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(Securities Code 4471)
June 1, 2021

To Our Shareholders:

Takao Ando
President & CEO
SANYO CHEMICAL INDUSTRIES,
LTD.
11-1, Ikkyo Nomoto-cho, Higashiyama-ku,
Kyoto, Japan

**CONVOCATION NOTICE OF
THE 97TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Please be informed that the 97th Ordinary General Meeting of Shareholders of SANYO CHEMICAL INDUSTRIES, LTD. (the “Company”) will be held for the purposes as described below.

While this year’s General Meeting of Shareholders will be held by taking appropriate infection prevention measures to prevent the spread of COVID-19 again, please consider exercising your voting rights in writing by submitting the Voting Rights Exercise Form, or via the Internet, etc., instead of attending the meeting in person.

Upon executing your voting rights in advance in writing or via the Internet, etc., after reviewing the attached Reference Documents for the General Meeting of Shareholders, please exercise your voting rights by 5:30 p.m. on Thursday, June 17, 2021, Japan time.

- 1. Date and Time:** Friday, June 18, 2021 at 10:00 a.m.
- 2. Place:** Kokin Jr. Ballroom on the fifth floor of HOTEL GRANVIA KYOTO
Kyoto Station Bldg., 901 Higashi Shiokoji-cho,
Shiokoji-sagaru, Karasuma-dori, Shimogyo-ku, Kyoto
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report and Consolidated and Non-consolidated Financial Statements for the Company’s 97th Fiscal Year (April 1, 2020 - March 31, 2021)
 2. Results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements for the Company’s 97th Fiscal Year (April 1, 2020 - March 31, 2021)
 - Proposals to be resolved:**
 - Proposal 1:** Partial Amendment to the Articles of Incorporation
 - Proposal 2:** Election of 9 Directors
 - Proposal 3:** Election of 2 Audit & Supervisory Board Members

- If you are attending the meeting in person, please submit the enclosed Voting Rights Exercise Form to the reception at the venue.
- If you are exercising your voting rights by proxy, the proxy who may attend the meeting shall be limited to another shareholder with voting rights. In addition, please note that it is necessary to submit a document certifying the right of proxy.
- Of the documents to be attached to this notice, Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements in the Consolidated Financial Statements as well as Non-consolidated Statements of Changes in Net Assets and Notes to Non-consolidated Financial Statements in the Non-consolidated Financial Statements are posted on the Company's website (<https://www.sanyo-chemical.co.jp/>) on the Internet, in accordance with the provisions of laws and regulations as well as Article 16 of the Company's Articles of Incorporation. Accordingly, these are not included in the documents attached to this notice. Please note that the Consolidated Financial Statements and Non-consolidated Financial Statements that were audited by the Audit & Supervisory Board Members and Accounting Auditor when they prepared their Audit Report and Accounting Audit Report, respectively, included items to be presented in these Consolidated Statements of Changes in Net Assets, Notes to Consolidated Financial Statements, Non-consolidated Statements of Changes in Net Assets, and Notes to Non-consolidated Financial Statements, in addition to those included in the documents attached to this notice.
- Please note that, if the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements are revised, the revised items will be posted on the Company's website (<https://www.sanyo-chemical.co.jp/>).
- Videos on matters to be reported, etc. and an outline of questions and answers on the day of the Ordinary General Meeting of Shareholders will be posted on the Company's website (<https://www.sanyo-chemical.co.jp/>) after the conclusion of the meeting.

Measures to prevent the spread of COVID-19

- From the standpoint of preventing the spread of COVID-19, we would like you to consider exercising your voting rights in writing or via the Internet, instead of attending the meeting in person. A guide to exercising your voting rights in advance is provided on pages 4 to 5 of the Japanese version of this notice.
- When attending the meeting in person, please make sure to bring and wear a mask. In addition, we would ask for your cooperation with taking temperatures through thermography and using alcohol disinfectants placed at the venue. Please note in advance that shareholders who are confirmed to have a fever of 37.5 degrees Celsius or higher as well as those who seem to be unwell may be refused entry.
- We will not provide souvenirs to shareholders attending the meeting, and we will cancel the shareholder gathering after the meeting. We sincerely thank you for your understanding in advance.
- In order to ensure sufficient space between the seats at the venue, the number of seats will be significantly reduced. Please note in advance that we may ask you to attend the meeting in another room or refuse entry if the venue becomes full.
- Officers attending the meeting and the operations staff will be wearing masks, etc.
- If any significant changes are made to the operation of the meeting due to future circumstances, details will be announced via a posting on the Company's website (<https://www.sanyo-chemical.co.jp/>).

Proposal 1: Partial Amendment to the Articles of Incorporation

1. Reason for proposal

In order to accommodate the expansion and diversification of business domains, we propose to add a business purpose to Article 2 (Purposes) of the current Articles of Incorporation.

2. Details of amendment

The details of the amendment are as follows:

(Underlined sections indicate amendments)

Current Articles of Incorporation		Proposed amendments	
(Purpose)		(Purpose)	
Article 2	The purpose of the Company shall be to engage in the following businesses.	Article 2	(Unchanged)
(1) – (4)	(Provisions omitted) (Newly established)	(1) – (4)	(Unchanged)
		<u>(5)</u>	<u>Manufacturing and sales of various batteries, battery application products, and industrial chemicals for various batteries</u>
(5) – (9)	(Provisions omitted)	<u>(6) – (10)</u>	(Unchanged)

Proposal 2: Election of 9 Directors

The terms of office of all 10 Directors, namely Messrs. Kan Ueno, Takao Ando, Akinori Higuchi, Kohei Maeda, Hideya Narutaki, Atsushi Ota, Hiroyuki Shimominami, Masaya Yamamoto, Shigenobu Aikyo and Ms. Aya Shirai will expire at the conclusion of this year's Ordinary General Meeting of Shareholders. In order to further enhance the objectivity of the Board of Directors and strengthen the supervisory function over management, we propose to reduce the number of Directors appointed from inside the Company by 1 to a total of 6 Directors, and maintain the total number of Outside Directors at 3, including 2 new candidates. Accordingly, we propose the election of 9 Directors. If this proposal is approved as originally proposed, the Company plans to designate the 3 Outside Directors as Independent Directors as stipulated by the Tokyo Stock Exchange, and one-third of the Company's Directors will be Independent Directors.

The candidates are as follows:

No.	Name		Current position and responsibilities, etc. at the Company
1	Takao Ando	Reelection	President & CEO
2	Akinori Higuchi	Reelection	Executive Vice President
3	Kohei Maeda	Reelection	Director, Senior Managing Executive Officer, supervising R&D, General Manager of Performance Materials Division, General Manager of Research Administration Division, Head of Head Office Research Laboratory, and Head of Katsura Research Laboratory
4	Hideya Narutaki	Reelection	Director, Managing Executive Officer, supervising Business Planning, General Manager of Biotechnology & Medical Division, and Head of Tokyo Branch Office
5	Hiroyuki Shimominami	Reelection	Director, Managing Executive Officer President, Representative Director of SDP Global Co., Ltd.
6	Masaya Yamamoto	Reelection	Director, Managing Executive Officer, in charge of Corporate Ethics and General Affairs, and General Manager of Administrative Affairs Division
7	Aya Shirai	Reelection	Outside Director Independent Director Director
8	Hideaki Obata	New Candidate	Outside Director Independent Director
9	Yumi Sano	New Candidate	Outside Director Independent Director

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
1	Takao Ando (March 7, 1953)	April 1977	Joined the Company	11,700
	[Reelection]	June 1998	Director, Deputy General Manager of Research & Development Division	
		April 2001	Director, General Manager of Research & Development Division	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	June 2003	Executive Officer, General Manager of Research & Development Division	
		June 2004	Executive Officer, General Manager of International Project Promotion Division	
		June 2007	Executive Officer	
		June 2008	Managing Executive Officer	
16 years	June 2010	Director, Senior Managing Executive Officer, and in charge of Sales & Marketing I		
Attendance at Board Meetings during fiscal 2020:	June 2011	President & CEO (to present)		
17/17 (100%)				
<p>[Reason for nomination as candidate for Director] Mr. Takao Ando has served as President, Representative Director since 2011 and appropriately carried out his duties in supervising and executing the management operations of the Company. We believe that, with his wealth of experience and knowledge in overall management including research, sales and overseas business, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.</p>				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
2	Akinori Higuchi (November 7, 1959) [Reelection]	April 1984	Joined the Company	1,600
		October 1984	Transferred to SAN NOPCO LIMITED	
		October 2005	General Manager of Pulp & Paper Chemicals Marketing and Sales Department	
		June 2012	President, Representative Director, and General Manager of Sales & Marketing Division	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	June 2014	Executive Officer of the Company	
		June 2015	Managing Executive Officer, General Manager of Petroleum & Environment Division	
	5 years	June 2016	Director, Managing Executive Officer, in charge of Sales & Marketing II, General Manager of Lubricating Oil Additives Division, and General Manager of Petroleum & Environment Division	
	Attendance at Board Meetings during fiscal 2020:	June 2018	Director, Senior Managing Executive Officer, in charge of Corporate Planning and Sales & Marketing II, General Manager of Lubricating Oil Additives Division, and General Manager of Petroleum, Construction & Environment Division	
	17/17 (100%)	May 2019	Director, Senior Managing Executive Officer, in charge of Corporate Strategy and Production	
		April 2020	Director, Senior Managing Executive Officer, in charge of Corporate Strategy	
		June 2020	Executive Vice President, in charge of Corporate Strategy	
		April 2021	Executive Vice President (to present)	
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Akinori Higuchi has been involved in supervising and executing the management operations of the Company as an officer in charge of Sales & Marketing Division and has experience in supervising the overall operations in sales & marketing, research, and production as Chief Executive Officer of one of the Company's consolidated subsidiaries. In addition, he has made efforts as an officer in charge of corporate planning to promote the business strategy formulated in the Tenth Medium-Term Management Plan, and has taken on a central role in the Company's management as Executive Vice President since June 2020. We believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.</p>				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
3	Kohei Maeda (November 3, 1960)	April 1985	Joined the Company	3,400
	[Reelection]	April 1999	General Manager of New Technologies & Business Development Office	
		June 2005	General Manager of Research & Development Division and General Manager of Research Administration Division	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	June 2010	Executive Officer, General Manager of Research & Application Division, and General Manager of Research Administration Division	
		October 2012	Executive Officer, General Manager of Research & Application Division, and Head of Head Office Research Laboratory	
		June 2014	Director, Executive Officer, General Manager of Research & Application Division, and Head of Head Office Research Laboratory	
	7 years	June 2015	Director, Managing Executive Officer, in charge of Research & Development, General Manager of Research & Application Division, and Head of Head Office Research Laboratory	
	Attendance at Board Meetings during fiscal 2020:	June 2019	Director, Senior Managing Executive Officer, in charge of Sales & Marketing II, General Manager of Electronic Materials, Resins & Coloring Materials Division, and General Manager of Corporate Communications Division	
	April 2020	Director, Senior Managing Executive Officer, in charge of Research & Development, General Manager of Research & Application No.1 Division, General Manager of Research Administration Division, and Head of Head Office Research Laboratory		
17/17 (100%)	April 2021	Director, Senior Managing Executive Officer, supervising R&D, General Manager of Performance Materials Division, General Manager of Research Administration Division, Head of Head Office Research Laboratory, and Head of Katsura Research Laboratory (to present)		
<p>[Reason for nomination as candidate for Director]</p> <p>In addition to years of experience as an officer responsible for, and in charge of Research & Development, Mr. Kohei Maeda has experience in supervising and executing the management operations of the Company as an officer in charge of Sales & Marketing. He also has been involved in strategic planning and promotion of public relations as General Manager of Corporate Communications Division. Since he is familiar with various technologies and businesses of the Company, we believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.</p>				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	Hideya Narutaki (September 22, 1958) [Reelection]	April 1984 November 2002 October 2008 February 2009 June 2010 January 2012	Joined the Company General Manager, Toiletry Department of Nihashi Division Deputy General Manager of Yasui Division General Manager of Narutaki Division Executive Officer, General Manager of Toiletry, Detergent & Textile Division Executive Officer, in charge of Sales & Marketing I, and General Manager of Toiletry, Detergent & Textile Division
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	June 2012 June 2015 April 2017 April 2021	Director, Executive Officer, in charge of Sales & Marketing I, and General Manager of Toiletry, Detergent & Textile Division Director, Managing Executive Officer, in charge of Sales & Marketing I, and General Manager of Toiletry, Detergent & Textile Division Director, Managing Executive Officer, in charge of Sales & Marketing I, General Manager of Biotechnology & Medical Division, and Head of Tokyo Branch Office Director, Managing Executive Officer, supervising Business Planning, General Manager of Biotechnology & Medical Division, and Head of Tokyo Branch Office (to present)
	9 years		2,300
	Attendance at Board Meetings during fiscal 2020:		
	17/17 (100%)		
	[Reason for nomination as candidate for Director] For many years, Mr. Hideya Narutaki has been involved in management as an officer responsible for the Sales & Marketing Division, and has experience in supervising and executing the management operations of the Company as an officer in charge of Sales & Marketing. Additionally, he is also responsible for the Biotechnology & Medical Division, which is an area that is expected to bring new business growth. Since he is familiar with the Company's wide range of products, we believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.		

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
5	Hiroyuki Shimominami (January 22, 1960) [Reelection]	April 1983 October 2005 April 2009 June 2013 June 2016 June 2020	Joined Tomen Corporation General Manager of Industrial Materials Department President of Toyota Tsusho (H.K.) Co., Ltd. Executive Officer of the Company Director, Executive Officer Director, Managing Executive Officer (to present)	1,300
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):	(Significant concurrent position) President, Representative Director of SDP Global Co., Ltd.		
	5 years			
	Attendance at Board Meetings during fiscal 2020:			
	17/17 (100%)			
[Reason for nomination as candidate for Director] Mr. Hiroyuki Shimominami is Chief Executive Officer of one of the Company's consolidated subsidiaries in charge of production and sales of superabsorbent polymers, one of the main business of the Company. In addition, he holds managerial and marketing-related experience in the chemicals fields at a trading company. We believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.				
6	Masaya Yamamoto (July 7, 1958) [Reelection]	April 1982 October 2006 June 2009 August 2013 June 2014 June 2016 June 2020	Joined Toray Industries, Inc. General Manager on Special Assignment of Internal Control Department Member of the Board of P.T. Toray Industries Indonesia General Manager on Special Assignment of Finance & Controller's Division (Finance Chief of the Indonesia Districts) of Toray Industries, Inc. Deputy General Manager of Sales & Marketing Administration Division of the Company Executive Officer, General Manager of Administrative Affairs Division Director, Executive Officer, in charge of Corporate Ethics and General Affairs, and General Manager of Administrative Affairs Division Director, Managing Executive Officer, in charge of Corporate Ethics and General Affairs, and General Manager of Administrative Affairs Division (to present)	1,100
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):			
	5 years			
	Attendance at Board Meetings during fiscal 2020:			
	17/17 (100%)			
[Reason for nomination as candidate for Director] Mr. Masaya Yamamoto has experience in executing and supervising the management operations of the Company as an officer in charge of General Affairs. In addition, he has been involved in activities related to finance and accounting divisions, internal control and overseas businesses at Toray Industries, Inc. We believe that, with the above experience and knowledge, he is suited for the role of ensuring the sustainable improvement of corporate value, and thereby propose his re-election as a Director.				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
7	Aya Shirai (May 23, 1960)	April 1979 Joined ALL NIPPON AIRWAYS CO., LTD. June 1993 Member of Amagasaki City Council December 2002 Mayor of Amagasaki City June 2018 Outside Director of the Company (to present)	400
	[Reelection] [Outside Director] [Independent Director]	(Significant concurrent positions) Outside Director of PEGASUS SEWING MACHINE MFG. CO., LTD. Outside Director of BROTHER INDUSTRIES, LTD.	
	Term of office as Director (at the conclusion of this year's Ordinary General Meeting of Shareholders):		
	3 years		
	Attendance at Board Meetings during fiscal 2020:		
17/17 (100%)			
<p>[Reason for nomination as candidate for Outside Director and outline of expected roles]</p> <p>Ms. Aya Shirai has a wealth of experience gained through administrative activities from her many years of involvement in municipal administration. In addition, she has experience and achievements from having been involved in corporate management as an Outside Director of other listed companies. Furthermore, inspired by the Company's philosophy on promoting diversity, she has actively provided advice on its efforts to promote diversity. We expect that, with this experience and knowledge, she will continue contributing to the sustained improvement of the Company's corporate value by providing useful comments and opinions from an independent position, and thereby propose her re-election as an Outside Director.</p> <p>Although she has not been directly involved in corporate management other than through experience as an Outside Director, we expect that, with the above experience and knowledge, she is suited for the role of carrying out supervisory functions and providing advice to the Company's management from various aspects.</p> <p>In addition, the Company plans to appoint her as a member of the Nomination and Remuneration Committee, which is scheduled to be established as an advisory body to the Board of Directors, and the Company believes she will also contribute to the enhancement of transparency and fairness in the Company's management.</p> <p>Furthermore, there are no special interests between the Company and entities at which she holds concurrent positions.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
8	Hideaki Obata (February 18, 1951) [New Candidate] [Outside Director] [Independent Director]	April 1973 Joined Sumitomo Electric Industries, Ltd. June 1997 General Manager of Administration Division June 2004 Executive Officer, General Manager of HR & Administration Division June 2008 Managing Director, Vice General Manager of Manufacturing Management & Engineering Unit, and General Manager of HR & Administration Division June 2009 Senior Managing Director of Nissin Electric Co., Ltd. June 2010 Representative Director & Senior Managing Director June 2011 President June 2017 Chairman (to present) (Significant concurrent positions) Chairman of Nissin Electric Co., Ltd. Chairman of Kyoto Employers' Association	0
<p>[Reason for nomination as candidate for Outside Director and outline of expected roles]</p> <p>Mr. Hideaki Obata has a wealth of practical experience in administrative divisions such as human resources and general affairs, as well as experience and achievements from having been involved in management over many years at companies with a wide range of business domains. We expect that, with this experience and knowledge, he will contribute to the enhancement of the supervisory functions of the Company's Board of Directors and the sustained improvement of the Company's corporate value by providing useful comments and opinions on the Company's overall business activities from an independent position, and thereby propose his election as an Outside Director.</p> <p>In addition, the Company plans to appoint him as a member of the Nomination and Remuneration Committee, which is scheduled to be established as an advisory body to the Board of Directors, and the Company believes he will also contribute to the enhancement of transparency and fairness in the Company's management.</p> <p>Furthermore, there are no special interests between the Company and entities at which he holds concurrent positions.</p>			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
	Yumi Sano (August 20, 1961) [New Candidate] [Outside Director] [Independent Director]	April 1984 April 1997 April 2004 April 2013 April 2014 (Significant concurrent positions) General Manager, Kansai Office of Japan Institute for Women's Empowerment & Diversity Management Outside Director of Sakai Chemical Industry Co., Ltd.	0
9	<p>[Reason for nomination as candidate for Outside Director and outline of expected roles]</p> <p>Ms. Yumi Sano has a wealth of practical experience in promoting diversity and developing human resources in listed companies and public interest corporations. In addition, she has experience and achievements from having been involved in corporate management as an Outside Director of another listed company. We expect that, with this experience and knowledge, she will contribute to the sustained improvement of the Company's corporate value by providing useful comments and opinions from an independent position, and thereby propose her election as an Outside Director. Although she has not been directly involved in corporate management other than through experience as an Outside Director, we believe, with the above experience and knowledge, she is suited for the role of carrying out supervisory functions and providing advice to the Company's management from various aspects. In addition, the Company plans to appoint her as a member of the Nomination and Remuneration Committee, which is scheduled to be established as an advisory body to the Board of Directors, and the Company believes she will also contribute to the enhancement of transparency and fairness in the Company's management. Although there are transaction relationships including outsourcing of work between the Company and Japan Institute for Women's Empowerment & Diversity Management, where she holds a concurrent position, the annual amount of actual transactions in the latest fiscal year is less than 2% of the ordinary profit of the said institute. Additionally, there are no special interests between the Company and entities at which she holds concurrent positions, and thus there are no issues from these relationships with respect to independence.</p>		

(Notes)

- Ms. Aya Shirai is scheduled to retire from the position of Outside Director of PEGASUS SEWING MACHINE MFG. CO., LTD. as of the conclusion of the Ordinary General Meeting of Shareholders of the said company to be held in June 2021.
- Mr. Hideaki Obata is scheduled to retire from the position of Chairman of Nissin Electric Co., Ltd. and assume the position of Special Adviser as of the conclusion of the Annual General Meeting of Shareholders of the said company to be held in June 2021. In addition, he is scheduled to assume the position of Chairperson of Kyoto Prefecture Council of Social Welfare as of June 23, 2021.
- Ms. Aya Shirai, Mr. Hideaki Obata and Ms. Yumi Sano are candidates for Outside Director. The Company has designated Ms. Aya Shirai as an Independent Director as stipulated by the Tokyo Stock Exchange, and if her re-election is approved, the Company plans to continue to designate her as an Independent Director. In addition, if the election of Mr. Hideaki Obata and Ms. Yumi Sano is approved, the Company plans to newly designate them as Independent Directors.
- The Company has entered into a limited liability agreement with each of its Outside Directors wherein the limit of their liability for damages under Article 423, Paragraph 1 of the Companies Act is the minimum liability amount as stipulated under Article 425, Paragraph 1 of the Companies Act, provided that they carried out their duties in good faith and without gross negligence. The Company will continue the agreement with Ms. Aya Shirai if her re-election is approved. In addition, the Company will enter into similar agreements with Mr. Hideaki Obata and Ms. Yumi Sano if their election is approved.
- The Company has entered into a directors and officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. In the event of a claim for damages filed by a shareholder or a third party, the said insurance agreement shall compensate for damage to be incurred by the insured including compensation for damages and legal expenses. The premiums for the said insurance agreement are fully paid by the Company. If the election of the candidates is approved, they will be included as the insured under the said insurance agreement. The said insurance agreement does not cover any damage caused by intent or gross negligence. In addition, the Company intends to renew the agreement with the same terms at the time of next renewal.
- In January 2019, Sumitomo Precision Products Co., Ltd., for which Ms. Aya Shirai had served as an Outside Director,

discovered that expenses concerning some defense equipment contracts with the Ministry of Defense had been overstated. Said company appointed an independent, highly specialized third-party special committee to conduct an investigation, and an investigation report has been submitted in January 2020. Ms. Aya Shirai has been regularly promoting awareness of compliance with laws and regulations at the Board Meetings of the said company, and after the fact was discovered, she has offered opinions at Board Meetings, etc. of the said company on matters such as thorough investigation to determine causes and measures to further enhance compliance systems to prevent recurrence.

Proposal 3: Election of 2 Audit & Supervisory Board Members

Mr. Toshio Ohshima, an Audit & Supervisory Board Member, will resign at the conclusion of this year's Ordinary General Meeting of Shareholders. Accordingly, we propose the election of 2 Audit & Supervisory Board Members. If the proposal is approved, there will be 4 Audit & Supervisory Board Members, an increase by one.

Because Mr. Hirokazu Kurome, the election of whom is hereby proposed, would be elected as a substitute for Mr. Toshio Ohshima, who is retiring, his term of office shall expire at the same time as the expiry of the term of office of the retired Audit & Supervisory Board Member, in accordance with the provisions of the Company's Articles of Incorporation. His term of office will expire at the conclusion of the Ordinary General Meeting of Shareholders pertaining to the final fiscal year among those that end within three years of his election.

Please note that the Audit & Supervisory Board has already given its approval to this proposal.

The candidates are as follows.

No.	Name		Current position, etc. at the Company
1	Hirokazu Kurome	New Candidate	Outside Audit & Supervisory Board Member
2	Yusuke Nakano	New Candidate	Outside Audit & Supervisory Board Member Independent Auditor

No.	Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
1	Hirokazu Kurome (September 5, 1957) [New Candidate] [Outside Audit & Supervisory Board Member]	April 1982 Joined Toray Industries, Inc. June 2003 General Manager of Films Manufacturing Department, Gifu Plant December 2005 Director of Penfibre Sdn. Berhad September 2008 General Manager of Film Technical Department Gifu, Toray Industries, Inc. November 2009 General Manager of Tsuchiura Plant June 2012 General Manager of Gifu Plant May 2015 General Manager of Mishima Plant June 2016 Member of the Board of Toray Industries (Malaysia) Sdn. Berhad President of Penfibre Sdn. Berhad June 2018 Full-time Director, Deputy Representative for Malaysia of Toray Industries, Inc., Toray Industries, Inc. Vice President of Toray Industries (Malaysia) Sdn. Berhad President of Penfibre Sdn. Berhad May 2021 Full-time Director, in charge of Corporate Strategic Planning Division of Toray Industries, Inc. (to present)	0
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member]</p> <p>Mr. Hirokazu Kurome has a wealth of practical experience in production divisions over many years, as well as experience from having been involved in corporate management overseas. We believe that he will reflect this experience and knowledge in the Company's audits, and thereby propose his election as an Outside Audit & Supervisory Board Member. Furthermore, he is an executive of Toray Industries, Inc., a specified associated service provider of the Company. As he has a deep understanding of the Company's businesses and the chemical industry, we believe he will provide useful comments and opinions from multi-faceted perspectives.</p>			

No.	Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
2	Yusuke Nakano (May 15, 1969) [New Candidate] [Outside Audit & Supervisory Board Member] [Independent Auditor]	<p>April 2002 Registered as certified public accountant July 2005 Executive Senior Partner of Seiyu Audit Corporation (to present) September 2005 Registered as certified tax accountant January 2010 Head of NAKANO C.P.A OFFICE (to present)</p> <p>(Significant concurrent positions) Head of NAKANO C.P.A OFFICE Executive Senior Partner of Seiyu Audit Corporation Independent Audit and Supervisory Board Member of Nissha Co., Ltd. Outside Corporate Auditor of WATABE WEDDING CORPORATION Outside Director (Audit and Supervisory Committee Member) of SK-Electronics CO., LTD.</p>	0
<p>[Reason for nomination as candidate for Outside Audit & Supervisory Board Member] Mr. Yusuke Nakano has ample experience and in-depth knowledge in finance and accounting as a certified public accountant and certified tax accountant. Although he has not been directly involved in corporate management other than through experience as an Outside Director or an Outside Audit & Supervisory Board Member, we believe that he will reflect the above experience and knowledge in the Company's audit from an independent position, and thereby propose his election as an Outside Audit & Supervisory Board Member. Furthermore, there are no special interests between the Company and entities at which he holds concurrent positions.</p>			

(Notes)

1. Messrs. Hirokazu Kurome and Yusuke Nakano are candidates for Outside Audit & Supervisory Board Member.
2. Mr. Hirokazu Kurome is an executive (Full-time Director) of Toray Industries, Inc., a specified associated service provider of the Company. There are transaction relationships between the Company and the said company including sales of raw materials. He is currently receiving and has received remuneration from Toray Industries, Inc. in the past two years.
3. Mr. Hirokazu Kurome is scheduled to retire from the position of Full-time Director, in charge of Corporate Strategic Planning Division of Toray Industries, Inc. on June 22, 2021.
4. If the election of Mr. Yusuke Nakano is approved, the Company plans to newly designate him as an Independent Auditor.
5. The Company has entered into a limited liability agreement with each of its Outside Audit & Supervisory Board Members, wherein the limit of their liability for damages under Article 423, Paragraph 1 of the Companies Act is the minimum liability amount as stipulated under Article 425, Paragraph 1 of the Companies Act, provided that they carried out their duties in good faith and without gross negligence. The Company will enter into such agreements with Messrs. Hirokazu Kurome and Yusuke Nakano if their election is approved.
6. The Company has entered into a directors and officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. In the event of a claim for damages filed by a shareholder or a third party, the said insurance agreement shall compensate for damage to be incurred by the insured including compensation for damages and legal expenses. The premiums for the said insurance agreement are fully paid by the Company. If the election of the candidates is approved, they will be included as the insured under the said insurance agreement. The said insurance agreement does not cover any damage caused by intent or gross negligence. In addition, the Company intends to renew the agreement with the same terms at the time of next renewal.

<Reference> Standards for Independence of Outside Directors and Outside Audit & Supervisory Board Members (hereinafter “Outside Officers”)

When selecting independent officers, the Company shall adopt the “Standards for Determining the Independence of Outside Officers,” as determined below.

“Standards for Determining the Independence of Outside Officers”

An outside officer shall be deemed independent if he or she does not fall under any of the following items.

1. A party whose major business partner is the Sanyo Chemical Group (*1, also hereinafter “the Group”) (*2) or an executive thereof (*3).
2. A major business partner of the Group (*4) or an executive thereof.
3. A major lender of the Group (*5) or an executive thereof.
4. A major shareholder of the Company or an executive thereof.
5. A person who belongs to an accounting firm serving as the Group’s accounting auditor.
6. A legal professional, accountant, or consultant, etc. who receives money or profit from other property benefits of a large amount (*6) from the Group, in a form other than compensation for officers.
7. A person or an executive, such as a director, of an organization such as a legal entity or a partnership, etc. who receives donations or subsidies of a large amount from the Group.
8. An executive director, executive officer (*shikkoyaku*), executive officer (*shikkoyakuin*) or an employee, such as a manager, of a company in which an executive director or a full-time audit & supervisory board member of the Group concurrently serves as an outside director or an outside audit & supervisory board member of the said company.
9. A person who fell under any of items 1 through 8 above within the past three years.
10. A spouse or a relative within the second degree of kinship of a person who falls under any of items 1 through 8 but is a person of importance (*7).

*1: “The Sanyo Chemical Group” pertains to the entire network consisting of the Company, its subsidiaries and affiliates.

*2: “A party whose major business partner is the Group” refers to a party who received payments from the Company in an amount that is equivalent to 2% or more of the said party’s consolidated net sales for the most recent fiscal year.

*3: “An executive” refers to a director (excluding non-executive directors), an executive officer (*shikkoyaku*), executive officer (*shikkoyakuin*), executive director or any other person or employee equivalent thereto of an organization such as a legal entity.

*4: “A major business partner of the Group” refers to a party from whom the Company received payments in an amount that is equivalent to 2% or more of the Company’s consolidated net sales for the most recent fiscal year.

*5: “A major lender of the Group” refers to a party that provides financing to the Company in an amount that is equivalent to 2% or more of the Company’s consolidated total assets for the most recent fiscal year.

*6: “A large amount” for an individual is equivalent to an average amount over the past three years equivalent to ¥10 million or more; for an organization such as a legal entity or a partnership, an average amount over the past three years exceeding 2% of the consolidated net sales or total revenues.

*7: “A person of importance” refers to a director (excluding outside directors), an audit & supervisory board member (excluding outside audit & supervisory board members), an executive officer or an employee who holds a managerial position above the general manager level.

Business Report

(From April 1, 2020 to March 31, 2021)

1. Current Status of the Group

(1) Progress and Results of Operations

During the fiscal year ended March 31, 2021, the Japanese economy deteriorated rapidly as a result of a significant drop in private consumption and exports due to the impact of the COVID-19 pandemic. After the reopening of economic activities, recovery could be seen in exports picking up and in other aspects, but a resurgence of COVID-19 infections has led to continued challenging conditions. In the global economy, while China is steadily recovering after the reopening of economic activities and the dissemination of vaccines in the US seems to have a positive impact on individual consumption, Europe is experiencing prolonged restrictions on activities due to a resurgence of infections of COVID-19 infections, and it will likely need time to return to last year's levels.

In the chemical industry, although the yen was appreciating in the forex market as expectations were increasing towards the US to extend the period of monetary easing, the yen has been depreciating at the end of the fiscal year under review due to expectations of economic recovery in the US, and raw material costs have recovered after they plunged sharply with the decline in oil prices and the global economy. Amid these unstable conditions, the business environment remains unpredictable.

Under these circumstances, net sales for the fiscal year under review decreased by 6.9% year on year, to ¥144,757 million mainly due to appropriate sales price revision to respond to a drop in raw material costs. In terms of profit, operating profit was ¥11,932 million (a decrease of 4.1% year on year), and ordinary profit was ¥11,999 million (a decrease of 5.6% year on year) mainly due to a decrease in share of profit of entities accounted for using equity method. Profit attributable to owners of parent was ¥7,282 million (a decrease of 5.0% year on year) mainly due to recording of loss on cancellation of integration.

Results by product group (segment) were as follows.

<Toiletries and Health Care>

In the Toiletries segment, sales were flat, as sales of polyethyleneglycol and surfactants for liquid laundry detergents decreased, while sales of surfactants used in household detergents and other products increased.

In the Health Care segment, sales were flat, as sales for our mainstay superabsorbent polymers were flat mainly due to appropriate sales price revision to respond to a drop in raw material costs despite strong demand in China, while on the other hand, sales of germicides and other products increased.

As a result, total net sales in this segment increased by 1.1% year on year, to ¥54,302 million. Operating profit was ¥3,195 million (an increase of 100.9% year on year) due to improved profitability of superabsorbent polymers.

<Petroleum and Automotives>

In the Petroleum and Automotives segment, sales experienced a large decline. This was due to the decline in the automotive industry until September which caused weak sales of raw materials for polyurethane foams used in automobile seats and other applications, lubricant additives, and thermoplastic polyurethane beads for interior parts of automobiles.

As a result, total net sales in this segment decreased by 12.8% year on year, to ¥37,316 million. Operating profit was ¥3,365 million (a decrease of 10.0% year on year).

<Plastics and Textiles>

In the Plastics segment, sales were flat, as our mainstay permanent antistatic agents experienced a large increase in sales due to expanded sales for new applications in addition to the recovery in demand, while sales remained sluggish for paint coating agents and additives, automotive modeling materials and resin modifiers used as paint binders.

The Textiles segment experienced a decline in sales, as polyurethane resins for synthetic leather and elastomer fiber and the spin finish oil used in the manufacturing process of tire cord yarns and other items experienced a downturn in sales while sales of chemicals for carbon fibers showed a stable increase.

As a result, total net sales in this segment decreased by 3.0% year on year, to ¥20,802 million. Operating profit was ¥2,705 million (a decrease of 9.9% year on year).

<Information and Electrics/Electronics>

In the Information segment, sales experienced a large decline. This was due to a decline in office use of multifunction devices, etc. reflecting the increased teleworking, which caused weak sales of toner materials for those devices, including toner resins for pulverized toners and polyester beads as a core component of polymerization toners.

In the Electrics/Electronics segment, sales were strong due to a large increase in sales of raw materials for resists used in 5G-compatible semiconductor memory and resins used in displays.

As a result, total net sales in this segment decreased by 18.5% year on year, to ¥17,096 million. Operating profit was ¥1,439 million (a decrease of 51.0% year on year).

<Environmental Protection, Construction and Others>

In the Environmental Protection segment, sales declined due to the continued stagnation of the polymer flocculants market, which caused weak sales of cationic monomer, the raw material used to make polymer flocculants.

In the Construction segment, sales experienced a decline. This was due to weak sales for both raw materials for building sealants and raw materials for polyurethane foams mainly used in furniture and heat insulating materials, reflecting a decline in the market.

As a result, total net sales in this segment decreased by 8.0% year on year, to ¥15,239 million. Operating profit was ¥1,226 million (an increase of 5.2% year on year).

(2) Capital Expenditures

The total amount of the Company's capital expenditures for the fiscal year under review was ¥10,073 million, mainly comprising the following:

1) Major facilities completed during the fiscal year under review

None

2) Major facilities in progress during the fiscal year under review

The Company

Facilities for manufacturing surfactant (Kashima Factory)

Main business system (Head Office)

Sanyo Kasei (Thailand) Ltd.

Facilities for manufacturing antistatic agent (newly established)

Facilities for manufacturing surfactant (newly established)

(3) Financing

During the fiscal year under review, the Company's financing needs mainly arose from capital expenditures abroad. These were financed by cash flows from operating activities, and, in part, by borrowings from financial institutions.

As a result, the balance of long-term and short-term borrowings as of the end of the fiscal year under review was ¥9,274 million.

(4) Status of Assets, Profit and Loss

Category	94th term (April 2017 - March 2018)	95th term (April 2018 - March 2019)	96th term (April 2019 - March 2020)	97th term (Current term) (April 2020 - March 2021)
Net sales (Millions of yen)	161,692	161,599	155,503	144,757
Operating profit (Millions of yen)	11,999	12,919	12,439	11,932
Ordinary profit (Millions of yen)	13,866	15,205	12,704	11,999
Profit attributable to owners of parent (Millions of yen)	9,272	5,345	7,668	7,282
Basic earnings per share (Yen)	420.57	242.50	347.87	330.34
Total assets (Millions of yen)	199,179	193,630	178,873	195,723
Net assets (Millions of yen)	136,270	132,623	130,097	142,951
Return on equity (ROE) (%)	7.37	4.12	5.97	5.43

(Explanation)

For the fiscal year ended March 31, 2018 (94th term), net sales increased due to an increase in sales volume and sales price revision to respond to rising raw materials costs. In terms of profit, operating profit, ordinary profit, and profit attributable to owners of parent decreased due mainly to the narrowing of the spread between sales and purchase, owing to a hike in raw materials costs.

For the fiscal year ended March 31, 2019 (95th term), net sales decreased due to a decline in sales volume, despite the sales price revision to respond to a rise in raw materials costs. In terms of profit, operating profit and ordinary profit rose owing to the improvement of the spread between sales and purchase as well as an increase in the sales volume of highly profitable products. Profit attributable to owners of parent, however, declined due to an impairment loss reported by the Company's consolidated subsidiary, SDP GLOBAL (MALAYSIA) SDN. BHD.

For the fiscal year ended March 31, 2020 (96th term), sales decreased due mainly to product price revisions in response to a drop in raw materials costs. In terms of profit, operating profit and ordinary income decreased due mainly to a decrease in the sales volume of highly profitable products and a decrease in share of profit of entities accounted for using equity method. In addition, profit attributable to owners of parent increased owing mainly to the absence of impairment loss.

For information concerning the fiscal year under review (97th term), please refer to (1) "Progress and Results of Operations" above.

(5) Issues to Be Addressed

Today's society is considered to be unpredictable in all aspects, such as rapid changes in circumstances and the diversification of people's values. Additionally, wide-ranging interests have been focused on corporate attitudes and contributions to international issues such as global warming and human rights. Under such circumstances, guided by our company motto: Let us contribute to building a better society through our corporate activities, which we have cherished since our foundation, we have been engaged in the development of products that fulfill the wishes of "safer, more secure, and more comfortable" for everyone around the world, and the activities and development of products that contribute to realizing a sustainable society.

The Tenth Medium-Term Management Plan "New Sanyo for 2027" which covers the three-year period from fiscal 2018 through fiscal 2020 (hereinafter referred to as the "10th Medium-Term Plan") is not an extension of the existing policies, but it starts from our vision for 2027: "We have grown to be a unique, global, and highly profitable company, where all our employees are proud of themselves, find meaning in their work, and contribute to society." We worked on transformation under the slogan of "KAERU (Committed to change)," and achieved impressive results.

In fiscal 2021, we will continue to accelerate the corporate transformation and promote sustainable management from a long-term perspective in order to further contribute to society through our business activities based on our company motto. With regard to the business integration with Nippon Shokubai Co., Ltd., which was postponed until April 1, 2021, as the business environment surrounding both companies has changed rapidly and significantly, we judged that both companies should demonstrate their own superiority in consideration of the current business environment and that this will lead to an increase in the corporate value of both companies. Thus, we decided to cancel the integration in October last year. We would like to express our sincere gratitude to everyone who understood and supported this business integration. We have gained a lot of knowledge from each other, and both companies will continue to maintain a good relationship in different aspects.

[Review of the 10th Medium-Term Plan]

In the 10th Medium-Term Plan, aiming to contribute to society through our qualitative goals: "highly profitable company, where all our employees are proud of themselves, find meaning in their work" and "global company with the highest satisfaction of employees (including their families) and customers," we have promoted various measures under the slogan of "KAERU (Committed to change)." As internal reforms, we have been engaged in creating an open corporate climate, realizing diversity through promoting female advancement and understanding of sexual minorities (LGBTQ), eliminating conventional customs of "Waste, Impracticality and Inconsistency," and accelerating decision-making through delegation of authority, and we were able to achieve great results. On the other hand, while we promoted shifting to high-value-added products by increasing the value provided from customers' perspective in existing business, we developed all polymer batteries with our affiliated company, APB Corporation, and promoted new large-scale businesses in biotechnology & medical, agriculture & nutrition and cosmetics areas. We also built alliances with external companies, such as capital tie-ups with TBM Co., Ltd., tiem factory Inc. and Pharma Foods International Co., Ltd. and accelerated globalization by promoting new investment in Thailand, South Korea, etc. Thus, we have been working to increase corporate value in a way that contributes to a sustainable society.

Additionally, as a result of promoting advancement of women and diversity, we were awarded "Platinum Kurumin certification" as an excellent child-rearing support company from the Ministry of Health, Labor and Welfare. We also received the highest evaluation "Gold" for the second consecutive year from 2019 in the PRIDE Index, an evaluation index for corporate efforts related to sexual minorities (LGBTQ) established by the voluntary organization "work with Pride." At the same time, we positioned as a management priority issue the creation of a work environment where all employees can be proud of themselves and find meaning in their work, and have actively promoted various approaches including liberalization of clothing regulation, introduction of super flextime system with no core working hours, work-style reform such as telecommuting and telework and promotion of physical and mental health of employees (health management), so that no one of our employees will be left behind. As a result, in the "Certified Health & Productivity Management Organization Recognition Program" jointly implemented by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, we were certified as an "Outstanding Organization in Health & Productivity Management (White 500)" for the third consecutive year from 2019. In particular, as we had introduced telecommuting and teleworking at an early stage, we could carry out normal work by telecommuting without causing any particular problems even under the state of emergency declaration due to the spread of COVID-19.

On the other hand, we set our targets to achieve consolidated net sales of ¥180.0 billion, consolidated operating profit of ¥18.0 billion and consolidated return on equity (ROE) of 10%, as quantitative targets for the fiscal year under review, the final fiscal year of the plan. We have been aiming to achieve these targets, by shifting to high value-added products, etc., but due to the stagnation of the global economy caused by the global spread of COVID-19 from the fourth quarter of fiscal 2019 and a drop in demand in the automobile sector and other manufacturing sectors, each target value could not be reached. However, as mentioned above, in order to permeate corporate culture reform and contribute to a sustainable society through our various business activities, we could make great progress in measures to increase corporate value from a long-term perspective. The financial results for the fiscal year under review are as stated in “(1) Progress and Results of Operations.”

[Issues to be addressed and concrete measures]

With respect to fiscal 2020, the global spread of COVID-19 caused the stagnation of the global economy and a drop in demand in a wide range of industrial fields. In fiscal 2021, the global economy is expected to improve as vaccines for COVID-19 are being developed and inoculated, but we anticipate that uncertain situation will continue for a certain time.

In such a business environment, we will implement the following initiatives in order that the Group itself may achieve sustainable growth by contributing to the realization of a sustainable society.

1) Promotion of sustainable management

The “Sustainable Management Committee” was established on April 1, 2021 as an organization under the direct control of the Board of Directors in order to create social and economic value of the Group in a virtuous circle and to examine and propose measures that will contribute to sustainable growth. In collaboration with stakeholders, we will promote a “sustainable management” that aims to increase corporate value for the medium- to long-term by pursuing our unique strengths.

2) Acceleration of business decisions and decision-making by integrating sales and research organizations

Following the organizational change on April 1, 2021, we have decided to establish a total of 7 divisions and promote integrated management by establishing sales and research organizations in each division. Thus, we will accelerate management speed and enhance the provision of value to customers.

3) Provision of solutions to realize a sustainable society

In order to contribute to the realization of a sustainable society, we will develop and propose new solutions through open innovation, etc. to address social issues, and increase the social and economic value of the Group.

(i) Expansion of use of renewable energy

We will actively contribute to the construction of a better society through expanding the use of renewable energy, such as electricity storage using “all polymer batteries” that are highly anticipated as next-generation energy. APB Corporation will start operation of the APB Fukui Center Takefu Factory, a manufacturing base for all polymer batteries, in October 2021, and aims to start mass production.

(ii) Improvement of QOL (Quality of Life)

We will support patients to recover and realize social and economic activities by providing therapeutic technologies that can only be achieved by the Company, such as “Silk-elastin” (artificial protein that accelerates recovery of intractable injuries) and surgical hemostatic sealant. In addition, we will also make full use of our mainstay interface control technology to further enhance attractive solution proposition in the cosmetics area.

(iii) Others

We will also focus on creating new business structures in the areas including agriculture & nutrition and contribute to solving unavoidable issues such as food problems for realization of a sustainable society.

4) DX promotion and main system renewal

In order to promote DX (Digital Transformation: Leveraging digital technology to drastically transform products, business models and business processes), we have launched a company-wide “Digital Innovation Project.” We also plan to renew our main internal system in order to further improve the efficiency of our entire business.

5) Strengthening of alliances and promotion of globalization for business expansion

The start of manufacturing and sales of polyurethane raw materials at GC Polyols Company Limited, a joint venture with a major Thai chemical company and Toyota Tsusho Corporation, is a recent example of increasing price competitiveness through alliances. We will continue to strengthen partnerships with other companies and provide further value. Additionally, in order to respond to customer demand for our products mainly in East Asia and Southeast Asia, Sanyo Kasei (Thailand) Ltd. will actively make capital investments, and Sanyo Chemical Manufacturing Korea, Ltd. will start to manufacture lubricant additives. Thus, we will meet the expectations of our customers worldwide by maximizing the Group's value.

6) Work-style reform, diversity & inclusion and promotion of health management

With regard to work-style reform and diversity & inclusion, we will continue to work on the measures in the 10th Medium-Term Plan to become a role model for other companies. Additionally, in order to further accelerate "health management" that emphasizes various initiatives and activities related to the physical and mental health of employees, we have established a promotion system in which the company, labor union and health insurance union are united. We will continue to promote activities such as enhancing internal activities so that all employees can participate in the initiatives.

The Eleventh Medium-Term Management Plan from fiscal 2022 will be thoroughly discussed between all employees and will be formulated over the course of one year in fiscal 2021. We aim to create a "Waku Waku Company"(*1) that will motivate all employees and make them find meaning in their work to further increase corporate value.

Aiming to be a "unique, global, and highly profitable company," we will strive to realize our company motto: Let us contribute to building a better society through our corporate activities, while seeking understanding and cooperation from our stakeholders. We kindly ask our shareholders for their further support and cooperation.

*1: "Waku Waku" is a Japanese word that means positive, bright, up-lifting feeling inspired by inner motivations and/or own wills.

(6) Description of Principal Businesses

The Group mainly manufactures and sells various performance chemicals. Major products are as follows:

Business sector	Principal products	Sales ratio
Toiletries and Health Care	Surfactants for detergents, surfactants for hair care products, superabsorbent polymers, base material for pharmaceuticals, etc.	37.5%
Petroleum and Automotives	Raw material for polyurethane foams, thermoplastic polyurethane beads for interior parts of automobiles, lubricating additives, etc.	25.8%
Plastics and Textiles	Permanent antistatic agent, pigment dispersant, resin modifier, paint resin, chemicals for carbon fibers, etc.	14.4%
Information and Electrics/Electronics	Intermediate for polymerization toners, toner resin, electrolytes for aluminum electrolytic capacitors, chemicals for use in manufacturing electronic parts, etc.	11.8%
Environmental Protection, Construction, and Others	Raw materials for building sealants, raw materials for polyurethane for furniture and heat insulation materials, revenues from technology licensing, etc.	10.5%
Total		100.0%

(7) Employees

1) Employees of the Group (the Company and its consolidated subsidiaries)

Number of employees	Year-on-year change
2,096	Increase of 36 persons

(Note) "Number of Employees" above represents employees (excluding officers at subsidiaries) and full-time temporary employees.

2) Employees of the Company

Number of employees	Year-on-year change	Average age	Average length of service
1,383	Increase of 37 persons	40.0 years old	15.9 years

(Note) "Number of Employees" above represents employees and full-time temporary employees.

(8) Significant Subsidiaries

1) Significant Subsidiaries

Name	Capital	Percentage of voting rights held	Description of principal businesses
SDP Global Co., Ltd.	JPY2,900 million	100%	Manufacture and sales of superabsorbent polymers
SAN NOPCO LIMITED	JPY400 million	100%	Manufacture and sales of chemicals for pulp & paper, chemicals for paint, a wide range of industrial chemicals, etc.
San Chemical Co., Ltd.	JPY400 million	50%	Manufacture of raw material for polyurethane foams, etc.
San-Apro Ltd.	JPY60 million	50%	Manufacture and sales of special catalysts, etc.
Sanyo Chemical Logistics Co., Ltd.	JPY30 million	100%	Transportation and warehousing
SANAM Corporation	USD400 thousand	100%	Company managing U.S. subsidiaries Sales of lubricating additives, thermoplastic polyurethane beads, etc.
Sanyo Chemical Texas Industries, LLC	USD1	100% (100%)	Manufacture of thermoplastic polyurethane beads
SDP GLOBAL (MALAYSIA) SDN. BHD.	MYR259,365 thousand	100% (100%)	Manufacture and sales of superabsorbent polymers
Sanyo Kasei (Thailand) Ltd.	THB990,950 thousand	79%	Manufacture and sales of surfactants, polyurethane resins, etc.
Sanyo Kasei (Nantong) Co., Ltd.	USD27,500 thousand	100%	Manufacture of surfactants, polyurethane resins, etc.
San-Dia Polymers (Nantong) Co., Ltd.	USD64,900 thousand	100% (100%)	Manufacture and sales of superabsorbent polymers
Sanyo Chemical (Shanghai) Trading Co., Ltd.	USD1,800 thousand	100%	Sales of surfactants, polyurethane resins, etc.

- (Notes) 1. Figures in parenthesis in "Percentage of voting rights held by the Company" indicate the percentage of indirect shareholdings.
2. Other than the above, the Group has a non-consolidated subsidiary accounted for by the equity method: Sanliving Ltd.; and four associates accounted for by the equity method: APB Corporation, San-Petrochemicals Co., Ltd., Shiohama Chemicals Warehouse Co., Ltd., and Sunrise Chemical LLC.

2) Other

Toyota Tsusho Corporation holds 19.4% of voting rights of the Company and Toray Industries, Inc. holds 17.4% of voting rights of the Company. Therefore, the Company is an associate accounted for by the equity method of the two companies.

(Note) Subsidiaries and associates of the Company, Toyota Tsusho Corporation, and Toray Industries, Inc. are specified associated service providers under Article 2, Paragraph 3, Item 19 of the Ordinance for Enforcement of the Companies Act.

(9) Principal Offices and Plants

Head Office of the Company	11-1, Ikkyo Nomoto-cho, Higashiyama-ku, Kyoto, Japan
Domestic sales bases	<p>The Company: Tokyo (Chuo-ku, Tokyo), Osaka (Osaka City) Nagoya (Nagoya City), Chugoku Area (Hiroshima City), and Nishi-Nihon Area (Fukuoka City)</p> <p>SDP Global Co., Ltd.: Tokyo (Chuo-ku, Tokyo)</p> <p>SAN NOPCO LIMITED: Tokyo (Chuo-ku, Tokyo), Osaka (Osaka City)</p> <p>San-Apro Ltd.: Tokyo (Chuo-ku, Tokyo), Osaka (Osaka City)</p>
Overseas sales bases	<p>SANAM Corporation: United States</p> <p>Sanyo Chemical (Shanghai) Trading Co., Ltd.: China</p> <p>Sanyo Kasei Korea, Ltd.: South Korea</p> <p>Sanyo Kasei (Taiwan) Ltd.: Taiwan</p>
Domestic production bases	<p>The Company: Nagoya (Tokai City, Aichi Prefecture), Kinuura (Handa City, Aichi Prefecture), Kashima (Kamisu City, Ibaraki Prefecture), and Kyoto (Kyoto City)</p> <p>SDP Global Co., Ltd.: Nagoya (Tokai City, Aichi Prefecture)</p> <p>SAN NOPCO LIMITED: Nagoya (Tokai City, Aichi Prefecture)</p> <p>San Chemical Co., Ltd.: Kawasaki (Kawasaki City)</p>
Overseas production bases	<p>Sanyo Chemical Texas Industries, LLC: United States</p> <p>SDP GLOBAL (MALAYSIA) SDN. BHD.: Malaysia</p> <p>Sanyo Kasei (Thailand) Ltd.: Thailand</p> <p>Sanyo Kasei (Nantong) Co., Ltd.: China</p> <p>San-Dia Polymers (Nantong) Co., Ltd.: China</p>
Research laboratories	<p>The Company: Head Office Research Laboratory (Higashiyama-ku, Kyoto City), Katsura Research Laboratory (Nishikyo-ku, Kyoto City)</p> <p>SDP Global Co., Ltd.: Kyoto (Higashiyama-ku, Kyoto City)</p> <p>SAN NOPCO LIMITED: Nagoya (Tokai City, Aichi Prefecture)</p> <p>San-Apro Ltd.: Kyoto (Nishikyo-ku, Kyoto City)</p>

(Note) Effective April 1, 2021, SAN NOPCO LIMITED has also established a research laboratory in Kyoto (Higashiyama-ku, Kyoto City).

(10) Principal Lenders

Name of lender	Borrowing amount (Millions of yen)
Sumitomo Mitsui Banking Corporation	3,580
MUFG Bank, Ltd.	2,553
Sumitomo Mitsui Trust Bank, Limited	1,960
Mizuho Bank, Ltd.	1,180

2. Matters Concerning the Company's Shares

- (1) Total Number of Authorized Shares: 51,591,200
- (2) Total Number of Issued and Outstanding Shares: 23,534,752
- (3) Number of Shareholders as of Year End: 9,831 (up 2,858 year on year)

(4) Major Shareholders (Top 10 shareholders)

Name	Number of shares held (Thousands of shares)	Percentage of shares held (%)
Toyota Tsusho Corporation	4,286	19.4
Toray Industries, Inc.	3,826	17.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,168	5.3
Nippon Shokubai Co., Ltd.	1,105	5.0
ENEOS Holdings, Inc.	1,061	4.8
Custody Bank of Japan, Ltd. (Trust Account)	1,052	4.8
Sanyo Chemical Employees' Stock Ownership Association	517	2.3
Government of Norway	348	1.6
Custody Bank of Japan, Ltd. (Trust Account 9)	333	1.5
STATE STREET BANK AND TRUST COMPANY 505103	214	1.0

- (Notes)
- Treasury shares are not included in the number of shares owned by the shareholders listed in the table above. Treasury shares (1,417,941 shares) are excluded in calculating "Percentage of shares held."
 - The Company's shares (70,500 shares) held by the trust whose beneficiaries are directors of the Company and established in line with the introduction of the stock-based compensation plan for Directors, etc. are included in shares (1,052,200 shares) held by Custody Bank of Japan, Ltd. (Trust Account) and not included in treasury shares (1,417,941 shares).

3. Matters Concerning Directors and Audit & Supervisory Board Members

(1) Name, etc. of Directors and Audit & Supervisory Board Members

Name	Position and responsibilities	Significant concurrent positions
Kan Ueno	Director, Chairman of the Board Meeting	
Takao Ando	President & CEO	
Akinori Higuchi	Executive Vice President, in charge of Corporate Strategy	
Kohei Maeda	Director, Senior Managing Executive Officer, in charge of Research & Development, General Manager of Research & Application No. 1 Division, General Manager of Research Administration Division, and Head of Head Office Research Laboratory	
Hideya Narutaki	Director, Managing Executive Officer, in charge of Sales & Marketing I, General Manager of Biotechnology & Medical Division, and Head of Tokyo Branch Office	
Atsushi Ota	Director, Managing Executive Officer, in charge of Production	Senior Vice President of SAN-PETROCHEMICALS CO., LTD.
Hiroyuki Shimominami	Director, Managing Executive Officer	President, Representative Director of SDP Global Co., Ltd.
Masaya Yamamoto	Director, Managing Executive Officer, in charge of Corporate Ethics and General Affairs, and General Manager of Administrative Affairs Division	
Shigenobu Aikyo	Director	Outside Director of HASHIMOTO SOGYO HOLDINGS CO., Ltd. Outside Director of MODEC, INC. Outside Director of NICHICON CORPORATION Outside Auditor of Starts Corporation Inc.

Name	Position and responsibilities	Significant concurrent positions
Aya Shirai	Director	Outside Director of PEGASUS SEWING MACHINE MFG. CO., LTD. Outside Director of BROTHER INDUSTRIES, LTD.
Toshio Ohshima	Full-time Audit & Supervisory Board Member	
Takafumi Horiie	Full-time Audit & Supervisory Board Member	
Jun Karube	Audit & Supervisory Board Member	Chairman of the Board of Toyota Tsusho Corporation Outside Audit & Supervisory Board Member of KDDI CORPORATION

- (Notes)
1. Directors Messrs. Kan Ueno and Shigenobu Aikyo and Ms. Aya Shirai are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
 2. Audit & Supervisory Board Members Messrs. Toshio Ohshima and Jun Karube are Outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16 of the Companies Act.
 3. Changes of Directors and Audit & Supervisory Board Members during the fiscal year under review were as follows:
 - 1) At the conclusion of the 96th Ordinary General Meeting of Shareholders held on June 19, 2020, Mr. Hiroyuki Sato retired from the office of Audit & Supervisory Board Member due to expiration of term of office.
 - 2) At the Board Meeting held on June 19, 2020, Director Mr. Kan Ueno was appointed as the Chairman of the Board Meeting and assumed office.
 4. Changes in responsibilities and significant concurrent positions of Directors after the end of the fiscal year are as follows:
As of April 1, 2021
 - Akinori Higuchi Executive Vice President
 - Kohei Maeda Director, Senior Managing Executive Officer, supervising R&D, General Manager of Performance Materials Division, General Manager of Research Administration Division, Head of Head Office Research Laboratory, Head of Katsura Research Laboratory
 - Hideya Narutaki Director, Managing Executive Officer, supervising Business Planning, General Manager of Biotechnology & Medical Division, Head of Tokyo Branch Office
 5. The Company has designated Directors Messrs. Kan Ueno and Shigenobu Aikyo and Ms. Aya Shirai, and Audit & Supervisory Board Member Mr. Toshio Ohshima as Independent Directors and Independent Auditors, respectively, as stipulated by the Tokyo Stock Exchange, and has notified the Tokyo Stock Exchange to that effect.

(2) Summary of Limited Liability Agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a limited liability agreement with all the Outside Directors and Outside Audit & Supervisory Board Members, wherein the limit of liability for damages under Article 423, Paragraph 1 of the Companies Act is the minimum liability amount as stipulated under Article 425, Paragraph 1 of the Companies Act, provided that they carried out their duties in good faith and without gross negligence.

(3) Remuneration for Directors and Audit & Supervisory Board Members in the Fiscal Year under Review

1) Aggregate amount of remuneration for Directors and Audit & Supervisory Board Members

Title	Aggregate amount of remuneration (Millions of yen)	Aggregate amount of remuneration by type of remuneration (Millions of yen)			Number of eligible Directors and Audit & Supervisory Board Members
		Basic remuneration	Bonuses (Performance-linked remuneration)	Stock-based compensation (Non-monetary remuneration)	
Directors (excluding Outside Directors)	319	175	74	69	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	27	20	6	—	1
Outside Directors	29	29	—	—	3
Outside Audit & Supervisory Board Members	41	33	8	—	3
Total	418	258	90	69	14

- (Notes)
1. “Number of eligible Directors and Audit & Supervisory Board Members” and “Aggregate amount of remuneration” above include one Audit & Supervisory Board Member who retired from office during the fiscal year under review.
 2. The amount stated in “Stock-based compensation” represents provision for stock-based compensation for the fiscal year under review pertaining to the stock-based compensation plan.
 3. There were no Directors or Audit & Supervisory Board Members whose aggregate amount of remuneration exceeded ¥100 million.
 4. Employee salary portions for Directors and Audit & Supervisory Board Members who concurrently serve as employees were not paid.
 5. Other than the above, the aggregate amount of remuneration that Directors and Audit & Supervisory Board Members received from the Company’s subsidiaries in the fiscal year under review was ¥1 million.

2) Policy for Determination of Remuneration for Directors

Remuneration, etc. for the Company’s Directors is designed to secure excellent human resources towards improving corporate performance, as well as to ensure the remuneration level and remuneration system reflecting their duties. With regard to the remuneration level and remuneration system, the appropriateness thereof is checked in consideration of trends in financial results, external objective data, and other factors. The policy for determining remuneration for Directors is deliberated and determined at the Board Meeting.

• Overview of the policy for determining remuneration for Directors is as follows:

- (i) Basic remuneration It shall be determined based on the roles and responsibilities of each Director considering the status of financial results for the relevant fiscal year and for the medium- and long-term, as well as the level of remuneration at other companies. It shall be paid monthly.
- (ii) Bonuses In order to raise awareness of improving business performance, calculate the total amount to be paid by using consolidated ordinary profit, which is a benchmark for a corporation’s profitability, as an indicator, based on the status of financial results for the relevant fiscal year and for the medium- and long-term. Allocation shall be determined based on the roles and responsibilities of each Director. It will be paid at a certain time every year.
With regard to target value of consolidated ordinary profit for

the fiscal year under review, it was difficult to set the target due mainly to the impact of COVID-19. The forecast for consolidated ordinary profit calculated based on available information as of July 31, 2020 was ¥12.0 billion, and the actual result was ¥11.9 billion.

(iii) Stock-based compensation

Points shall be granted according to positions, etc. pursuant to the Regulations on Stock Delivery. In principle, the Company's shares will be delivered according to the number of points when Directors retire.

A total of 13,415 points were granted to seven Directors in the fiscal year under review.

- In the fiscal year under review, determination of specific details of remuneration for each Director was delegated to the President, Takao Ando by resolution of the Board of Directors. The description of authorities to be delegated includes the total amount and allocation of basic remuneration and performance-linked remuneration based on the roles and responsibilities of each Director. The reason for delegating these authorities is that the Representative Director is suitable to conduct evaluation which reflects the responsibilities and achievements of each Director for the business in charge, taking into consideration the medium- to long-term performance status of the Group.
- The Board of Directors deliberates and decides on the description of remuneration for each Director for the fiscal year under review, including the above remuneration level and system, so that it will effectively function as an incentive for improving business performance. The description of authorities to be delegated to the President is fully deliberated, with due respect given to the opinions of Outside Directors, and the Board of Directors has judged that the description of remuneration for each Director for the fiscal year under review is in line with the policy for determining remuneration.

3) Matters Concerning Resolution of General Meeting of Shareholders Regarding Remuneration for Directors and Audit & Supervisory Board Members

[Remuneration for Directors]

- Consists of (i) basic remuneration, (ii) bonuses, and (iii) stock-based compensation (Outside Directors are excluded for (ii) and (iii)).
- (i) and (ii) are determined within the limit of remuneration (¥450 million or less annually including bonuses, of which ¥50 million or less annually for Outside Directors) as approved at the 92nd Ordinary General Meeting of Shareholders held on June 17, 2016. The number of Directors at the conclusion of the said Ordinary General Meeting of Shareholders was nine (including two Outside Directors).
- (iii) is determined within the following limit approved at the 94th Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors (excluding Outside Directors) at the conclusion of the said Ordinary General Meeting of Shareholders was seven.

Trust period	Approximately three years
Upper limit of the amount of money to be contributed by the Company as funds for acquiring shares of the Company to be delivered to eligible Directors during the trust period	¥360 million in total
Upper limit of the total number of points granted to Directors	27,000 points per fiscal year
Number of shares granted to Directors	One share of the Company's stock granted per point

[Remuneration for Audit & Supervisory Board Members]

- Consists of (i) basic remuneration and (ii) bonuses.
- It is determined by deliberation among Audit & Supervisory Board Members within the limit of remuneration (¥96 million or less annually including bonuses) approved at the 84th Ordinary General Meeting of Shareholders held on June 20, 2008. The number of Audit & Supervisory Board Members at the conclusion of the said Ordinary General Meeting of Shareholders was four.

(4) Matters Concerning Outside Directors and Audit & Supervisory Board Members

1) Principal activities, etc. during the fiscal year under review

Category	Name	Principal activities, etc.
Director	Kan Ueno	Mr. Kan Ueno attended all 17 Board Meetings held during the fiscal year under review. Based on his business experience and managerial experience in the chemical industry over many years, we expected that he would fulfill a supervisory function from his standpoint. He has provided useful suggestions and opinions from his standpoint at the Board of Directors of the Company. Furthermore, as Chairman of the Board Meeting, he has operated the meetings from a fair standpoint.
Director	Shigenobu Aikyo	Mr. Shigenobu Aikyo attended all 17 Board Meetings held during the fiscal year under review. Based on his managerial experience in financial institutions over many years, we expected that he would fulfill a supervisory function from his standpoint. He has provided useful suggestions and opinions from his standpoint at the Board of Directors of the Company.
Director	Aya Shirai	Ms. Aya Shirai attended all 17 Board Meetings held during the fiscal year under review. Based on her experience in municipal administration over many years and as an outside director of other companies, we expected that she would fulfill a supervisory function from her multilateral standpoint. She has provided useful suggestions and opinions from her standpoint at the Board of Directors of the Company. She has also provided useful suggestions for initiatives promoting female advancement.
Audit & Supervisory Board Member	Toshio Ohshima	Mr. Toshio Ohshima attended all 17 Board Meetings and all 11 Audit & Supervisory Board Meetings held during the fiscal year under review. Based on his experience in an operating company and experience as a corporate manager, he has provided useful suggestions and opinions.
Audit & Supervisory Board Member	Jun Karube	Mr. Jun Karube has attended 15 out of 17 Board Meetings and all 11 Audit & Supervisory Board Meetings held during the fiscal year under review. Based on his wealth of experience in corporate management, he has provided useful suggestions and opinions.

2) Significant concurrent position at other companies, etc. and relations between the Company and such other companies

Category	Name	Significant concurrent position at other companies, and relations between the Company and such other companies
Director	Shigenobu Aikyo	Mr. Shigenobu Aikyo is Outside Director of HASHIMOTO SOGYO HOLDINGS CO., Ltd., Outside Director of MODEC, INC., Outside Director of NICHICON CORPORATION, and Outside Auditor of Starts Corporation Inc. There are sales transactions between the Company and NICHICON CORPORATION, but there are no transaction relationships between the Company and any of the other companies at which he holds concurrent positions.
Director	Aya Shirai	Ms. Aya Shirai is Outside Director of PEGASUS SEWING MACHINE MFG. CO., LTD. and Outside Director of BROTHER INDUSTRIES, LTD. There are sales transactions between the Company and BROTHER INDUSTRIES, LTD., but there are no transaction relationships between the Company and any of the other companies at which she holds concurrent positions.
Audit & Supervisory Board Member	Jun Karube	Mr. Jun Karube is Chairman of the Board of Toyota Tsusho Corporation and Outside Audit & Supervisory Board Member of KDDI CORPORATION. Toyota Tsusho Corporation is a specified associated service provider of the Company. There are sales transactions between the Company and KDDI CORPORATION.

4. Matters Concerning Accounting Auditor

(1) Name of Accounting Auditor and Remuneration, etc. Paid to Accounting Auditor during the Fiscal Year under Review

Name	Remuneration, etc. paid to Accounting Auditor during the fiscal year under review
Ernst & Young ShinNihon LLC	(1) Amount of remuneration, etc. paid to the Accounting Auditor by the Company in the fiscal year under review Remuneration, etc. for services under Article 2, Paragraph 1 of the Certified Public Accountants Act: ¥53 million Remuneration, etc. for services other than services under Article 2, Paragraph 1 of the Certified Public Accountants Act: ¥10 million
	(2) Total amount of money and other property benefits payable by the Company and its subsidiaries to the Accounting Auditor: ¥73 million

- (Notes)
1. The audit agreement between the Company and the Accounting Auditor makes no clear distinction between the audit fees, etc. for audits based on the Companies Act and those based on the Financial Instruments and Exchange Act, and since it is practically impossible to distinguish between these two types of fees, the above figures refer to the sum of these amounts.
 2. Description of services other than services under Article 2, Paragraph 1 of the Certified Public Accountants Act
Accounting advisory services relating to business integration with Nippon Shokubai Co., Ltd.
 3. The Audit & Supervisory Board conducted necessary verification on whether the details of the Accounting Auditor's audit plans, the status of its execution of duties so far, and the calculation basis for remuneration estimates were appropriate, through obtaining necessary materials and hearing reports from officers in charge, internal relevant departments, and the Accounting Auditor. As a result, the Audit & Supervisory Board agreed to the remuneration, etc. to be paid to the Accounting Auditor.

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

- 1) In the event that the Audit & Supervisory Board determines that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, it will dismiss the Accounting Auditor upon the unanimous consent of the Audit & Supervisory Board Members.
- 2) If the appropriate execution of audits by the Accounting Auditor is deemed difficult due to the occurrence of an event, etc. damaging the eligibility and independence of the Accounting Auditor, the Audit & Supervisory Board will determine the details of the agenda item regarding dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

(3) Other Matters

Among the significant subsidiaries of the Company, Sanyo Kasei (Thailand) Ltd., Sanyo Kasei (Nantong) Co., Ltd., San-Dia Polymers (Nantong) Co., Ltd., Sanyo Chemical (Shanghai) Trading Co., Ltd., and SDP GLOBAL (MALAYSIA) SDN. BHD. have been audited by certified public accountants or auditing firms other than the Company's Accounting Auditor.

5. Systems and Policies of the Company

(1) Systems to Ensure that Directors Perform their Duties in Compliance with Laws, Regulations, and the Articles of Incorporation, and Systems to Ensure Proper Business Operations of the Group

We, Sanyo Chemical Group, aim to become a unique and excellent corporate group globally based on our company motto “Let us contribute to building a better society through our corporate activities.” We will contribute to the realization of a sustainable society as a good corporate citizen by implementing the “Code of Corporate Ethics.”

To this end, upholding our motto that “we cannot become an excellent corporate group without ensuring compliance” as well as “we must act by taking corporate social responsibility to heart,” and with the aim of enhancing corporate governance, the following basic policy has been resolved at the Board Meeting as systems to ensure proper business operations (internal control system).

1) Systems to ensure that Directors and employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation

- (a) The Company shall formulate the Code of Corporate Ethics, the Employee’s Action Guidelines, the CSR Guidelines, and the Advice on Compliance in order for Directors and employees to comply with matters stipulated in laws, regulations, and the Articles of Incorporation, social norms, and internal regulations, etc.

In addition, a Director in charge of corporate ethics shall be appointed to establish and implement corporate ethics, as well as ensure compliance through activities such as education and training concerning compliance.

- (b) The Board of Directors shall hold a meeting, in principle, once a month in accordance with the Regulations of the Board of Directors. It shall resolve matters specified in laws, regulations, and the Articles of Incorporation, as well as important matters concerning the execution of business, and supervise the execution of duties by Directors.

Audit & Supervisory Board Members shall audit the operational status of the Board of Directors and report it to the Board of Directors.

- (c) The Company shall establish the Sustainable Management Committee, the Compliance Committee, and the Internal Control Committee as organizations under the direct control of the Board of Directors, and the Corporate Social Responsibility Committee under the direct control of the Management Council to enhance corporate governance.

- (d) The Company shall formulate the Rules of Employment, and the Operational Responsibilities Regulations, etc. in order to perform duties in compliance with laws, regulations, and the Articles of Incorporation.

- (e) The Auditing Division under the direct control of the President shall audit the status of compliance with laws, regulations, the Articles of Incorporation, and internal regulations, pursuant to the Internal Audit Regulations.

- (f) The Company shall establish a hotline internally and externally as a contact point for consultation or reporting concerning compliance from employees of the Company and the Group, and take appropriate measures pursuant to the Internal Reporting Regulations.

- (g) The Company shall firmly confront anti-social forces and organizations that pose a threat to civil society and sever any relations with them.

2) Systems for storing and managing information concerning the execution of duties by Directors and employees

- (a) In order to prevent improper use, disclosure and leakage of the Company’s confidential information or personal information, the Company shall formulate the Confidentiality Management Regulations, and the Regulations for Personal Information Protection, etc. to manage information properly.

- (b) The Company shall formulate the Document Management Regulations and, pursuant to such regulations, properly store and manage important documents related to the execution of duties, such as minutes of the Board Meetings and important meetings including the Management Council, approval documents concerning the execution of duties such as internal memo to obtain approval, and various contract documents certifying companies’ rights and obligations.

- (c) The Company shall timely, properly, actively, and fairly disclose corporate information required to be disclosed pursuant to the Companies Act, the Financial Instruments and Exchange Act of Japan, the Timely Disclosure Rules established by stock exchanges, as well as important information not subject to the Timely Disclosure Rules, in accordance with the Disclosure Policy.
- 3) Rules and systems with respect to the management of risk of loss
- (a) For important risks that would affect the attainment of managerial strategies, business purposes, etc., the Internal Control Department shall play a central role in reducing such risks, assessing the state of operations to improve the situation.
 - (b) In order to address risks surrounding the Company and the Group, internal regulations such as the Operational Responsibilities Regulations, the Basic Regulations for Product Liabilities (PL), and the Information System Security Regulations shall be formulated, and the departments in charge shall manage the risks.
 - (c) Upon the occurrence of an unexpected event, a local response headquarters shall be established to take prompt and accurate measures pursuant to the Regulations of BC (Business Continuity) Measures Headquarters, the Basic Regulations for Environment and Security, and the Basic Regulations for Overseas Crisis Management. In addition, drills assuming unexpected events shall be systematically conducted.
 - (d) To ensure the reliability of financial reporting, the Company shall promote the maintenance, operation, assessment, and improvement activities of the internal control system regarding financial reporting. The Internal Control Committee shall give guidance on and supervise the status of these activities.
 - (e) The Auditing Division shall audit the status of risk management by each department executing businesses.
- 4) Systems to ensure that Directors and employees execute their duties efficiently
- (a) The Board of Directors shall conduct supervision to ensure that Directors execute their duties efficiently.
Furthermore, the Executive Officer System shall be established to separate managerial decision-making and business execution by having executive officers execute businesses in accordance with the managerial policy, etc. determined at the Board Meetings.
 - (b) In order to deliberate in advance matters to be resolved at the Board Meetings, as well as to deliberate and determine details of the execution of important duties by executive officers, the Management Council shall meet once a month, in principle, to realize more efficient business operations.
 - (c) The medium-term management plans and annual comprehensive plans shall be formulated to clearly define managerial goals, manage financial results and clarify the results of business execution.
 - (d) To clarify the authorities and responsibilities of each organization, the Operational Responsibilities Regulations and the Regulations for Business Execution Managers and Procedures shall be formulated to improve the efficiency of business operations.
 - (e) In order to build a structure for executing businesses efficiently, a department in charge of IT systems shall be established to develop, maintain, and improve systems.
- 5) Systems to ensure proper business operations at the Company and the Group
- (a) In order for Directors, etc. and employees of the Group to comply with matters stipulated in laws, regulations, and the Articles of Incorporation, social norms, and internal regulations, etc., the Code of Corporate Ethics, the Employee's Action Guidelines, the CSR Guidelines, and the Advice on Compliance shall be shared and observed across the entire Group.
 - (b) Pursuant to the Regulations for Operation of Associates, authorities shall be allocated rationally. In addition, the Company's Directors or executive officers shall serve as officers in charge of the Group and give guidance.
 - (c) The Group's Directors, etc. shall report the details of their execution of duties to the Company through dispatching Directors and/or Audit & Supervisory Board Members to the Group, holding president's meetings and/or consolidated sales meetings at the Company and the Group, as well as submitting monthly reports.

- (d) The Company's Audit & Supervisory Board Members shall regularly audit the status of the execution of duties by the Group's Directors.
As for domestic group companies, the effectiveness of audit shall be secured by exchanging information, etc. through Audit & Supervisory Board Members' liaison meetings of domestic group companies.
 - (e) The Company's Auditing Division shall regularly audit the actual circumstances of the Group's internal control.
- 6) Matters concerning employees who assist the Audit & Supervisory Board Members in their duties, and matters concerning the independence and effectiveness of these employees
- (a) The Auditors Staff Division shall be established as an organization under the direct control of the Audit & Supervisory Board, and employees thereof shall assist Audit & Supervisory Board Members in their duties.
 - (b) Transfers and personnel evaluations of the employees who belong to the Auditors Staff Division shall be subject to the Audit & Supervisory Board Members' consent.
- 7) Systems for reporting to Audit & Supervisory Board Members and systems for ensuring effective audits by the Audit & Supervisory Board Members
- (a) Directors and executive officers, etc. of the Company and the Group shall report the status of their execution of duties, etc. to Audit & Supervisory Board Members through regular meetings with Audit & Supervisory Board Members of the Company.
 - (b) In order for Audit & Supervisory Board Members to understand the Company's important decision-making process and the status of execution of operations, Audit & Supervisory Board Members' attendance at Board Meetings and important meetings such as the Management Council, the Sustainable Management Committee, the Corporate Social Responsibility Committee, the Compliance Committee, and the Internal Control Committee shall be secured. Furthermore, all documents to be approved by general managers or above shall be circulated to Audit & Supervisory Board Members and all documents requested from Audit & Supervisory Board Members shall be available for perusal.
 - (c) The results of internal audit shall be reported from the Auditing Division directly to the Representative Director and Audit & Supervisory Board Members.
 - (d) The content of internal reports made to the hotline shall be consulted with the Director in charge of corporate ethics and reported to Audit & Supervisory Board Members. Important content shall be reported to the Compliance Committee, and then corrective actions shall be determined and measures shall be taken. In order to prevent whistleblowers and those who cooperate in the investigation from being treated unfavorably, the Company shall state matters to that effect in the Internal Reporting Regulations and take appropriate measures. Informers to Audit & Supervisory Board Members and cooperators thereof shall be treated in the same manner.
 - (e) Audit & Supervisory Board Members shall take part in the preparation of audit plans by the Auditing Division and the Accounting Auditor, and attend audits as necessary.
In addition, Audit & Supervisory Board Members shall work closely with the Auditing Division and the Accounting Auditor through reporting of audit results and regular exchange of information, etc.
 - (f) For audits by Audit & Supervisory Board Members, the Auditing Division shall cooperate therein at the request of Audit & Supervisory Board Members.
 - (g) The Company shall properly handle the processing of expenses for Audit & Supervisory Board Members' execution of duties.

(2) Outline of Status of Operations of Systems to Ensure Proper Business Operations

The Company has a system where the Internal Control Department evaluates the status of development and operation of the internal control system and reports it to the Internal Control Committee (held twice in total in the fiscal year under review), which is under the direct control of the Board Meeting, every year. The Committee gives guidance on and supervises the status of activities.

Major efforts implemented in the fiscal year under review which are deemed important in terms of internal control are as follows:

1) Efforts concerning compliance

- In order to comply with laws, regulations, the Articles of Incorporation, social norms, and internal regulations, etc., we have formulated and shared within the Group the Code of Corporate Ethics, the Employee's Action Guidelines, the CSR Guidelines, and the Advice on Compliance. By carrying leaflets containing these, employees and officers of the Group work to act with social common sense and integrity in every aspect of its business operations.
- Based on decisions made at Compliance Committee meetings under the direct control of the Board Meeting, e-learning education "learning compliance basics through tests," featuring basics directly linked to the "prevention of occurrence of corporate misconducts" and "compliance," was provided during the Group's corporate ethics month. Feedback of summary from study sessions was given to employees on the corporate intranet with a message from the person in charge of corporate ethics.
- We newly established the Responsible Care Division in the Corporate Strategy Department and set up the Quality Administration Department. The Environmental and Safety Administration Department formulated and promoted specific measures based on basic policies regarding security & disaster prevention, safety & health, and environment & security. The Quality Administration Department conducted supervision and audits on the "status of compliance with laws and regulations, performance status of fulfillment of contracts with users, and validity of quality control systems and regulations, etc." regarding quality and the "proper implementation of operations and their effectiveness, efficiency and reliability," and offered useful suggestions for improvement. These were confirmed by the Technical Auditing Department.
- With regard to the details of report and consultation to the hotline (point of internal contact is General Manager of Auditing Division; point of external contact is the legal advisor) as well as response measures, the Compliance Committee received reports on all results and confirmed the state of operations.

2) Efforts concerning risk management

- We select important risks affecting the attainment of managerial strategies, business purposes, etc., and the Internal Control Department plays a central role in building, monitoring, and improving the internal control system. The Internal Control Committee gives guidance on and supervise the status of these activities.
- We evaluated the state of operations of the internal control system concerning important risks which had been operated and established during the Eighth and Ninth Medium-Term Management Plans. In addition, the Internal Control Committee gave guidance on and supervised the state of operations thereof as well as the internal control system.

3) Efforts related to the improvement of efficiency of execution of duties by Directors, etc.

- Directors analyzed the effectiveness of the Board Meetings and conducted mutual evaluations. The results of such evaluations (fiscal 2019) were disclosed in the Corporate Governance Report.
- To promote and enhance work-style reform, we increased the capacity of virtual computers for remote connection when using the telework (telecommuting and rental office) system to improve work efficiency.
- In order to promote the creation of a working environment with diverse work styles where employees find meaning in their work, the Human Capital Development Department and Diversity Promotion Department played a central role in holding an e-learning Diversity Practice Course on Diverse Work Styles and Diversity Promotion Course on LGBT. The Personnel Department played a central role in holding the Mental Health Seminar for Executives.

4) Efforts to ensure proper business operations by subsidiaries

- Pursuant to the Regulations for Operation of Associates, the Company's Directors or executive officers served as officers in charge of subsidiaries and gave guidance on the operation of the subsidiary they were in charge of. Furthermore, subsidiaries' Directors, etc. reported the details of

their execution of duties to the Company by dispatching the Company's Directors and/or Audit & Supervisory Board Members to subsidiaries, holding president's meetings, etc.

- One associate in Thailand and two associates in China were audited by the Responsible Care Division. The Technical Audit Department confirmed the audit results.
- 5) Efforts concerning ensuring the effectiveness of audits by Audit & Supervisory Board Members
- Audit & Supervisory Board Members conducted audits based on audit plans formulated at Audit & Supervisory Board Meetings (held 11 times in total in the fiscal year under review). They also met with the Representative Director, the Director and Executive Officer, directors of major subsidiaries and other members to exchange opinions on the status of their execution of duties.
 - Audit & Supervisory Board Members, by attending the Board Meetings, and Full-time Audit & Supervisory Board Members, by attending the Management Council and other important meetings, gained an understanding of the Company's important decision-making process and the status of execution of operations.
 - Full-time Audit & Supervisory Board Members took part in the preparation of audit plans by the Accounting Auditor and/or the Company's Auditing Division, and attended audits as necessary. Furthermore, they strengthened cooperation through two-way information exchange, such as receiving reports on audit results from the Accounting Auditor and/or the Company's Auditing Division.
 - The Auditors Staff Division has been established as an organization under the direct control of the Audit & Supervisory Board, and the members of the Auditors Staff Division executed duties based on Audit & Supervisory Board Members' instructions.

(3) Policy for Determining Appropriation of Surplus, etc.

We regard increasing returns to shareholders while attempting to reinforce the corporate base for the future through an improvement in Sanyo Chemical Group's profitability as our important management issue. We aim to improve our dividend payout in the medium-to long-term, targeting a consolidated payout ratio of 30% or higher. The Company would like to utilize internal reserves in investment leading to future growth.

<Consolidated dividends per share and payout ratio>

	94th term (April 2017 - March 2018)	95th term (April 2018 - March 2019)	96th term (April 2019 - March 2020)	97th term (Current term) (April 2020 - March 2021)
Interim	¥55.0	¥60.0	¥70.0	¥70.0
Year-end	¥55.0	¥65.0	¥70.0	¥80.0
Annual	¥110.0	¥125.0	¥140.0	¥150.0
Payout ratio	26.2%	51.5%	40.2%	45.4%

- The amounts and number of shares less than the presented unit are disregarded, while ratios and other figures less than the presented unit are rounded off.

Consolidated Financial Statements

Consolidated Balance Sheets

(As of March 31, 2021)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	89,340	Current liabilities	46,222
Cash and deposits	23,647	Accounts payable - trade	17,903
Notes and accounts receivable - trade	40,144	Electronically recorded obligations - operating	4,448
Electronically recorded monetary claims - operating	1,370	Short-term borrowings	6,874
Merchandise and finished goods	14,253	Current portion of long-term borrowings	1,400
Semi-finished goods	3,693	Accrued expenses	4,376
Work in process	386	Income taxes payable	1,352
Raw materials and supplies	4,301	Provision for bonuses	2,178
Other	1,576	Provision for bonuses for directors (and other officers)	100
Allowance for doubtful accounts	(33)	Electronically recorded obligations - non-operating	952
Non-current assets	106,382	Provision for loss on factory closing	167
Property, plant and equipment	61,255	Other	6,468
Buildings and structures	17,768	Non-current liabilities	6,548
Machinery, equipment and vehicles	28,264	Long-term borrowings	1,000
Land	8,832	Deferred tax liabilities	3,682
Construction in progress	3,724	Retirement benefit liability	28
Other	2,666	Provision for stock-based compensation	315
Intangible assets	3,585	Other	1,522
Software	1,330	Total liabilities	52,771
Other	2,254	(Net assets)	
Investments and other assets	41,541	Shareholders' equity	127,109
Investment securities	31,798	Share capital	13,051
Long-term loans receivable	2,937	Capital surplus	13,243
Deferred tax assets	368	Retained earnings	106,662
Retirement benefit asset	2,270	Treasury shares	(5,848)
Other	4,195	Accumulated other comprehensive income	13,364
Allowance for doubtful accounts	(29)	Valuation difference on available-for-sale securities	11,069
		Foreign currency translation adjustment	1,802
		Remeasurements of defined benefit plans	493
		Non-controlling interests	2,477
		Total net assets	142,951
Total assets	195,723	Total liabilities and net assets	195,723

Consolidated Statements of Income

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount	
Net sales		144,757
Cost of sales		111,299
Gross profit		33,458
Selling, general and administrative expenses		21,526
Operating profit		11,932
Non-operating income		
Interest income	123	
Dividend income	594	
Rental income from real estate	139	
Foreign exchange gains	606	
Other	227	1,691
Non-operating expenses		
Interest expenses	52	
Rental costs on real estate	53	
Loss on abandonment of inventories	147	
Share of loss of entities accounted for using equity method	963	
Other	407	1,624
Ordinary profit		11,999
Extraordinary income		
Gain on change in ownership	1,446	
Gain on sales of investment securities	69	
Insurance claim income	35	1,551
Extraordinary losses		
Loss on retirement of non-current assets	1,556	
Loss on sales of non-current assets	35	
Impairment loss	347	
Loss on cancellation of integration	838	
Other	135	2,913
Profit before income taxes		10,638
Income taxes - current	2,975	
Income taxes - deferred	(75)	2,899
Profit		7,738
Profit attributable to non-controlling interests		456
Profit attributable to owners of parent		7,282

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(As of March 31, 2021)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	65,254	Current liabilities	35,135
Cash and deposits	13,535	Electronically recorded obligations - operating	4,448
Notes receivable - trade	89	Accounts payable - trade	15,560
Electronically recorded monetary claims - operating	237	Accounts payable - other	2,897
Accounts receivable - trade	31,710	Accrued expenses	3,196
Merchandise and finished goods	7,221	Income taxes payable	663
Semi-finished goods and work in process	3,001	Accrued consumption taxes	281
Raw materials	1,632	Deposits received	5,225
Containers	26	Provision for bonuses	1,717
Supplies	148	Provision for bonuses for directors (and other officers)	90
Prepaid expenses	178	Electronically recorded obligations - non-operating	909
Short-term loans receivable from subsidiaries and associates	1,390	Other	143
Accounts receivable - other	5,954	Non-current liabilities	4,674
Other	152	Deferred tax liabilities	2,973
Allowance for doubtful accounts	(22)	Provision for stock-based compensation	315
Non-current assets	97,358	Other	1,385
Property, plant and equipment	42,042	Total liabilities	39,809
Buildings	9,898	(Net assets)	
Structures	2,830	Shareholders' equity	111,742
Machinery and equipment	19,048	Share capital	13,051
Vehicles	34	Capital surplus	12,290
Tools, furniture and fixtures	1,563	Legal capital surplus	12,191
Land	8,199	Other capital surplus	99
Construction in progress	468	Retained earnings	92,249
Intangible assets	2,185	Legal retained earnings	2,775
Software	1,015	Other retained earnings	89,473
Other	1,170	Voluntary retained earnings	80,775
Investments and other assets	53,129	Reserve for dividends	329
Investment securities	17,988	General reserve	80,446
Shares of subsidiaries and associates	17,860	Retained earnings brought forward	8,698
Investments in capital	2,221	Treasury shares	(5,848)
Investments in capital of subsidiaries and associates	1,650	Valuation and translation adjustments	11,061
Long-term loans receivable	2	Valuation difference on available-for-sale securities	11,061
Long-term loans receivable from subsidiaries and associates	12,385	Total net assets	122,803
Long-term prepaid expenses	359		
Prepaid pension cost	1,560		
Lease and guarantee deposits	1,067		
Other	163		
Allowance for doubtful accounts	(2,130)		
Total assets	162,613	Total liabilities and net assets	162,613

Non-consolidated Statements of Income

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount	
Net sales		92,329
Cost of sales		69,716
Gross profit		22,613
Selling, general and administrative expenses		15,914
Operating profit		6,698
Non-operating income		
Interest income	81	
Dividend income	980	
Rental income from real estate	588	
Foreign exchange gains	432	
Reversal of allowance for doubtful accounts	297	
Other	342	2,722
Non-operating expenses		
Interest expenses	7	
Loss on abandonment of inventories	96	
Other	143	247
Ordinary profit		9,173
Extraordinary income		
Insurance claim income	17	
Other	69	87
Extraordinary losses		
Loss on cancellation of integration	838	
Impairment loss of non-current assets	347	
Loss on retirement of non-current assets	1,129	
Other	159	2,474
Profit before income taxes		6,786
Income taxes - current		1,486
Income taxes - deferred		(41)
Profit		5,341

Independent Auditor's Report
(English Translation)

May 19, 2021

To the Board of Directors of SANYO CHEMICAL INDUSTRIES, LTD.

Ernst & Young ShinNihon LLC
Osaka Office

Hideo Yamamoto
Certified Public Accountant
Designated and Engagement Partner
Yasushi Mito
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in net assets, and notes to the consolidated financial statements of SANYO CHEMICAL INDUSTRIES, LTD. (the "Company") applicable to the fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the corporate group consisting of the Company and its consolidated subsidiaries (the "Group") applicable to the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

Basis for the Opinion

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

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

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

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

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Interest

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

Independent Auditor's Report
(English Translation)

May 19, 2021

To the Board of Directors of SANYO CHEMICAL INDUSTRIES, LTD.

Ernst & Young ShinNihon LLC
Osaka Office

Hideo Yamamoto
Certified Public Accountant
Designated and Engagement Partner
Yasushi Mito
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Article 436, paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in net assets, and notes to the non-consolidated financial statements, and the accompanying supplementary schedules of SANYO CHEMICAL INDUSTRIES, LTD. (the "Company") applicable to the 97th term from April 1, 2020 to March 31, 2021.

In our opinion, the accompanying financial statements and the accompanying supplementary schedules present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the

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

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

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

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

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest

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

Audit Report (English Translation)

With respect to the Directors' performance of their duties during the 97th term from April 1, 2020 to March 31, 2021, the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

1. Method by which the audit was conducted by the Audit & Supervisory Board Members and the Audit & Supervisory Board and the contents thereof
 - (1) The Audit & Supervisory Board stipulated auditing policies and the division of duties, received reports on the status and results of audits from each Audit & Supervisory Board Member. In addition, the Board received reports on the status of execution of their duties from Directors, etc. and the Accounting Auditor, and requested explanations as necessary.
 - (2) In accordance with the auditing standards established by the Audit & Supervisory Board, each Audit & Supervisory Board Member communicated with Directors, the Auditing Division, and other employees in accordance with the auditing policy and the division of duties, and worked to collect information and improve the environment for audits. Audit & Supervisory Board Members also conducted audits in the following manner.
 1. Each Audit & Supervisory Board Member attended Board Meetings, the Management Council, the Corporate Social Responsibility Committee, and other important meetings, received reports from Directors, employees, and others on the status of the execution of their duties, requested explanations as necessary, inspected important approval documents, and investigated the status of operations and assets at the Head Office and major business sites. With regard to subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, and received reports from subsidiaries on their respective businesses as necessary.
 2. Each Audit & Supervisory Board Member regularly received reports from and requested explanations as necessary from Directors and other employees on the details of the resolutions by the Board of Directors concerning the development of systems necessary to ensure that the execution of duties by Directors complies with laws, regulations and the Articles of Incorporation, and other systems provided for in Article 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Companies Act as systems necessary to ensure the properness of operations of a corporate group, consisting of a stock company and its subsidiaries, and the status of development and operation of the systems established based on the resolution of the Board of Directors above (internal control system).
 3. Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. In addition, each Audit & Supervisory Board Member received notice from the Accounting Auditor that the "system to ensure that the Accounting Auditor's duties will be executed in an appropriate manner" (matters listed in each item of Article 131 of the Regulation on Corporate Accounting) has been developed in accordance with the "Quality Control Standard for Audit" (October 28, 2005, Business Accounting Council), etc., and requested explanations as necessary.

Based on the above methods, the Audit & Supervisory Board reviewed the business report, the supplementary schedules thereof, non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in net assets, and notes to the non-consolidated financial statements), the supplementary schedules thereof, and the consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to the consolidated financial statements) for the fiscal year under review.

2. Audit Results

(1) Results of audit of business reports, etc.

1. We acknowledge that the business report and the supplementary schedules thereof fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
2. We acknowledge that no misconduct or material fact constituting a violation of any laws, regulations or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.
3. We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the contents of the business report concerning the internal control systems and the Directors' performance of their duties.

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

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of audit of the consolidated financial statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 20, 2021

Audit & Supervisory Board, SANYO CHEMICAL INDUSTRIES, LTD.

Full-time Outside Audit & Supervisory Board Member	Toshio Ohshima
Full-time Audit & Supervisory Board Member	Takafumi Horiie
Outside Audit & Supervisory Board Member	Jun Karube