	100% (16 of 16 meetings)
3	Tatsuro Niiya	Reelection	Male	Board Director and Senior Corporate Officer (In charge of Corporate strategy, Marketing, Sales and Logistics)	100% (16 of 16 meetings)
4	Masaya Hamamoto	Reelection	Male	Board Director and Senior Corporate Officer & Chief Financial Officer (In charge of Accounting and Finance, Investor Relations, Public Relations, General Affairs, Legal and Compliance, Internal Audit, Risk Management, and Promotion of ESG)	100% (16 of 16 meetings)
5	Yukihiro Isogai	Reelection	Male	Board Director and Senior Corporate Officer (In charge of HR, IT Strategy, R&D, Intellectual Property, and Information Security)	100% (16 of 16 meetings)
6	Sayoko Miyairi	Reelection Outside Director Independent Director	Female	Outside Director (Independent Director) Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation Outside Director of NIHON SEIKAN K.K.	100% (16 of 16 meetings)
7	Jun Tsuchiya	Reelection Outside Director Independent Director	Male	Outside Director (Independent Director) CEO of Tsuchiya International Consulting Corp Outside Director of Soken Chemical & Engineering Co., Ltd.	100% (16 of 16 meetings)
8	Yuji Kikuchi	Reelection Outside Director Independent Director	Male	Outside Director (Independent Director) Partner and attorney at law of Tokyo Hatchobori Law Office	100% (16 of 16 meetings)

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
1	<p style="text-align: center;"><Reelection></p> <p>Michio Takahashi (February 15, 1965)</p>	<p>Apr. 1987 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>Jul. 2011 Head of Basic Chemicals Division of Kyowa Hakko Chemical Co., Ltd. (now the Company)</p> <p>Mar. 2013 Director and Corporate Officer of the Company</p> <p>Mar. 2016 Managing Director and Corporate Officer of the Company</p> <p>Mar. 2017 Director, Executive Vice President and Corporate Officer of the Company</p> <p>Mar. 2019 Representative Director, President and Chief Corporate Officer of the Company</p> <p>Mar. 2020 Representative Director, President & Chief Executive Officer of the Company (to present)</p> <hr/> <p>[Reason for nomination as candidate for Director]</p> <p>Mr. Michio Takahashi exercises strong leadership as President in order to realize VISION 2030 and has contributed to the further advancement of the Group through various measures. Additionally, the Company deems that Mr. Takahashi is a skilled individual that is appropriate for the sustained improvement of the Company's corporate value because he has extensive experience, achievements, and insight related to management of the Group. Accordingly, the Company proposes the election of Mr. Michio Takahashi as a Director.</p>	<p style="text-align: center;">19,854 shares (13,954 shares)</p> <hr/> <p style="text-align: center;">Attendance at Board of Directors meetings during the fiscal year</p> <p style="text-align: center;">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
2	<p style="text-align: center;"><Reelection> Toshihiro Matsuoka (May 9, 1962)</p>	<p>Apr. 1987 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>Apr. 2008 General Manager of Production Administration Division of Kyowa Hakko Chemical Co., Ltd. (now the Company)</p> <p>Jun. 2011 General Manager of Yokkaichi Plant of the Company</p> <p>Apr. 2013 Corporate Officer of the Company</p> <p>Mar. 2014 Director and Corporate Officer of the Company</p> <p>Mar. 2018 Managing Director and Corporate Officer of the Company</p> <p>Mar. 2020 Board Director and Senior Corporate Officer of the Company</p> <p>Jan. 2023 Board Director, Senior Corporate Officer, and Head of Production Planning and Engineering of the Company (to present)</p> <p>[Current responsibility]</p> <p>In charge of Procurement, Production Planning and Engineering, and Environment, Safety, and Quality Assurance</p> <p>Head of Production Planning and Engineering</p> <hr style="border-top: 1px dashed black;"/> <p>[Reason for nomination as candidate for Director]</p> <p>Mr. Toshihiro Matsuoka is a Board Director and Senior Corporate Officer, who is in charge of Procurement, Production Planning and Engineering, Environment, Safety, and Quality Assurance, and while working to promote safe and stable operations, strengthen the production technology platform, among other duties, he fulfills his responsibilities appropriately. The Company deems that Mr. Matsuoka is a skilled individual who is appropriate for the sustained improvement of the Company's corporate value because he has extensive experience, achievements, and insight related to the company business. Accordingly, the Company proposes the election of Mr. Toshihiro Matsuoka as a Director.</p>	<p style="text-align: center;">9,347 shares (5,947 shares)</p> <hr style="border-top: 1px dashed black;"/> <p style="text-align: center;">Attendance at Board of Directors meetings during the fiscal year</p> <p style="text-align: center;">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
3	<p data-bbox="293 712 430 741"><Reelection></p> <p data-bbox="293 768 430 824">Tatsuro Niiya (June 1, 1964)</p>	<p data-bbox="496 387 1206 734"> Apr. 1988 Joined Kyowa Hakko Kogyo Co., Ltd. Jul. 2013 General Manager of Chemical Sales & Marketing Division, Business Headquarters Office of the Company Jan. 2016 Corporate Officer of the Company Mar. 2017 Director and Corporate Officer of the Company Mar. 2019 Managing Director and Corporate Officer of the Company Mar. 2020 Board Director and Senior Corporate Officer of the Company (to present) </p> <p data-bbox="496 752 724 781">[Current responsibility]</p> <p data-bbox="496 792 1114 822">In charge of Corporate strategy, Marketing, Sales, and Logistics</p> <hr/> <p data-bbox="496 840 979 869">[Reason for nomination as candidate for Director]</p> <p data-bbox="496 880 1217 1144"> Mr. Tatsuro Niiya is a Board Director and Senior Corporate Officer, who is in charge of Corporate Planning, Business Development, Sales & Marketing, and Business Services and Logistics, and he appropriately fulfills such responsibilities as contributing to the expansion of earnings and strengthening of fundamental businesses. The Company deems that Mr. Niiya is an individual with the appropriate skills for the sustained improvement of the Company's corporate value because he has extensive experience, achievements, and insight related to the company business. Accordingly, the Company proposes the election of Mr. Tatsuro Niiya as a Director. </p>	<p data-bbox="1350 573 1487 629">8,927 shares (5,727 shares)</p> <hr/> <p data-bbox="1257 835 1481 931">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1297 1021 1487 1077">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
4	<p style="text-align: center;"><Reelection></p> <p>Masaya Hamamoto (June 20, 1960)</p>	<p>Apr. 1985 Joined The Industrial Bank of Japan, Limited. (now Mizuho Bank, Ltd.)</p> <p>Apr. 2011 General Manager of Osaka Corporate Banking Division No. 1 of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)</p> <p>Apr. 2014 Executive Officer and General Manager of Corporate Banking Division No. 5 of Mizuho Bank, Ltd. (retired in March 2015)</p> <p>Apr. 2015 Executive Officer of IBJ Leasing Company, Limited. (now Mizuho Leasing Company, Limited)</p> <p>Jun. 2015 Director, Executive Officer and General Manager of Corporate Planning Department of IBJ Leasing Company, Limited.</p> <p>Apr. 2016 Managing Director, Managing Executive Officer and General Manager of Corporate Planning Department of IBJ Leasing Company, Limited. (retired in May 2019)</p> <p>Jun. 2019 Joined the Company</p> <p>Sep. 2019 Senior Corporate Officer of the Company</p> <p>Mar. 2020 Board Director and Senior Corporate Officer & Chief Financial Officer of the Company (to present)</p> <p>[Current responsibility]</p> <p>In charge of Accounting and Finance, Investor Relations, Public Relations, General Affairs, Legal and Compliance, Internal Audit, Risk Management, and Promotion of ESG</p> <hr/> <p>[Reason for nomination as candidate for Director]</p> <p>Mr. Masaya Hamamoto is a Board Director and Senior Corporate Officer, who is in charge of Accounting and Finance, Investor Relations, Legal and Compliance, Internal Audit and Risk Management, and he appropriately fulfills such responsibilities as improving management efficiency and enhancing transparency, and strengthening risk management, and promoting ESG. The Company deems that Mr. Hamamoto has served in important roles in the financial industry, and has extensive experience, achievements and insight regarding the finance and accounting field, and as a manager, and is a skilled individual who is appropriate for the sustained improvement of the Company's corporate value. Accordingly, the Company proposes the election of Mr. Masaya Hamamoto as a Director.</p>	<p style="text-align: center;">10,582 shares (4,182 shares)</p> <hr/> <p style="text-align: center;">Attendance at Board of Directors meetings during the fiscal year</p> <p style="text-align: center;">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
5	<p align="center"><Reelection></p> <p align="center">Yukihiro Isogai (October 11, 1963)</p>	<p>Apr. 1987 Joined Toaboshoku Co., Ltd.</p> <p>Aug. 2000 Joined YIC Co., Ltd.</p> <p>Oct. 2001 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>Jan. 2016 General Manager of Yokkaichi Research Laboratories, R&D Office of the Company</p> <p>Dec. 2017 General Manager of R&D Office and General Manager of Yokkaichi Research Laboratories, R&D Office of the Company</p> <p>Jan. 2018 Corporate Officer of the Company</p> <p>Mar. 2019 Director and Corporate Officer of the Company</p> <p>Mar. 2022 Board Director and Senior Corporate Officer of the Company (to present)</p> <p>[Current responsibility] In charge of HR, IT Strategy, R&D, Intellectual Property, and Information Security</p> <hr/> <p>[Reason for nomination as candidate for Director] Mr. Yukihiro Isogai is a Board Director and Senior Corporate Officer, who is in charge of HR, IT Strategy, R&D, Intellectual Property and Information Security, and he appropriately fulfills such responsibilities as creating new business, and promoting open innovation with other companies and universities. The Company deems that Mr. Isogai has extensive experience, achievement, and insight and is a skilled individual who is appropriate for the sustained improvement of the Company's corporate value. Accordingly, the Company proposes the election of Mr. Yukihiro Isogai as a Director.</p>	<p align="center">9,638 shares (4,238 shares)</p> <hr/> <p align="center">Attendance at Board of Directors meetings during the fiscal year</p> <p align="center">100% (16 of 16 meetings)</p>

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6	<p data-bbox="295 947 427 969"><Reelection></p> <p data-bbox="280 1003 442 1025">Outside Director</p> <p data-bbox="256 1059 466 1081">Independent Director</p> <p data-bbox="256 1115 466 1167">Sayoko Miyairi (November 12, 1956)</p>	<p data-bbox="496 387 852 409">Apr. 1979 Joined Hitachi, Ltd.</p> <p data-bbox="496 432 1142 454">Jul. 1982 Joined Bank of America, N.A., Asia Headquarters</p> <p data-bbox="496 477 1201 528">Mar. 1986 Joined Pasona Inc. and seconded and then transferred to Edu Consult Co., Ltd. (now Scholar Consult Co., Ltd.)</p> <p data-bbox="496 551 1115 573">Apr. 2000 Partner of Scholar Consult Co., Ltd. (to present)</p> <p data-bbox="496 595 1177 647">Apr. 2000 Assistant Professor of Nihonbashi Gakkan University (now Kaichi International University)</p> <p data-bbox="496 669 1011 692">Jan. 2005 Director of Scholar Consult Co., Ltd.</p> <p data-bbox="496 714 1211 766">Apr. 2008 Professor of Nihonbashi Gakkan University (now Kaichi International University)</p> <p data-bbox="496 788 1099 810">Mar. 2019 Outside Director of the Company (to present)</p> <p data-bbox="496 833 1182 884">Aug. 2020 Outside Director of Toyo Engineering Corporation (to present)</p> <p data-bbox="496 907 1158 958">Apr. 2022 Professor Emeritus and Visiting Professor at Kaichi International University (to present)</p> <p data-bbox="496 981 1195 1003">Jun. 2022 Outside Director of NIHON SEIKAN K.K. (to present)</p> <p data-bbox="496 1025 1031 1048">[Significant concurrent positions outside the Company]</p> <p data-bbox="496 1070 836 1093">Partner of Scholar Consult Co., Ltd.</p> <p data-bbox="496 1115 986 1137">Outside Director of Toyo Engineering Corporation</p> <p data-bbox="496 1160 916 1182">Outside Director of NIHON SEIKAN K.K.</p> <hr/> <p data-bbox="496 1193 1190 1245">[Reason for nomination as candidate for Outside Director and overview of expected role]</p> <p data-bbox="496 1267 1217 1559">Ms. Sayoko Miyairi appropriately fulfills such roles as providing opinions and recommendations on human resource training and improving employee engagement, particularly from her expert perspective in organization and human resource development, and improving human resource training and employee engagement in order to ensure that decision making is suitable and appropriate. In addition, as a member of the Nomination and Compensation Advisory Committee, she attended all five meetings held during the current fiscal year and fulfilled a supervisory function for the decision process for the nomination of officer candidates and determination of remuneration, etc. from an objective and neutral standpoint.</p> <p data-bbox="496 1581 1217 1727">The Company deems that Ms. Miyairi is a skilled individual who can contribute to the sustained improvement of the Company's corporate value through provision of advice to management and appropriate supervision of the execution of duties from an objective standpoint. Accordingly, the Company proposes the election of Ms. Sayoko Miyairi as an Outside Director.</p>	<p data-bbox="1366 763 1489 786">3,400 shares</p> <hr/> <p data-bbox="1257 1189 1481 1279">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1297 1480 1489 1547">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
7	<p data-bbox="293 936 427 965"><Reelection></p> <p data-bbox="280 994 443 1023">Outside Director</p> <p data-bbox="260 1048 464 1077">Independent Director</p> <p data-bbox="268 1104 456 1160">Jun Tsuchiya (October 23, 1952)</p>	<p data-bbox="496 387 1214 1120"> Apr. 1981 Joined Argonne National Laboratory, U.S.A. May 1983 Joined Lawrence Berkeley National Laboratory, U.S.A. Feb. 1984 Joined Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation) Jan. 1999 Seconded as President to Verbatim Corporation, U.S.A. subsidiary of Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation) as a secondment Apr. 2001 General Manager of Corporate Planning Office of Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation) (retired in January 2002) Feb. 2002 Director of Rohm & Haas Japan K.K. (now Dow Chemical Japan Limited) (retired in December 2006) Jan. 2007 Representative Director and President of Heraeus K.K. (retired in September 2018) Oct. 2018 CEO of Tsuchiya International Consulting Corp (to present) Jun. 2019 Outside Director of Soken Chemical & Engineering Co., Ltd. (to present) Mar. 2020 Outside Director of the Company (to present) </p> <p data-bbox="496 1133 1034 1162">[Significant concurrent positions outside the Company]</p> <p data-bbox="496 1173 1090 1229">CEO of Tsuchiya International Consulting Corp Outside Director of Soken Chemical & Engineering Co., Ltd.</p> <hr/> <p data-bbox="496 1252 1190 1308">[Reason for nomination as candidate for Outside Director and overview of expected role]</p> <p data-bbox="496 1328 1214 1570">Mr. Jun Tsuchiya appropriately fulfills such roles as providing opinions and recommendations concerning the Company's business, particularly in the areas of management and technology in order to ensure that decision making is suitable and appropriate. In addition, as a member of the Nomination and Compensation Advisory Committee, he attended all five meetings held during the current fiscal year and fulfilled a supervisory function for the decision process for the nomination of officer candidates and determination of remuneration, etc. from an objective and neutral standpoint.</p> <p data-bbox="496 1579 1214 1704">The Company deems that Mr. Tsuchiya is a skilled individual who can contribute to the sustained improvement of the Company's corporate value through provision of advice to management and appropriate supervision of the execution of duties from an objective standpoint. Accordingly, the Company proposes the election of Mr. Jun Tsuchiya as an Outside Director.</p>	<p data-bbox="1385 792 1490 822">600 shares</p> <hr/> <p data-bbox="1257 1252 1481 1346">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1297 1507 1490 1570">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
8	<p data-bbox="295 862 427 891"><Reelection></p> <p data-bbox="280 920 442 949">Outside Director</p> <p data-bbox="260 978 462 1008">Independent Director</p> <p data-bbox="264 1037 458 1088">Yuji Kikuchi (February 15, 1964)</p>	<p data-bbox="496 387 1166 483">Apr. 1992 Registered as an attorney at law Entered Sakano, Seo & Hashimoto Law Office (now Tokyo Hatchobori Law Office)</p> <p data-bbox="496 499 1054 528">Apr. 2002 Partner of Tokyo Hatchobori Law Office</p> <p data-bbox="496 544 1166 640">Mar. 2003 Joined the Securities and Exchange Surveillance Commission (Coordination and Inspection Division, Executive Bureau)</p> <p data-bbox="496 656 1206 719">Mar. 2005 Returned to Partner of Tokyo Hatchobori Law Office (to present)</p> <p data-bbox="496 734 1190 797">Jun. 2010 Outside Corporate Auditor of Inui Warehouse Co., Ltd. (now Inui Global Logistics Co., Ltd.)</p> <p data-bbox="496 813 1198 875">Jun. 2014 Outside Corporate Auditor of NEC Networks & System Integration Corporation</p> <p data-bbox="496 891 1098 920">Mar. 2020 Outside Director of the Company (to present)</p> <p data-bbox="496 936 1031 965">[Significant concurrent positions outside the Company]</p> <p data-bbox="496 981 1078 1010">Partner and attorney at law of Tokyo Hatchobori Law Office</p> <hr/> <p data-bbox="496 1025 1190 1088">[Reason for nomination as candidate for Outside Director and overview of expected role]</p> <p data-bbox="496 1104 1214 1368">Mr. Yuji Kikuchi appropriately fulfills such roles as providing opinions and recommendations concerning risk management and strengthening corporate governance, particularly from his professional perspective as an attorney in the areas of management and technology in order to ensure that decision making is suitable and appropriate. In addition, as the chairperson of the Nomination and Compensation Advisory Committee, he attended all five meetings held during the current fiscal year and led the supervisory function for the decision process for the nomination of officer candidates and determination of remuneration, etc. from an objective and neutral standpoint.</p> <p data-bbox="496 1384 1214 1570">Although he has never in the past been involved in a company's management by means other than serving as an outside corporate auditor, the Company deems that Mr. Kikuchi is a skilled individual who can contribute to the sustained improvement of the Company's corporate value through provision of advice to management and appropriate supervision of the execution of duties from an objective standpoint. Accordingly, the Company proposes the election of Mr. Yuji Kikuchi as an Outside Director.</p>	<p data-bbox="1385 678 1485 707">300 shares</p> <hr/> <p data-bbox="1257 1025 1477 1115">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1297 1323 1485 1384">100% (16 of 16 meetings)</p>

Notes:

1. The number of the Company's shares owned by the respective candidates (excluding candidates for Outside Director) as stated includes the number of shares to be granted subsequent to retirement, pursuant to the performance-linked share-based remuneration plan as stated in parentheses (number of shares equivalent to the points already granted under the performance-linked share-based remuneration plan). Please refer to pages 31 to 35 of the Business Report for an overview of the Company's remuneration plan for Directors.
2. Ms. Sayoko Miyairi's name as recorded in her family register is Sayoko Ibaraki.
3. There is no special interest between any of the candidates for Director and the Company.
4. At the conclusion of the Meeting, Ms. Sayoko Miyairi's term of office as Outside Director will have been four years. At the conclusion of the Meeting, term of office of Messrs. Jun Tsuchiya and Yuji Kikuchi as Outside Directors will have been three years.
5. The Company has entered into liability limitation agreements with Ms. Sayoko Miyairi and Messrs. Jun Tsuchiya and Yuji Kikuchi in accordance with Article 427, paragraph (1) of the Companies Act and the provisions of the Company's

Articles of Incorporation to limit the liability for damages as provided for in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under the said agreement shall be the amount stipulated by laws and regulations. If they are elected, the Company plans to renew the aforementioned agreement with each of them.

6. The Company has concluded a Directors and Officers liability insurance agreement with an insurance company in accordance with Article 430-3, paragraph (1) of the Companies Act, and the agreement covers legally required compensation for damages and lawsuit costs borne by the insured person. The respective candidates are included as insured persons in the agreement as the Company's Directors, and if reappointed under this proposal, continue to be insured persons in the agreement. The Company plans to renew the aforementioned agreement during the term of office of Directors reappointed under this proposal.
7. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ms. Sayoko Miyairi and Messrs. Jun Tsuchiya and Yuji Kikuchi have been designated as Independent Directors as provided for by the aforementioned stock exchange. If this proposal is approved and adopted, the Company will notify the aforementioned stock exchange of the designation of them as Independent Directors in the same way as indicated above.

(Reference) Policy on nominating candidates for Director

The Company nominates candidates for Director from the perspective of putting the right person in the right place, and of finding an individual who is competent and can contribute to precise and rapid decision-making based on the skills, etc. required of a Director. After also taking into account diversity issues such as gender, the voluntary Nomination and Compensation Advisory Committee responds to inquiries from the Board of Directors by conducting a comprehensive consideration, and the Board of Directors decides the nomination.

The Company has selected seven items as the skills required of a Director of the Company, and that it expects will contribute to management: Corporate management; Industry insight; Manufacturing, R&D and innovation; Finance and accounting; Sales and marketing; Governance, compliance, and risk management; HR development and diversity. The Company has created a skill matrix, and care is taken to ensure that each item is covered by the Board of Directors as a whole, and that the composition of the Board maintains a balance in its diversity of experience and specialization.

In addition, when selecting candidates for independent Outside Director, in addition to meeting the Tokyo Stock Exchange's criteria for independence, the Company includes candidates who have management experience at other companies.

The Nomination and Compensation Advisory Committee met five times during FY 2022 and underwent the same procedure above for the proposal pertaining to the election of Directors at the Meeting.

Furthermore, the Company has created skill matrices not only for Directors and Audit & Supervisory Board Members, but also for Corporate Officers, and is working to develop and promote the next generation of human resources. In addition to the skill matrix for the Directors who will be appointed in the event that this Proposal is approved as originally submitted at the Meeting, skill matrices for the Audit & Supervisory Board Members and the Corporate Officers, who are scheduled to assume office after this Ordinary General Meeting of Shareholders has concluded, are as shown in the table below.

Skill matrices for Directors, Audit & Supervisory Board Members and Corporate Officers (as of March 24, 2023)

	Name	Gender	Corporate management	Industry insight	Manufacturing /R&D /innovation	Finance /accounting	Sales /marketing	Governance /compliance /risk management	Human resource development /diversity
Directors	Michio Takahashi	Male	●	●		●	●	●	
	Toshihiro Matsuoka	Male	●	●	●				
	Tatsuro Niiya	Male	●	●			●		
	Masaya Hamamoto	Male	●			●		●	
	Yukihiro Isogai	Male	●	●	●				●
	Sayoko Miyairi Outside Director Independent Director	Female	●						●
	Jun Tsuchiya Outside Director Independent Director	Male	●	●	●		●		
	Yuji Kikuchi Outside Director Independent Director	Male						●	
Audit & Supervisory Board Members	Tokuo Odo	Male				●		●	
	Kazuhiro Kawai Outside Audit & Supervisory Board Member Independent Audit & Supervisory Board Member	Male	●			●		●	
	Keiko Tamura Outside Audit & Supervisory Board Member Independent Audit & Supervisory Board Member	Female						●	
Corporate Officers	Toshiaki Ogata	Male	●	●	●				
	Isao Takahashi	Male						●	●
	Akio Nakahashi	Male		●	●				
	Yoshiaki Kondo	Male		●	●				
	Hideki Shimizu	Male		●			●		
	Akira Kamimura	Male				●			
	Atsushi Tokumitsu	Male		●			●		
	Katsunori Sato	Male		●			●		
	Hideo Kurokawa	Male		●	●				
	Takatoshi Fujii	Male							●

Business Report

(January 1, 2022 to December 31, 2022)

1. Current Status of the Corporate Group

(1) Status of business operations for the current fiscal year

(i) Business progress and results

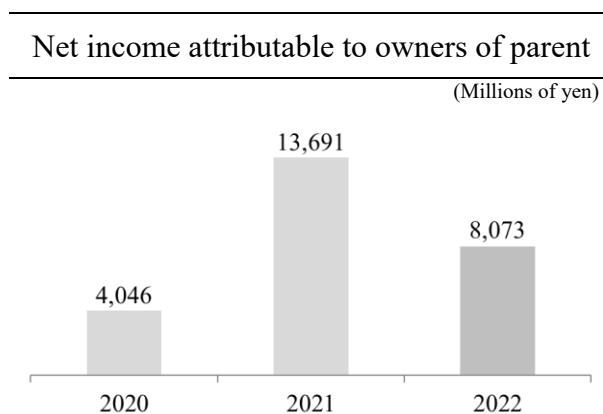
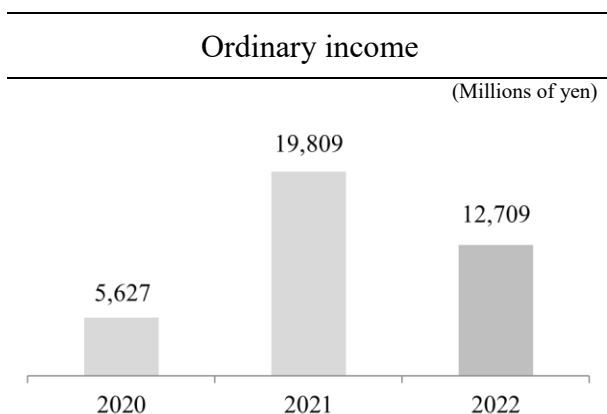
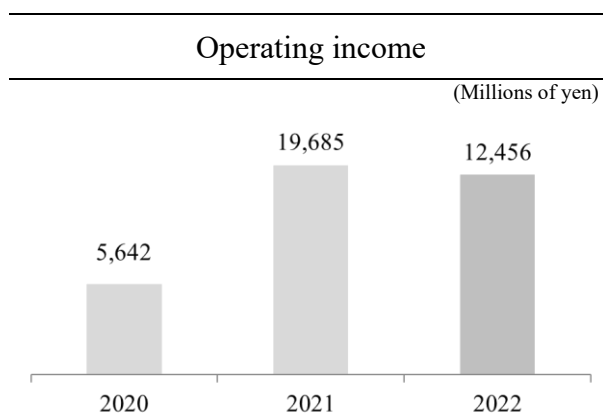
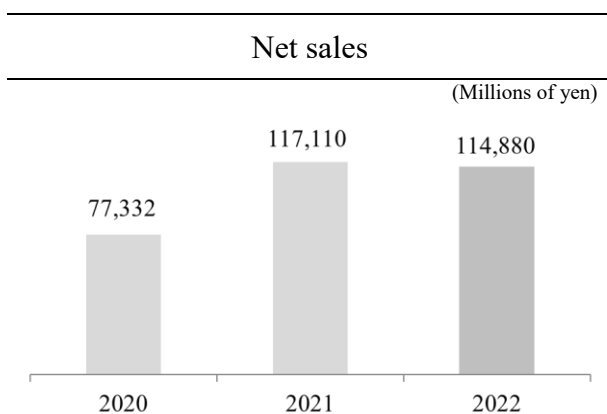
In the fiscal year under review, the Japanese economy was on a path toward gradual recovery due to the mitigation of mobility restriction and keeping a balance between preventing the spread of COVID-19 infections and stimulating economic activity. However, the future remains unclear because of the fear against an economic slowdown due to many factors, including the reduced automobile production caused by the semiconductor shortage, increase in raw material and fuel prices and logistics costs associated with the continuation of affairs in Ukraine, the slowing down of the economic growth rate in China, and monetary tightening in Europe and the Americas.

It was under these circumstances that the Company moved ahead with various measures aiming to strike a balance between contributing to achieving a sustainable society and enhancing corporate value based on the basic strategy of “Driving Sustainable Management” set out in our 4th Medium-Term Business Plan. In addition to ensure profits by capturing growing demand in our business fields in the three strategic domains of “Environment”, “Healthcare”, and “Electronics”, we also steadily promoted investment in production capacity enhancement in order to meet the needs of an expanding market. We also made efforts to create new business and took steps to achieve carbon neutrality. Unfortunately, extension of the implementation period of large-scale periodic maintenance and production facilities problem resulted in sales opportunity loss.

Accordingly, the Group’s net sales for the fiscal year under review were ¥114,880 million (compared to ¥117,110 million in the previous year) while operating income was ¥12,456 million (down 36.7% year on year), ordinary income was ¥12,709 million (down 35.8% year on year), and net income attributable to owners of parent was ¥8,073 million (down 41.0% year on year).

Note: The Group has applied “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29, March 31, 2020), etc. from the fiscal year under review. Therefore, of the business results for this fiscal year in this Business Report, it is not possible to compare net sales with figures from the previous fiscal year, and year-over-year comparisons (percentages) are not given. Our application of this accounting standard, etc. has no effect on operating profit or any other types of profit listed.

Notably, for the amounts shown in this Business Report, figures less than one unit of display are rounded down.



(ii) Capital investments

Total capital investments for the Group in the fiscal year under review were ¥9,470 million, and were mainly focused on expanding production facilities at the Chiba Plant for refrigeration lubricant raw materials, etc.

(iii) Financing

The Group raises funds through loans from financial institutions, issuance of commercial papers and straight bonds.

(2) Trends in operating results and assets

Item	10th Fiscal Year (Year ended December 31, 2019)	11th Fiscal Year (Year ended December 31, 2020)	12th Fiscal Year (Year ended December 31, 2021)	13th Fiscal Year (Current fiscal year) (Year ended December 31, 2022)
Net sales (Millions of yen)	94,209	77,332	117,110	114,880
Ordinary income (Millions of yen)	9,896	5,627	19,809	12,709
Net income attributable to owners of parent (Millions of yen)	6,917	4,046	13,691	8,073
Basic earnings per share (Yen)	187.09	109.12	368.95	217.73
Total assets (Millions of yen)	102,261	95,508	122,069	131,247
Net assets (Millions of yen)	43,522	45,884	57,505	62,066

Note: The Group has applied “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29, March 31, 2020), etc. from and the like since the beginning of the fiscal year under review.

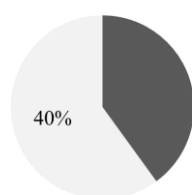
Our application of this accounting standard, etc. has no effect on any of the figures aside from net sales.

Results by business field

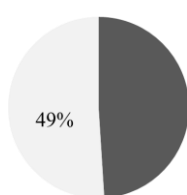
The Group is primarily engaged in the development, manufacture and sale of petrochemical products. As the business of the Group consists of a single segment, the chemical business, segment information is not provided. Furthermore, the overview of business and main products are current as of December 31, 2022.

Performance Materials

Performance Materials
proportion of total net
sales



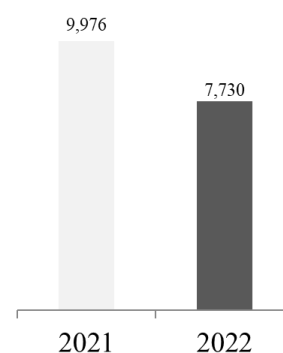
Performance Materials
proportion of total
operating income



Net sales
(Millions of yen)



Operating income
(Millions of yen)



Overview of business

Manufacturing and sale of refrigeration lubricant raw materials for the compressors of air conditioners, refrigerators, etc.; cosmetic ingredients; and more.

Main products

Isononanoic acid

2-ethyl hexanoic acid

Tridecanol (tridecyl alcohol)

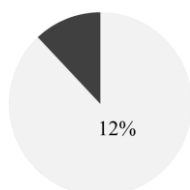
1,3-butylene glycol

Key points of results

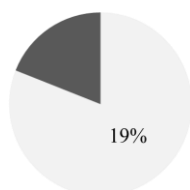
Net sales were ¥46,158 million (compared to ¥44,248 million in the previous year). Net sales of the Company's refrigeration lubricant raw materials eclipsed the previous year's mark thanks to the ongoing strength of the global market for air conditioners, driven mainly by increasing demand for units in India and other developing countries. Also, domestic demand for cosmetic ingredients rebounded in the second half. However, increase in raw material and fuel prices and logistical expenses coupled with declining production efficiency caused by production facilities problems resulted in operating profit of ¥7,730 million (down 22.5% year on year).

Electronic Materials

Electronic Materials
proportion of total net
sales



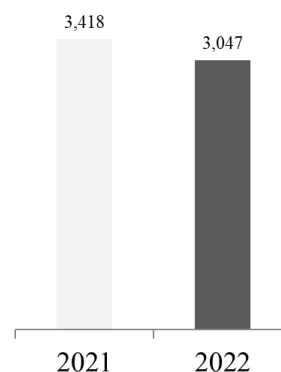
Electronic Materials
proportion of total
operating income



Net sales
(Millions of yen)



Operating income
(Millions of yen)



Overview of business

Manufacturing and sale of high-purity solvents, resist materials, etc. used in the production processes for semiconductors and liquid crystal displays.

Main products

Propylene glycol monomethyl ether-P

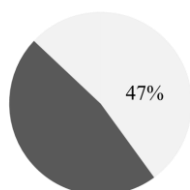
Propylene glycol monomethyl ether acetate-P

Key points of results

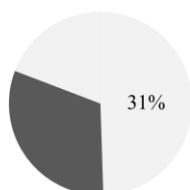
Net sales were ¥13,684 million (compared to ¥14,390 million in the previous year) and operating profit was ¥3,047 million (down 10.9% year on year) because, although demand for semiconductors and some other products remained strong, it softened after stay-at-home demand ran its course. Demand also cooled for computers and TVs as well as semiconductors for data centers and other end uses in the second half of the year.

Basic Chemicals

Basic Chemicals
proportion of total net
sales



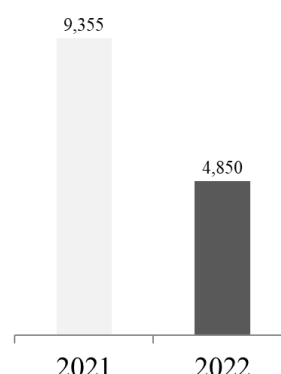
Basic Chemicals
proportion of total
operating income



Net sales
(Millions of yen)



Operating income
(Millions of yen)



Overview of business

Manufacturing and sale of solvents, plasticizer raw materials, resin raw materials, and more used in automotive, housing, and other industrial fields.

Main products

Butyl alcohol

2-ethyl hexyl alcohol

Isononyl alcohol

Butyl acetate

Key points of results

Net sales was ¥54,265 million (compared to ¥57,801 million in the previous year) because, despite strong demand in housing, automotive did not fully recover in Japan, and exports flagged due to softening market conditions outside Japan. Additionally, operating profit was ¥4,850 million (down 48.2% year on year) because ongoing revisions of product prices commensurate with the rising cost of naphtha were outstripped by greater-than-expected increases in the cost of LNG and other forms of energy.

Note: In the Other field, net sales was ¥771 million (compared to ¥669 million in the previous year) and operating income was ¥57 million (down 47.1% year on year).

Notably, when calculating “operating income” in results by business field, administrative expenses, etc., which are common to the entire company, are not allocated.

(3) Issues to be addressed

In pursuit of VISION 2030, the Group has defined “Driving Sustainable Management” as the basic policy of the 4th Medium-Term Business Plan, set out the following three basic strategies, and moved ahead with various measures.

Basic policy	Driving Sustainable Management
--------------	--------------------------------

Basic Strategy	<ul style="list-style-type: none">■ Strategy I: Further Growth in Strategic Domains<ul style="list-style-type: none">● Augment large-scale facilities and make other efforts to steadily capture demand for refrigeration lubricant raw materials● Respond to increasingly sophisticated customer needs in the electronics domain● Enhance the lineup in the healthcare domain■ Strategy II: Medium- to Long-term Initiatives to Resolve Social Issues<ul style="list-style-type: none">● Accelerate initiatives to achieve carbon neutrality● Engage in open innovation and other efforts to create new business as soon as possible■ Strategy III: Improvement of Business Framework<ul style="list-style-type: none">● Use digital transformation and other means to drive the improvement of productivity● Foster a corporate culture in which diverse human resources flourish and fully leverage results● Strengthen governance, which enhances the transparency of management
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Amid the drawn-out state of affairs in Ukraine, fear of a worldwide economic slowdown, rapidly rising prices, and other factors substantially changing the external environment originally envisioned for the 4th Medium-Term Business Plan, greater flexibility in corporate activities is required. Although the Group intends to continue adhering to the basic strategies of the 4th Medium-Term Business Plan, we will also enhance our competitiveness by adapting individual measures to the circumstances, and make efforts to ensure profits through well-timed product price increases aimed at passing along the extra costs brought about by surging raw material and fuel prices and rising logistical and equipment expenses.

Regarding Strategy I: Further Growth in Strategic Domains, which include environment, healthcare, and electronics, we have reinforced the capacity of Chiba Plant—which was slated for capital investment in December 2021—according to plans with the intent to continue preparing to steadily capture expanding demand for refrigeration lubricant raw materials, the main product in the environment domain. In the electronics domain, we are expanding our infrastructure to supply high-purity solvents—products for which increased demand is forecast, mainly for semiconductors—and also proceeding with the second phase of plans to reinforce Group company Kurogane Kasei’s facilities for next-generation semiconductor materials.

Regarding Strategy II: Medium- to Long-term Initiatives to Resolve Social Issues, during FY 2022, we leveraged open innovation and other advances, decided to invest in startups in the healthcare domain—namely Ac-Planta Inc. and GlyTech, Inc.—and made other efforts to lay the groundwork for creating new business to resolve social issues. In FY 2023, we plan to add depth to efforts with the startups we have invested in as well as to consider new investments and M&As. We will also consider adopting energy-saving measures and new technologies to further reduce our GHG emissions with the aim of achieving carbon neutrality by 2050.

Regarding Strategy III: Improvement of Business Framework, during FY 2022, we were forced to restrict our supply of products due to delays in large-scale periodic maintenance and problems with production facilities. We take these setbacks very seriously, and in response are taking steps to reestablish security, safety, and reliability, which form the foundation of sustainable management. First and foremost, regarding safety, we intend to double down on efforts that started with our Complete Safety Inspection 2022 program. We will also implement preventive measures, measures to promote smart security, and other measures to sustain safe and stable operations in an effort to restore our stakeholders' trust in us.

Additionally, we are committed to improving the transparency of our management through discussions by our Sustainability Committee—a newly established advisory body to the Board of Directors—and by enhancing disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

By implementing these initiatives, we continue to aim to be “A Leading Global Specialty Chemical Company” set forth in VISION 2030 by contributing to a more eco-friendly, better quality of richer lives for people.

We ask all our shareholders for your continued support.

(4) Major parent company and subsidiaries

(i) Parent company

There is no relevant information.

(ii) Major subsidiaries

Company name	Capital	The Company's voting rights ratio	Principal business
Kurogane Kasei Co., Ltd.	¥90 million	70.9%	Contracted manufacture of High-performance organic materials for the fields of electronics & information technology
Kurogane Fines Inc.	¥10 million	71.0% (61.0%)	Sale of products including raw materials for health foods and pharmaceuticals, and industrial chemical products
KH Neochem Americas, Inc.	US\$870 thousand	100.0%	Import, export and sale of chemicals

Notes:

- Values in the parentheses under “The Company's voting rights ratio” regarding Kurogane Fines Inc. are the portion of indirect holdings that is included in the values outside the parentheses.
- In regard to “The Company's voting rights ratio” figures less than one unit of display are rounded to the nearest unit.

(5) Principal offices, plants, etc. (As of December 31, 2022)

(i) The Company

Category	Location, etc.
Head Office	Chuo-ku, Tokyo
Plant	Yokkaichi Plant (Yokkaichi-city, Mie) Chiba Plant (Ichihara-city, Chiba)
Laboratory	R&D Center (Yokkaichi-city, Mie) KH i-Lab (Kawasaki-city, Kanagawa)
Branch Office	Osaka Branch Office (Osaka-city, Osaka)

(ii) Subsidiaries

Category	Company name	Location of head office
Japan	Kurogane Kasei Co., Ltd.	Nagoya-city, Aichi
	Kurogane Fines Inc.	Nagoya-city, Aichi
Overseas	KH Neochem Americas, Inc.	Illinois, U.S.A.

(6) Employees (As of December 31, 2022)

Employees of the corporate group

Number of employees (Year-on-year change)	Average age	Average years of service
825 (Increase of 16)	39.7	14.7 years

Notes:

1. The number of employees includes employees on secondment from outside of the corporate group but does not include employees on secondment to outside of the corporate group.
2. The number of temporary employees such as part-time employees is not included.
3. The Group is primarily engaged in the development, manufacture and sale of petrochemical products. As the business of the Group consists of a single segment, the chemical business, segment information is not provided.

(7) Principal lenders (As of December 31, 2022)

(Millions of yen)

Lender	Balance of borrowing
Mizuho Bank, Ltd.	3,300
Mizuho Trust & Banking Co., Ltd.	3,000
Sumitomo Mitsui Trust Bank, Limited	1,700
Resona Bank, Limited	1,400

(8) Other significant matters concerning current status of the corporate group

There is no relevant information.

2. Current Status of the Company

(1) Shares (As of December 31, 2022)

- (i) Total number of shares authorized to be issued 136,200,000 shares
- (ii) Total number of issued shares 37,149,400 shares
(including 444 shares of treasury stock)
- (iii) Number of shareholders 5,293
- (iv) Major shareholders

Name of shareholders	Number of shares held	Holding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,919,600	18.63
Custody Bank of Japan, Ltd. (Trust account)	4,086,200	11.00
TAIYO FUND, L.P.	1,893,400	5.10
Tosoh Corporation	1,852,000	4.99
Northern Trust Co.(AVFC)Sub a/c USL Non-Treaty	1,218,400	3.28
STATE STREET BANK AND TRUST COMPANY 505227	1,030,400	2.77
NORTHERN TRUST CO.(AVFC) RE UKUC UCITS CLIENTS NON LENDING 10PCT TREATY ACCOUNT	996,100	2.68
TAIYO HANEI FUND, L.P.	838,700	2.26
Mizuho Bank, Ltd.	733,300	1.97
NORTHERN TRUST CO.(AVFC) RELF WALES PENSION PARTNERSHIP (WALES PP) ASSET POOLINGACS UMBRELLA(TTF)	664,900	1.79

Note: The holding ratio is calculated based on the total number of issued shares, from which shares of treasury stock have been subtracted, and with fractions less than one unit of display rounded to the nearest unit.

(2) Share acquisition rights, etc.

- (i) Share acquisition rights held by the Company's Officers at the end of the current fiscal year which were delivered as compensation for their performance of duties
There is no relevant information.
- (ii) Share acquisition rights granted to employees, etc. as compensation for their performance of duties during the current fiscal year
There is no relevant information.

(3) Cross-shareholding shares held by the Company

- (i) Status of cross-shareholding shares held

The Company holds the shares of companies with which it deems it important to maintain transactions and create synergies over the medium to long term, based on mutual understanding of management policies, the nature of the businesses, and the value of sales and purchasing transactions (hereinafter referred to as the "cross-shareholding shares"). It does this for the purpose of enhancing corporate value. As of December 31, 2022, the total value of cross-shareholdings recorded in assets on the balance sheet was ¥4,847 million, accounting for 8.8% of total net assets. Of these, approximately 50% consists of shareholdings in unlisted companies. Of this 50%, approximately 90% consists of shares in key raw material manufacturers and joint facility management companies established through joint investments with affiliates for the purpose of ensuring stable supply of key raw materials and improving the efficient business operations of the industrial complex as a whole, as well as shares in startups in which we invested with the aim of creating new business. In that sense, it is precisely as part of a business investment that these shares are held.

For shares in listed companies, the Company views the rationale for each cross-shareholding, including appraisal losses and gains, shareholder returns, the financial condition of the issuing company, the status of transactions with the Company, and whether there have been any infringements of compliance.

Decisions on whether to continue holding the shares are based on a comprehensive medium- to long-term perspective that includes the contribution to the Company's earnings mainly through product sales, comparisons to the cost of capital, access to market information, and R&D initiatives. These are discussed and verified by the Board of Directors every year. In cases where, as a result, the appropriateness of the holding cannot be confirmed, or is not expected to be confirmed in the future, the shares will not be held.

Notably, in 2022, we sold off some shareholdings of both listed and unlisted companies in accordance with the aforementioned policy. However, we also invested in two startups with the aim of creating new business. As a result of these actions, the total value of cross-shareholdings recorded in assets on the balance sheet was ¥1,798 million lower and 4.2 points lower as a percentage of total net assets than the corresponding figures on December 31, 2021.

(ii) Exercising voting rights for cross-shareholding shares

When exercising voting rights, before coming to a judgment as to whether or not to support the resolution, the Company takes into account the condition of the issuer's management and finances, and verifies whether there have been any infringements of compliance. These are verified separately by the division in charge of finance, the division in charge of legal affairs, and the division in charge of trading, and when necessary a comprehensive decision will be taken after dialogue with the issuing company.

(4) Directors and Audit & Supervisory Board Members

(i) Directors and Audit & Supervisory Board Members (As of December 31, 2022)

Position in the Company	Name	Responsibility in the Company and significant concurrent positions outside the Company
Representative Director President & Chief Executive Officer	Michio Takahashi	
Board Director and Senior Corporate Officer	Toshihiro Matsuoka	In charge of Procurement, Production Planning and Engineering, Plants and Environment, Safety, and Quality Assurance
Board Director and Senior Corporate Officer	Tatsuro Niiya	In charge of Corporate strategy, Marketing, Sales and Logistics
Board Director and Senior Corporate Officer & Chief Financial Officer	Masaya Hamamoto	In charge of Accounting and Finance, Investor Relations, Public Relations, General Affairs, Legal and Compliance, Internal Audit, Risk Management, and Promotion of ESG
Board Director and Senior Corporate Officer	Yukihiro Isogai	In charge of HR, IT Strategy, R&D, Intellectual Property, and Information Security
Outside Director (Independent Director)	Sayoko Miyairi	Partner of Scholar Consult Co., ltd. Outside Director of Toyo Engineering Corporation Outside Director of NIHON SEIKAN K.K.
Outside Director (Independent Director)	Jun Tsuchiya	CEO of Tsuchiya International Consulting Corp Outside Director of Soken Chemical & Engineering Co., Ltd.
Outside Director (Independent Director)	Yuji Kikuchi	Partner and attorney at law of Tokyo Hatchobori Law Office
Full-time Audit & Supervisory Board Member	Tokuo Odo	
Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Kazuhiro Kawai	Outside Corporate Auditor of Kiraboshi Bank, Ltd.
Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Keiko Tamura	Partner attorney at law of Asahi Law Offices Outside Audit & Supervisory Board Member of The Norinchukin Trust & Banking Co., Ltd.

Notes:

1. Ms. Sayoko Miyairi's name as recorded in her family register is Sayoko Ibaraki.
2. There are no important transactional or other particular relationships between the Company and the companies at which Outside Directors and Outside Audit & Supervisory Board Member hold significant concurrent positions.

3. Changes in position and responsibility in the Company and significant concurrent positions outside the Company during the current fiscal year were as follows.

Name	Before changes (date of changes)	After changes (date of changes)
Yukihiro Isogai	Board Director and Corporate Officer (March 24, 2022)	Board Director and Senior Corporate Officer (March 24, 2022)
Sayoko Miyairi	Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts (retired on March 31, 2022) Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation	Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation Outside Director of NIHON SEIKAN K.K. (assumed office on June 29, 2022)
Yuji Kikuchi	Partner and attorney at law of Tokyo Hatchobori Law Office Outside Corporate Auditor of NEC Networks & System Integration Corporation (retired on June 24, 2022)	Partner and attorney at law of Tokyo Hatchobori Law Office
Keiko Tamura	Partner attorney at law of Asahi Law Offices Outside Audit & Supervisory Board Member of The Norinchukin Trust & Banking Co., Ltd. Outside Director and Audit and Supervisory Committee Member of ODELIC CO., LTD. (retired on June 30, 2022)	Partner attorney at law of Asahi Law Offices Outside Audit & Supervisory Board Member of The Norinchukin Trust & Banking Co., Ltd.

4. Messrs. Tokuo Odo, Kazuhiro Kawai, and Ms. Keiko Tamura possess considerable knowledge of finance and accounting as Audit & Supervisory Board Members of the Company as described below.
- (i) Mr. Tokuo Odo had been serving in the Accounting Division of the Company for many years, and has experience of accounting and financial operations.
 - (ii) Mr. Kazuhiro Kawai has many years of work experience and experience as an audit & supervisory board member mainly at financial institutions.
 - (iii) Ms. Keiko Tamura possesses broad expertise in the financial field and corporate legal affairs as an attorney at law, and experience as an audit & supervisory board member mainly at financial institutions.
5. Overview of content of liability limitation agreement
- Under Article 427, paragraph (1) of the Companies Act and the provisions of the Company's Articles of Incorporation, the Company has entered into agreements with three Outside Directors and three Audit & Supervisory Board Members to limit their liability for damages as provided for in Article 423, paragraph (1) of the Companies Act.
- The maximum amount of liability for damages under the said agreement shall be the amount stipulated by laws and regulations.
6. Overview of Directors and Officers liability insurance agreement
- The Company has concluded a Directors and Officers liability insurance agreement with an insurance company in accordance with Article 430-3, paragraph (1) of the Companies Act, and the agreement covers legally required compensation for damages and lawsuit costs borne by the insured person.
- The insureds in this agreement are all Directors, Audit & Supervisory Board Members and others (including those of subsidiaries) and the Company bears the premiums.
7. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ms. Sayoko Miyairi, Messrs. Jun Tsuchiya, Yuji Kikuchi, Kazuhiro Kawai and Ms. Keiko Tamura have been designated as Independent Directors and Audit & Supervisory Board Members as provided for by the aforementioned stock exchange.

(Reference) Corporate Officers (As of December 31, 2022)

Position in the Company	Name	Responsibility in the Company
Corporate Officer	Seiji Saito	General Manager of Yokkaichi Plant
Corporate Officer	Toshiaki Ogata	Seconded to Kurogane Kasei Co., Ltd. (President & Chief Executive Officer)
Corporate Officer	Akio Nakahashi	General Manager of Chiba Plant
Corporate Officer	Yoshiaki Kondo	Head of Environment, Safety and Quality Assurance
Corporate Officer	Hideki Shimizu	Head of Corporate Planning
Corporate Officer	Isao Takahashi	Head of Corporate Administration, Public Relations, Legal and Compliance
Corporate Officer	Akira Kamimura	Head of Accounting, FP&A, Finance and IR
Corporate Officer	Atsushi Tokumitsu	Head of Procurement
Corporate Officer	Katsunori Sato	Head of Sales & Marketing
Corporate Officer	Hideo Kurokawa	Head of Production Planning and Engineering

(ii) Amount of remuneration, etc. for Directors and Audit & Supervisory Board Members

Total amount of remuneration, etc. for the current fiscal year

	Number of Directors and Audit & Supervisory Board Members	Total amount of remuneration, etc. by type (Millions of yen)			Total amount of remuneration, etc. (Millions of yen)
		Monetary remuneration		Share-based remuneration	
		Fixed remuneration	Performance-linked remuneration	Performance-linked remuneration	
Director	8	141	69	37	247
(of which, Outside Director)	(3)	(25)	(-)	(-)	(25)
Audit & Supervisory Board Member	3	36	-	-	36
(of which, Outside Audit & Supervisory Board Member)	(2)	(14)	(-)	(-)	(14)
Total	11	177	69	37	283
(of which, Outside Director and Outside Audit & Supervisory Board Member)	(5)	(39)	(-)	(-)	(39)

Notes

- Remunerations, etc. for Directors do not include the employee salaries paid to the Directors who concurrently serve as employees.
- The share-based remuneration was introduced based on a resolution at the 8th Ordinary General Meeting of Shareholders held on March 27, 2018, and has continued based on a resolution at the 11th Ordinary General Meeting of Shareholders held on March 23, 2021. Additionally, the share-based remuneration shows the amount recorded as expenses during the fiscal year under review in accordance with the Board Benefit Trust (BBT) performance-linked share-based remuneration plan, which was revised by resolution at the 12th Ordinary General Meeting of Shareholders held on March 24, 2022 (the maximum amount of monies contributed to the trust every three fiscal years and the maximum number of points (number of shares) to be granted per fiscal year were revised).

a. Matters concerning performance-linked remuneration, etc.

- Performance indicators and reasons for their selection

The Company strives to enhance its growth potential and efficiency with the aim of sustainably increasing corporate value. To such ends, the Company uses consolidated EBITDA (=operating income + depreciation + amortization of goodwill) as a performance indicator with respect to the Company's performance-linked remuneration for its Directors (excluding Outside directors), considering the characteristics of the Company's business and other factors.

- Method for calculating performance-linked remuneration amounts and quantitative values

The Company has incorporated monetary remuneration and share-based remuneration into its performance-linked remuneration for Directors (excluding Outside Directors). The monetary remuneration component of the performance-linked remuneration is calculated using the percentage of progress made toward achieving the yearly budget with respect to consolidated EBITDA combined with the average proportion of progress made over the last five years. When it comes to payment, the total annual amount of performance-linked remuneration and fixed remuneration is paid out monthly on a prorated basis over each of the twelve months.

For share-based remuneration as performance-linked remuneration, based on a resolution at the 8th Ordinary General Meeting of Shareholders held on March 27, 2018, the Company introduced a Board Benefit Trust ("BBT") as its performance-linked share-based remuneration plan, which it has continued based on a resolution at the 11th Ordinary General Meeting of Shareholders held on March 23, 2021. Additionally, the maximum amount of monies contributed to the trust every three fiscal years and the maximum number of points (number of shares) to be granted per fiscal year were revised based on a resolution at the 12th Ordinary General Meeting of Shareholders held on March 24, 2022. The purpose of this Plan is to further increase the linkage with corporate performance, and clarify the linkage between remuneration for Directors and the stock value of the Company at the same time, having the Directors share with our shareholders not only the merits of the increase in the stock price, but also the risk of the decrease in the stock price, thereby increasing awareness of the Directors to contribute to the medium- to long-term improvement in the business performance and to the enhancement of corporate value. Under the Plan, upon retirement those eligible receive payment of remuneration, etc. equivalent to points they have accumulated under the Plan. Calculated using the percentage of progress made toward achieving the yearly budget with respect to consolidated EBITDA, points are granted every March on the condition that the Company has generated a positive consolidated operating income. As for payment, the Company provides the Company's shares on a "one point per one share" basis with respect to 70% of points accumulated, and pays a monetary amount calculated by multiplying the market value of the shares on the date of retirement with respect to 30% of the points accumulated.

Specific details regarding such arrangements are stipulated in the "Rules for Delivery of Shares to Officers" as determined by the Board of Directors.

- Results in relation to the performance indicators

Consolidated EBITDA trends including that of the fiscal year under review are shown below.

	7th Fiscal Year–11th Fiscal Year average value (Fiscal Year ended December 31, 2016 to Fiscal Year ended December 31, 2020)	12th Fiscal Year (Fiscal Year ended December 31, 2021)	13th Fiscal Year (fiscal year under review) (Fiscal Year ended December 31, 2022)
Consolidated EBITDA (Millions of yen)	12,774	24,189	16,750

b. Share-based remuneration (non-monetary remuneration, etc.)

The performance-linked share-based remuneration plan introduced by the Company has been described under the heading “method for calculating performance-linked remuneration amounts and quantitative values” above. The total number of the points above to be granted to the Directors (excluding Outside Directors) as remuneration, etc. for the fiscal year under review is 14,819 points.

c. Matters concerning decisions on the amount of remuneration, etc. for Directors and Audit & Supervisory Board Members per resolution at the General Meeting of Shareholders

The maximum amount of remuneration, etc. for the Company’s Directors and Audit & Supervisory Board Members was resolved as follows.

Eligible persons	Type of remuneration, etc.	Maximum value and number of points (number of shares)	Resolution at the General Meeting of Shareholders	No. of eligible persons upon conclusion of said meeting
Directors (including Outside Directors)	Monetary remuneration	No more than ¥350 million per year (including no more than ¥50 million per year for Outside Directors; however, this does not include the employee salary portion for Directors who concurrently serve as employees)	12th Ordinary General Meeting of Shareholders held on March 24, 2022	8 (including 3 Outside Directors)
Directors (excluding Outside Directors)	Share-based remuneration	<ul style="list-style-type: none"> • Contribute monies to the trust, up to ¥200 million every three fiscal years • Maximum number of points (number of shares) to be granted per fiscal year: 60,000 points (60,000 shares) 	12th Ordinary General Meeting of Shareholders held on March 24, 2022	5
Audit & Supervisory Board Members	Monetary remuneration	No more than ¥50 million per year	Extraordinary General Meeting of Shareholders on March 31, 2011	3

d. Policy on decisions pertaining to remuneration, etc. for individual Directors

- Method of determining policy for decisions

The Company’s Board of Directors is to consult with the Company’s voluntary Nomination and Compensation Advisory Committee, which has consisted of all Outside Directors and the Representative Director, the President & Chief Executive Officer since fiscal year 2019, requesting the Committee to review remuneration, etc. of the

Company's Directors. Accordingly, The Board of Directors adopted a resolution on policy regarding making decisions on remuneration, etc. for individual Directors (hereinafter referred to as the "Decision-making Policy") at its meeting held on January 27, 2021, in view of the reports received from the Nomination and Compensation Advisory Committee.

- Overview of the Decision-making Policy

Basic policies on remuneration of the Directors (excluding Outside Directors) are as follows.

- Director remuneration is to serve as sufficient incentive for Directors to improve business performance and increase corporate value over the medium to long term.
- Director remuneration is to give rise to competitive strengths that facilitate capacity to gain diverse and outstanding talent.
- Director remuneration is to cause Directors to have common interests with shareholders and other stakeholders.

Director remuneration (excluding Outside Directors) specifically consists of monetary remuneration in the form of fixed remuneration and performance-linked remuneration, as well as performance-linked share-based remuneration involving a trust. Decisions on remuneration, etc. are to be made within a remuneration range resolved at the General Meeting of Shareholders, and remuneration, etc. is to be set at appropriate levels enlisting third-party surveys on compensation of business managers in Japan (hereinafter referred to as, "Managerial Compensation Surveys").

The fixed remuneration component of monetary remuneration consists of an annual amount in alignment with a Director's roles, position and other factors, and is paid out monthly on a prorated basis over each of the twelve months of the year. Moreover, policy regarding the monetary performance-linked remuneration and performance-linked share-based remuneration are described under the headings "a. Matters concerning performance-linked remuneration, etc." and "b. Share-based remuneration (non-monetary remuneration, etc.)" above.

Remuneration of the Outside Directors is limited to the fixed remuneration component of monetary remuneration which is set according to a Director's roles and other factors, in view of such Directors' roles and independence, and is paid out monthly on a prorated basis over each of the twelve months of the year.

- e. Ratio of remunerations, etc. for Directors by type

When it comes to the proportional mix of remuneration, etc. for Directors (excluding Outside Directors) by component type, overall remuneration is structured such that the higher a Director's position, the higher the performance-linked and share-based remuneration weightings, upon referring to remuneration, etc. at listed enterprises comparable to the Company cited in Managerial Compensation Surveys.

The Company's voluntary Nomination and Compensation Advisory Committee reports specific details in this regard to the Board of Directors upon having conducted a review. The Board of Directors then determines the proportional mix of remuneration types while accordingly respecting details that have been reported by the Nomination and Compensation Advisory Committee.

f. Matters concerning third-party delegation

When it comes to the monetary remuneration component of the remuneration, etc. for Directors, the task of making specific decisions on an individual basis in that regard is delegated to the Representative Director, the President & Chief Executive Officer. When the Board of Directors delegates the task of making decisions on amounts of individual remuneration, etc. to the Representative Director, the President & Chief Executive Officer, the Board of Directors consults with the Nomination and Compensation Advisory Committee with regard to formulation of a draft thereof, in order to ensure appropriateness of remuneration levels and transparency of performance evaluations, adhering to the resolution of the General Meeting of Shareholders. Then the Representative Director, the President & Chief Executive Officer must make such decisions in accordance with reports made by the Committee.

g. Reasons the Board of Directors has deemed that remuneration, etc. for individual Directors pertaining to the fiscal year under review aligns with the Decision-making Policy

When it comes to making decisions on remuneration, etc. for individual Directors, the Nomination and Compensation Advisory Committee comprehensively examines the draft thereof, including its consistency with the Decision-making Policy, and the Board of Directors respects the report from the Committee and deems the decisions align with the Decision-making Policy.

h. Matters concerning delegation of decisions on remuneration, etc. for individual Directors

The Representative Director, the President & Chief Executive Officer has made decisions on monetary remuneration for Directors during the current year under review, per resolution on delegating to the Representative Director, the President & Chief Executive Officer Michio Takahashi the task of making specific decisions regarding individual remuneration, etc. for Directors, approved at the Board of Directors meeting held on March 24, 2022.

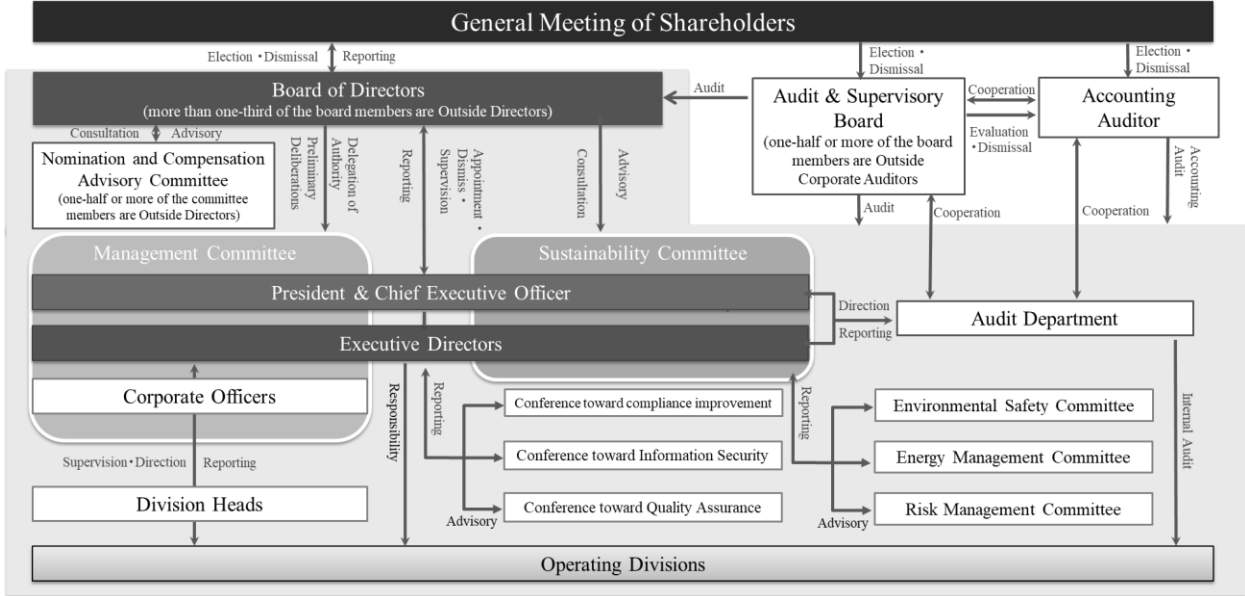
The reason for delegating such decisions to the Representative Director, the President & Chief Executive Officer is that the Representative Director, the President & Chief Executive Officer is best suited to the task of assessing areas of responsibility and professional duties assumed by each Director, while taking an overhead view of business performance across the entire Company. However, when the Board of Directors delegates the task of making decisions on amounts of individual remuneration, etc. to the Representative Director, the President & Chief Executive Officer, the Board of Directors consults with the Nomination and Compensation Advisory Committee with regard to formulation of a draft thereof, in order to ensure appropriateness of remuneration levels and transparency of performance evaluations, adhering to the resolution of the General Meeting of Shareholders. Then the Representative Director, the President & Chief Executive Officer must make such decisions in accordance with reports made by the Committee.

(iii) Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

Name	Position	Attendance	Status of main statements made
Sayoko Miyairi	Outside Director	Board of Directors meetings: 16 of 16 meetings	She has appropriately fulfilled her role as an Outside Director of the Company in ensuring the correctness and reasonableness of decision-making, primarily by using her standpoint as an expert in organizational and human resource development to provide opinions and recommendations on human resource development and on improving employee engagement. In addition, as a member of the Nomination and Compensation Advisory Committee, she attended all five of its meetings during the fiscal year under review, supervising the process for the selection of candidates and the determination of remuneration for Directors and Audit & Supervisory Board Members of the Company from an objective and independent viewpoint.
Jun Tsuchiya	Outside Director	Board of Directors meetings: 16 of 16 meetings	He has appropriately fulfilled his role as an Outside Director of the Company in ensuring the correctness and reasonableness of decision-making, primarily by using his standpoint as an expert in management and technology to provide opinions and recommendations on the business of the Company as a whole. In addition, as a member of the Nomination and Compensation Advisory Committee, he attended all five of its meetings during the fiscal year under review, supervising the process for the selection of candidates and the determination of remuneration for Directors and Audit & Supervisory Board Members of the Company from an objective and independent viewpoint.
Yuji Kikuchi	Outside Director	Board of Directors meetings: 16 of 16 meetings	He has appropriately fulfilled his role as an Outside Director of the Company in ensuring the correctness and reasonableness of decision-making primarily by using his expert standpoint as an attorney to provide opinions and recommendations on risk management and strengthening corporate governance. In addition, as the chairperson of the Nomination and Compensation Advisory Committee, he attended all five of its meetings during the fiscal year under review, leading the supervision of the process for the selection of candidates and the determination of remuneration for Directors and Audit & Supervisory Board Members of the Company from an objective and independent viewpoint.
Kazuhiro Kawai	Outside Audit & Supervisory Board Member	Board of Directors meetings: 16 of 16 meetings Audit & Supervisory Board meetings: 13 of 13 meetings	At meetings of the Board of Directors he has made statements aimed at ensuring the correctness and reasonableness of decision-making, by using his standpoint as an expert in financial accounting. Also, at meetings of the Audit & Supervisory Board, he has made timely and necessary statements, particularly in relation to internal audits.

Name	Position	Attendance	Status of main statements made
Keiko Tamura	Outside Audit & Supervisory Board Member	Board of Directors meetings: 16 of 16 meetings Audit & Supervisory Board meetings: 13 of 13 meetings	At meetings of the Board of Directors she has made statements aimed at ensuring the correctness and reasonableness of decision-making, by using her expert standpoint as an attorney. Also, at meetings of the Audit & Supervisory Board, she has made timely and necessary statements, particularly in relation to the corporate governance system.

(Reference) The Company’s governance system



- Board of Directors**

The Board of Directors exists to promote the sustained growth of the Company and the improvement of its corporate value over the medium and long term, to strive for proper structuring and management of a corporate control system, and to make decisions on matters set out in laws, regulations, and the Company’s Articles of Incorporation and other critical management matters as the Company’s key executive decision-making body in addition to serving as a supervisory body over the Directors’ performance of duties. The Board of Directors comprises eight Directors (including three Outside Directors) and, in principle, holds ordinary Board of Directors meetings on a monthly basis in addition to extraordinary Board of Directors meetings as needed, forming the Company’s system for swift decision-making in management.
- Audit & Supervisory Board Members and the Audit & Supervisory Board**

Audit & Supervisory Board Members attend Board of Directors meetings, Management Committee meetings, and other important meetings and voice their opinions as needed in addition to auditing the Directors’ performance of duties through such activities as reviewing important approval documents. Audit & Supervisory Board Members also exchange information and opinions, hold discussions, and engage in other efforts on a regular basis in pursuit of mutual collaboration with the Auditing Division and the Accounting Auditor. The Audit & Supervisory Board comprises three Audit & Supervisory Board members (including two Outside Audit & Supervisory Board Members) and, in principle, holds ordinary Audit & Supervisory Board meetings on a monthly basis in addition to extraordinary Audit & Supervisory Board meetings as needed, all in pursuit of mutual collaboration in formulating auditing plans, examining the status and results of audits, and the like.

- **Nomination and Compensation Advisory Committee**

With the aim of ensuring the independence, objectivity and transparency of the Board of Directors functions related to nomination and remuneration of Directors and Corporate Officers, the Company has established a voluntary Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors. The Chair of the Committee is an Outside Director, and Outside Directors constitute a majority of the members.

- **Sustainability Committee**

The Company has established a Sustainability Committee to serve as an advisory body to the Board of Directors, deliberating, reporting, and monitoring two types of matters—(1) matters pertaining to sustainability among matters to be resolved by the Board of Directors or the Management Committee and matters requiring the President’s approval and (2) other important matters pertaining to sustainability—and including them in business plans and the like. The Sustainability Committee comprises Board Directors as members and the Board Director in charge of corporate planning as the chair. Additionally, the committee chair may request reports from the Environmental Safety Committee, the Energy Management Committee, and the Risk Management Committee to the Sustainability Committee as needed.

- **Management Committee**

The Company has established a Management Committee to decide on important matters pertaining to the execution of duties delegated to the Company by the Board of Directors, and to hold meetings at which to hold preliminary deliberations on matters for the Board of Directors to discuss. In principle, the Management Committee meets on a monthly basis, and their meetings are attended by Full-time Audit & Supervisory Board Members, among others.

- **Expert Committees and Promotion Committees**

The Company has established expert committees, which are chaired by Board Directors in charge of the particular areas of specialty, function as important bodies for governance that supplement and reinforce company-wide decision-making, and examine and discuss specialized matters and analyze and report on decision-making on such matters; and promotion committees, which meet regularly to hold necessary discussions about decision-making and execution of duties involving items to be resolved exclusively by department managers based on Rules on Final Approval and organizational regulations in addition to formulating and promoting company-wide policies, providing education and training, and sharing information.

(5) Accounting Auditor

(i) Name Deloitte Touche Tohmatsu LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc. (Millions of yen)
Amount of remuneration, etc. to Accounting Auditor for the current fiscal year	38
Total amount of money and other financial interests to be paid by the Company and its subsidiaries	38

Notes:

1. The Audit & Supervisory Board, after considering the appropriateness of elements such as the details of the Accounting Auditor's audit plan, the status of execution of audits and the grounds for calculation of remuneration, determined said elements to be suitable and approved the Accounting Auditor's remuneration, etc.
2. The audit agreement between the Company and its Accounting Auditor does not distinguish remuneration, etc. paid for audit work performed in conformity with the Companies Act and remuneration, etc. paid for audit work performed in conformity with the Financial Instruments and Exchange Act, and it is effectively impossible to do so. Therefore, the total amount of these remuneration types is presented above.
3. Among the Company's major subsidiaries, Kurogane Kasei Co., Ltd., and KH Neochem Americas, Inc. are audited by audit firms other than the Accounting Auditor of the Company.

(iii) Policy for decisions on dismissal or non-reappointment of Accounting Auditor

The Audit & Supervisory Board comprehensively considers factors such as the Accounting Auditor's independence, reliability and the status of the execution of their duties, and decides the details of proposals regarding the dismissal or non-reappointment of the Accounting Auditor that will be submitted to the General Meeting of Shareholders, in the event that such a proposal is deemed necessary. In such case, the Board of Directors will submit to the General Meeting of Shareholders the proposal regarding the dismissal or non-reappointment of the Accounting Auditor based on the relevant decision made by the Audit & Supervisory Board.

The Audit & Supervisory Board, with the unanimous consent of the Audit & Supervisory Board Members, shall dismiss the Accounting Auditor in the event that said Accounting Auditor is recognized as falling under any of the items provided for in Article 340, paragraph (1) of the Companies Act. In such case, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report the dismissal and the reasons thereof at the first General Meeting of Shareholders held following the dismissal.