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(Securities Code 4471)
May 31, 2022

To Our Shareholders:

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

**CONVOCATION NOTICE OF
THE 98TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Please be informed that the 98th 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 16, 2022, Japan time.

1. Date and Time: Friday, June 17, 2022 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 98th Fiscal Year (April 1, 2021 - March 31, 2022)
 2. Results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements for the Company’s 98th Fiscal Year (April 1, 2021 - March 31, 2022)

Proposals to be resolved:

- Proposal 1:** Partial Amendment to the Articles of Incorporation
Proposal 2: Election of 9 Directors

- 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, etc., 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 stopped providing souvenirs to shareholders attending the meeting last year, and no souvenirs will be provided this year either. We sincerely thank you for your understanding in advance.
- In order to ensure sufficient space between seats at the venue, the number of seats has been significantly reduced compared to past ordinary general meetings. 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**

- (1) Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.
- (i) Article 16, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (ii) Article 16, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (iii) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 16 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (iv) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.
- (2) In principle, resolutions are passed by the Board of Directors; however, in order to enable more agile decision-making, we will establish Article 25 to the regulations, which allows a resolution of the Board of Directors to be passed if assent is expressed in writing or by electronic or magnetic records. We will renumber existing articles accordingly as required by the establishment of this article.

2. Details of amendment

The details of the amendment are as follows:

(Underlined sections indicate amendments)

Current Articles of Incorporation	Proposed amendments
<u>Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u> <u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u>	(Deleted)

Current Articles of Incorporation	Proposed amendments
(Newly established)	<p><u>Article 16 (Measures, etc. for Providing Information in Electronic Format)</u></p> <p><u>1. When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p><u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p>
(Newly established)	<p><u>Article 25 (Omission of Resolution of the Board of Directors)</u></p> <p><u>If the requirements specified in Article 370 of the Companies Act are satisfied, the Company shall deem that a resolution of the Board of Directors was adopted.</u></p>
Articles <u>25 – 38</u> (Provisions omitted)	Articles <u>26 – 39</u> (Unchanged)
(Newly established)	<p><u>(Supplementary Provisions)</u></p> <p><u>1. The deletion of Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) in the pre-amended Articles of Incorporation and the establishment of the new Article 16 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of</u></p>

Current Articles of Incorporation	Proposed amendments
	<p><u>Incorporation shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>2. Notwithstanding the provision of the preceding paragraph, Article 16 of the pre-amended Articles of Incorporation shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal 2: Election of 9 Directors

The terms of office of all 9 Directors, namely Messrs. Takao Ando, Akinori Higuchi, Kohei Maeda, Hideya Narutaki, Hiroyuki Shimominami, Masaya Yamamoto, Hideaki Obata, and Ms. Aya Shirai and Yumi Sano will expire at the conclusion of this year's Ordinary General Meeting of Shareholders. 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	Chairman Chairman of the Board of Directors
2	Akinori Higuchi	Reelection	Representative Director, President & CEO
3	Kohei Maeda	Reelection	Representative Director, Executive Vice President, 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	Hiroyuki Shimominami	Reelection	Director, Managing Executive Officer President Representative Director of SDP Global Co., Ltd.
5	Masahiro Harada	New Candidate	Managing Executive Officer, General Manager of Business Planning Division and General Manager of Energy Business Division
6	Kenichi Nishimura	New Candidate	Deputy General Manager of Administrative Affairs Division
7	Aya Shirai	Reelection	Outside Director Independent Director Director
8	Hideaki Obata	Reelection	Outside Director Independent Director Director
9	Yumi Sano	Reelection	Outside Director Independent Director Director
Reelection	Candidate for Director to be reelected	New Candidate	Candidate for Director to be newly elected
Outside Director	Candidate for outside Director	Independent Director	Independent Director as stipulated by the Tokyo Stock Exchange

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) (69 years old) [Reelection]	April 1977 June 1998 April 2001	Joined the Company Director, Deputy General Manager of Research & Development Division Director, General Manager of Research & Development Division	12,000
	Term of office as Director:	June 2003 June 2004	Executive Officer, General Manager of Research & Development Division Executive Officer, General Manager of International Project Promotion Division	
	17 years	June 2007	Executive Officer	
	Attendance at Board Meetings during fiscal 2021:	June 2008	Managing Executive Officer	
		June 2010	Director, Senior Managing Executive Officer, and in charge of Sales & Marketing I	
		June 2011	Representative Director, President & CEO	
	15/15 (100%)	June 2021	Chairman Chairman of the Board of Directors (to present)	
[Reason for nomination as candidate for Director] Takao Ando has lead management as Representative Director and President since 2011. He has served as Chairman since 2021 and appropriately carried out his duties in supervising the management operations of the Company as Chairman of the Board of Directors. We believe that, with his wealth of experience and knowledge in overall management as Representative Director and President, 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
2	Akinori Higuchi (November 7, 1959) (62 years old) [Reelection]	April 1984 October 1984 October 2005 June 2012	Joined the Company Transferred to SAN NOPCO LIMITED General Manager of Pulp & Paper Chemicals Marketing and Sales Department President, Representative Director, and General Manager of Sales & Marketing Division	2,000
	Term of office as Director:	June 2014 June 2015 June 2016	Executive Officer of the Company Managing Executive Officer, General Manager of Petroleum & Environment Division Director, Managing Executive Officer, in charge of Sales & Marketing II, General Manager of Lubricating Oil Additives Division, and General Manager of Petroleum & Environment Division	
	6 years			
	Attendance at Board Meetings during fiscal 2021:	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	
	15/15 (100%)	June 2020 June 2021	Executive Vice President, in charge of Corporate Strategy Representative Director, President & CEO (to present)	
	<p>[Reason for nomination as candidate for Director]</p> <p>Akinori Higuchi has served as Chief Executive Officer of one of the Company’s consolidated subsidiaries, and officer in charge of the Sales & Marketing Division, the Corporate Planning Division, and the Production Division, playing a central role in the Company’s management. Since 2021, he has served as Representative Director and President and appropriately carried out his duties in supervising and executing the management operations 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
3	Kohei Maeda (November 3, 1960) (61 years old) [Reelection]	April 1985	Joined the Company	3,500
		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:	June 2010	Executive Officer, General Manager of Research & Application Division, and General Manager of Research Administration Division	
	8 years	June 2014	Director, Executive Officer, General Manager of Research & Application Division, and Head of Head Office Research Laboratory	
	Attendance at Board Meetings during fiscal 2021:	June 2015	Director, Managing Executive Officer, in charge of Research & Development, General Manager of Research & Application Division, and Head of Head Office Research Laboratory	
	15/15 (100%)	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	
		June 2021	Representative Director, Executive Vice President, 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)	
[Reason for nomination as candidate for Director] In addition to years of experience as an officer responsible for, and in charge of Research & Development, Kohei Maeda has experience in supervising and executing the management operations of the Company as an officer in charge of sales, marketing, and public relations. He also served as Representative Director since 2021, playing a central role in the management operations of the Company. 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.				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
4	Hiroyuki Shimominami (January 22, 1960) (62 years old) [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)	1,500
	Term of office as Director:	(Significant concurrent position) President, Representative Director of SDP Global Co., Ltd.		
	6 years			
	Attendance at Board Meetings during fiscal 2021:			
	15/15 (100%)			
	[Reason for nomination as candidate for Director] 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 has 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.			

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
5	Masahiro Harada (February 8, 1964) (58 years old)	April 1989	Joined the Company	800
	[New Candidate]	July 2010	General Manager of Automotives II & Foam Industry Department	
		April 2017	General Manager of Electronic Materials, Resins & Coloring Materials Division	
		June 2018	Executive Officer, General Manager of Electronic Materials, Resins & Coloring Materials Division	
		June 2021	Managing Executive Officer, General Manager of Business Planning Division and General Manager of Energy Business Promotion Division	
	Term of office as Director:	April 2022	Managing Executive Officer, General Manager of Business Planning Division and General Manager of Energy Business Division (to present)	
	– years			
	Attendance at Board Meetings during fiscal 2021:			
– (–%)				
[Reason for nomination as candidate for Director] Masahiro Harada has many years of experience as an officer in charge of the Sales & Marketing Division. He is currently engaged in the role of officer in charge of the Business Planning Division, which conducts planning for tie-ups with other companies and new businesses, as well as the Energy Business, and is working towards business reforms at 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 election as a Director.				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
6	Kenichi Nishimura (January 3, 1965) (57 years old) [New Candidate]	April 1988 March 1990 September 2011	Joined Sumitomo Bank, Limited Joined Toray Industries, Inc. Manager of Finance & Accounting Department Member of the Board of Toray Industries (Malaysia) Sdn. Berhad	0
		September 2017	General Manager of Finance Department of Toray Industries, Inc.	
		September 2021	Deputy General Manager of Administrative Affairs Division of the Company (to present)	
	Term of office as Director:			
	– years			
	Attendance at Board Meetings during fiscal 2021:			
	– (–%)			
[Reason for nomination as candidate for Director] Kenichi Nishimura has been involved with the Finance & Accounting Department of Toray Industries, Inc., for many years, and has ample experience as an officer in charge. He also has experience with the management of an overseas operating 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 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) (62 years old) [Reelection] [Outside Director] [Independent Director]	April 1979 June 1993 December 2002 June 2018	Joined ALL NIPPON AIRWAYS CO., LTD. Member of Amagasaki City Council Mayor of Amagasaki City Outside Director of the Company (to present) (Significant concurrent positions) Outside Director of BROTHER INDUSTRIES, LTD.	500
	Term of office as Director:			
	4 years			
	Attendance at Board Meetings during fiscal 2021:			
	15/15 (100%)			
<p>[Reason for nomination as candidate for outside Director and outline of expected roles]</p> <p>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 believe that her experience managing administrative institutions as the head of municipal government administration is equivalent to corporate management, and 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. In addition, the Company has appointed her as a member of the Nomination and Remuneration Committee, which is an advisory body to the Board of Directors, and she contributes to the enhancement of transparency and fairness in the Company’s management. If she is re-elected, we intend for her to continue as a committee member.</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) (71 years old)	April 1973	Joined Sumitomo Electric Industries, Ltd.	0
		June 1997	General Manager of Administration Division	
		June 2004	Executive Officer, General Manager of HR & Administration Division	
	[Reelection] [Outside Director] [Independent Director]	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	
	Term of office as Director:	June 2011	President	
	1 year	June 2017	Chairman	
		June 2021	Special Adviser (to present) Outside Director of the Company (to present)	
	Attendance at Board Meetings during fiscal 2021:	(Significant concurrent positions)		
	11/12 (92%)	Special Adviser of Nissin Electric Co., Ltd. Chairman of Kyoto Prefecture Council of Social Welfare		
[Reason for nomination as candidate for outside Director and outline of expected roles] 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 re-election as an outside Director. In addition, the Company has appointed him as a member of the Nomination and Remuneration Committee, which is an advisory body to the Board of Directors, and he contributes to the enhancement of transparency and fairness in the Company’s management. If he is re-elected, we intend for him to continue as a committee member.				

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions		Number of shares of the Company held
9	Yumi Sano (August 20, 1961) (60 years old) [Reelection] [Outside Director] [Independent Director]	April 1984 April 1997 April 2004 April 2013 April 2014 June 2021	Joined Shikishima Boseki Ltd. (currently Shikibo Ltd) Joined Kansai Employers' Association (currently Kansai Economic Federation) General Manager, Membership Administration Joined Japan Institute for Women's Empowerment & Diversity Management General Manager, Kansai Office (to present) Outside Director of the Company (to present)	0
	Term of office as Director:	(Significant concurrent positions)		
	1 year	General Manager, Kansai Office of Japan Institute for Women's Empowerment & Diversity Management		
	Attendance at Board Meetings during fiscal 2021:			
	12/12 (100%)			
<p>[Reason for nomination as candidate for outside Director and outline of expected roles]</p> <p>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 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 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.</p> <p>In addition, the Company has appointed her as a member of the Nomination and Remuneration Committee, which is an advisory body to the Board of Directors, and she contributes to the enhancement of transparency and fairness in the Company's management. If she is re-elected, we intend for her to continue as a committee member. 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, she has satisfied the independence standards of the Company and thus we have determined that there are no issues from these relationships with respect to independence.</p>				

(Notes)

1. There are no special interests between each candidate for Director and the Company.
2. Ms. Shirai will be appointed outside Director of Royal Hotels Co. Ltd. on June 28, 2022.
3. Ms. Shirai, Mr. Obata and Ms. Sano are candidates for outside Director. The aforementioned 3 persons have been designated as independent Directors as stipulated by the Tokyo Stock Exchange, and if their re-election is approved, the Company plans to continue to designate them as independent Directors.
4. The Company has entered into limited liability agreements with Ms. Shirai, Mr. Obata, and Ms. Sano 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 plans to continue these agreements if their re-election is approved.
5. 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. If the election of the candidates is approved, they will be included as the insured under the said insurance agreement. The insured do not bear the insurance premiums. The said insurance agreement shall compensate for damages and legal expenses relating to claims for damages against the insured during the term of the insurance. However, there are certain exemption, such as damages arising out of any action taken by the insured when they recognize that the said action is violating laws and regulations are not covered, in order to ensure that the insured continue to execute their duties appropriately. In addition, the Company intends to renew the agreement with the same terms at the time of next renewal.
6. In January 2019, Sumitomo Precision Products Co., Ltd., for which Ms. 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. 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.

<Reference> Skill Matrix of the Board of Directors

Name	Position	Independent Director/ outside Director	Corporate management	Finance and accounting	Corporate governance	International business	Sales and marketing	R&D, production, and new business development	Development and training of personnel	Understanding of diversity
Takao Ando	Chairman		●		●	●	●	●	●	●
Akinori Higuchi	Representative Director and President		●			●	●	●	●	●
Kohei Maeda	Representative Director		●				●	●		●
Hiroyuki Shimominami	Director		●			●	●			●
Masahiro Harada	Director						●	●		●
Kenichi Nishimura	Director			●	●	●				●
Aya Shirai	Director	●	●		●				●	●
Hideaki Obata	Director	●	●		●	●		●	●	●
Yumi Sano	Director	●			●				●	●

<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, 2021 to March 31, 2022)

1. Current Status of the Group

(1) Progress and Results of Operations

During the fiscal year ended March 31, 2022, the Japanese economy showed signs of normalizing as vaccination against COVID-19 progressed; however, since the end of 2021, a resurgence of COVID-19 infections has led to fluctuations in individual consumption. In exports, dark signs have replaced the earlier rising trend, and a harsh environment continues to persist with inbound demand remaining low among other factors. In the global economy, the expansion of the Chinese economy appears to be reaching its peak, while the outlook of the US and European economies remains unclear due to the impact of Russia's invasion of Ukraine, in spite of economic recovery due to the normalization of economic activities.

In the chemical industry, the forex market is experiencing a trend of rapid yen depreciation mainly due to interest rate rises being observed in the US, and raw material costs, which were already rising due to supply being unable to keep pace with the recovery in demand, have now risen further due to the emergence of geopolitical risks. Amid these conditions, the business environment requires ongoing vigilance.

Under these circumstances, net sales for the fiscal year under review increased by 12.3% year on year, to ¥162,526 million. In terms of profit, operating profit was ¥11,868 million (a decrease of 0.5% year on year), and ordinary profit was ¥12,771 million (an increase of 6.4% year on year) mainly due to an increase in foreign exchange gains. Profit attributable to owners of parent was ¥6,699 million (a decrease of 8.0% year on year) mainly due to recording of loss on valuation of investment securities.

Results by product group (segment) were as follows.

Toiletries and Health Care

In the Toiletries segment, sales were strong due to a surge in sales of polyethyleneglycol both in Japan and overseas and a recovery in papermaking chemicals.

In the Health Care segment, sales were flat. Although there was a temporary drop in sales of superabsorbent polymers in the mainstay Chinese market due to a rapid production adjustment resulting from energy shortages, this was followed by a track of recovery.

As a result, total net sales in this segment increased by 1.1% year on year, to ¥54,922 million. Operating profit was ¥1,708 million (a decrease of 46.5% year on year).

Petroleum and Automotives

In the Petroleum and Automotives segment, sales experienced a large increase. This was due to strong sales of raw materials for polyurethane foams used in automobile seats and other applications, and lubricant additives, despite flat sales of thermoplastic polyurethane beads for interior parts of automobiles.

As a result, total net sales in this segment increased by 14.0% year on year, to ¥42,540 million. Operating profit was ¥3,265 million (a decrease of 3.0% year on year).

Plastics and Textiles

In the Plastics segment, sales experienced a large increase due to continued strong sales of our mainstay permanent antistatic agents and a recovery in overseas demand for paint coating agents and additives as well as resin modifiers used as paint binders.

The Textiles segment experienced a large increase in sales, as sales of chemicals for carbon fibers increased and sales of polyurethane resins for synthetic leather and elastomer fiber used in automobiles and the spin finish oil used in the manufacturing process of tire cord yarns and other items were strong.

As a result, total net sales in this segment increased by 22.4% year on year, to ¥25,466 million. Operating profit was ¥3,346 million (an increase of 23.7% year on year).

Information and Electrics/Electronics

In the Information segment, sales experienced a large increase. This was mainly due to recovery of office printing demand, which had stagnated due to the COVID-19 pandemic, as well as strong sales of polyester beads as a core component of polymerization toners and toner resins for pulverized toners.

In the Electrics/Electronics segment, sales were strong due to ongoing positive sales of raw materials for resists used in semiconductors against the backdrop of continued strong demand for semiconductors and a large increase in sales of UV resins used in displays.

As a result, total net sales in this segment increased by 22.8% year on year, to ¥20,989 million. Operating profit was ¥2,110 million (an increase of 46.6% year on year).

Environmental Protection, Construction and Others

In the Environmental Protection segment, sales experienced a large increase due to a strong increase in sales of cationic monomer for polymer flocculants for overseas markets.

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

As a result, total net sales in this segment increased by 22.1% year on year, to ¥18,607 million. Operating profit was ¥1,437 million (an increase of 17.2% year on year).

(2) Capital Expenditures

The total amount of the Company's capital expenditures for the fiscal year under review was ¥9,847 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 both in Japan and overseas. While leveraging cash flows from operating activities, liquidity on hand was used to make a partial repayment of borrowings.

As a result, the balance of long-term and short-term borrowings as of the end of the fiscal year under review was ¥7,887 million.

(4) Status of Assets, Profit and Loss

Category	95th term (April 2018 - March 2019)	96th term (April 2019 - March 2020)	97th term (April 2020 - March 2021)	98th term (Current term) (April 2021 - March 2022)
Net sales (Millions of yen)	161,599	155,503	144,757	162,526
Operating profit (Millions of yen)	12,919	12,439	11,932	11,868
Ordinary profit (Millions of yen)	15,205	12,704	11,999	12,771
Profit attributable to owners of parent (Millions of yen)	5,345	7,668	7,282	6,699
Basic earnings per share (Yen)	242.50	347.87	330.34	303.76
Total assets (Millions of yen)	193,630	178,873	195,723	200,194
Net assets (Millions of yen)	132,623	130,097	142,951	147,032
Return on equity (ROE) (%)	4.12	5.97	5.43	4.70

Explanation

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 profit 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 the fiscal year ended March 31, 2021 (97th term), sales decreased due mainly to product price revisions in response to a drop in raw materials costs. In terms of profit, operating profit, ordinary profit, and profit attributable to owners of parent all declined, due to factors such as reduced sales volume of high-added value products, reduced share of profit of entities accounted for using equity method, and recording of loss on cancellation of integration.

For information concerning the fiscal year under review (98th term), please refer to (1) "Progress and Results of Operations" above.

(5) Issues to Be Addressed

Medium- to Long-Term Management Policy “WakuWaku Explosion 2030”

Under the company motto, “Let us contribute to building a better society through our corporate activities,” we aim to be a “global, unique, and highly profitable company” that creates valuable products with customers. In fiscal 2018, we established the 10th Medium-Term Management Plan “New Sanyo for 2027.” With the slogan “KAERU (committed to change),” the Company has been making efforts to improve business performance and establish environments that respect diverse values so that all employees feel pride and satisfaction from their work.

The 10th Medium-Term Management Plan came to an end at the end of fiscal 2020. In consideration of the efforts implemented prior to then regarding possible integration with Nippon Shokubai Co., Ltd., rather than hastily putting together management policy for the next period, we have spent the full fiscal 2021 period on planning to allow for ample internal discussion. In the course of this discussion, we arrived at the idea of creating corporate growth by modifying the behavior and increasing the motivation of all employees rather than working at specific tasks to achieve predetermined numerical targets, so we developed “WakuWaku Explosion 2030” as a medium- to long-term “management policy” rather than a “medium-term management plan,” which gives a strong impression of being based on numerical targets.

We will share our Mission, Values, and Vision with the Group’s employees and work together to achieve them.

Mission	Let us contribute to building a better society through our corporate activities.
Values	<ul style="list-style-type: none">• Waku Waku feeling from all stakeholders• Co-creation* of the environmental and social value and economical value together with stakeholders.• Every employee contributes to value creation *Co-creation: Creating value with all stakeholders
Vision	All employees feel pride and satisfaction from their work. Grow into a global, unique, and highly profitable company

Medium to long-term management strategy and objective indicators, etc., based on management conditions

In order to sustainably improve corporate value amid rapidly changing management conditions, we have rearranged the Group’s current business activities into the 3 categories of “New Growth Trajectory,” “Grow from Core Business,” and “Reformation of Existing Business.” We will work to restructure and enhance our business portfolio with the policies of “Contributing to the resolution of social and environmental issues through the innovation beyond the boundary of chemistry” “Growth through expansion and deepening of business domains by utilizing our strengths,” and “Acceleration of structural reform and business transformation from an environmental perspective.” As a result, we aim to achieve operating profit of ¥50.0 billion and ROIC of 10% in 2030.

Issues to be addressed and concrete measures

With respect to fiscal 2021, the continued 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 2022, the global economy is expected to improve as there is further development of and inoculation by vaccines for COVID-19, but we anticipate that uncertain situation will continue for a certain time. Additionally, uncertainty is increasing in management conditions surrounding the Group from such factors as the growing seriousness of the environment and energy problem, and the rapid increases in oil prices and accompanying surge in materials costs caused by the heightened geopolitical risks in some regions. In these management conditions, we will strive to reduce costs from production and logistics, etc., and take any steps necessary to secure profit such as reflecting this in product prices. Also, we will prioritize the following content when contributing to a better society in order to achieve sustainable growth of the Group into the future.

1) Net zero CO₂ emissions by 2050

We aim to produce net zero CO₂ emissions by 2050 and have at least 50% eco-friendly products by 2030 as a contribution to carbon neutrality and a circular economy. We also accepted the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in December last year. Going forward, we will promote analysis according to these recommendations and conduct appropriate disclosure.

2) Become a “Waku Waku company” for all stakeholders

We will shine a spotlight on all employees and we have developed an action plan concerning reform of production sites, corporate function strategies to produce profit, DEI (diversity, equity, and inclusion), workplace reforms, and corporate reforms leveraging digital transformation, etc., based on the idea that diverse employees each play a role in a range of situations such as the Group’s overseas locations, production sites, and corporate functions. Additionally, we have established a new matching site (UQ chem) with the aim of revitalizing industry, including different fields, and plan to focus on providing new value using old products and technologies. In addition, we are promoting health management and the expansion of a system that allows multiple roles within the Company, etc., and we aim for a society that enables excitement, where employees can work in a comfortable environment while feeling a sense of achievement.

3) Ensuring transparent management

We will disclose non-financial information and ensure a thorough dialog with shareholders, while ensuring transparent management through evaluation of effectiveness of the Board of Directors using third-party organizations, etc. In addition, in June last year, we established the voluntary Nomination and Remuneration Committee, for the purpose of enhancing fairness, transparency, and objectivity of procedures relating to nomination and remuneration, etc., of directors, and expanding corporate governance.

The Company aims to be a “unique, global, and highly profitable company.” With the understanding and support of our stakeholders, we will work towards the realization of our company motto of “Let us contribute to building a better society through our corporate activities” and provide returns to our stakeholders as a result. We appreciate the continued support and assistance of our shareholders going forward.

(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.	33.8%
Petroleum and Automotives	Raw material for polyurethane foams, thermoplastic polyurethane beads for interior parts of automobiles, lubricant additives, etc.	26.2%
Plastics and Textiles	Permanent antistatic agent, pigment dispersant, resin modifier, paint resin, chemicals for carbon fibers, etc.	15.7%
Information and Electrics/Electronics	Intermediate for polymerization toners, toner resin, electrolytes for aluminum electrolytic capacitors, chemicals for use in manufacturing electronic parts, etc.	12.9%
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.	11.4%
Total		100.0%

(7) Employees

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

Number of employees	Year-on-year change
2,106	Increase of 10 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
1,350	Decrease of 33 persons	40.6 years old	16.5 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.	¥2,900 million	100%	Manufacture and sales of superabsorbent polymers
SAN NOPCO LIMITED	¥400 million	100%	Manufacture and sales of chemicals for pulp & paper, chemicals for paint, a wide range of industrial chemicals, etc.
San Chemical Co., Ltd.	¥400 million	50%	Manufacture of raw material for polyurethane foams, etc.
San-Apro Ltd.	¥60 million	50%	Manufacture and sales of special catalysts, etc.
Sanyo Chemical Logistics Co., Ltd.	¥30 million	100%	Transportation and warehousing
SANAM Corporation	US\$400 thousand	100%	Company managing U.S. subsidiaries Sales of lubricant additives, thermoplastic polyurethane beads, etc.
Sanyo Chemical Texas Industries, LLC	US\$1	100% (100%)	Manufacture of thermoplastic polyurethane beads
SDP GLOBAL (MALAYSIA) SDN. BHD.	RM259,365 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.	US\$27,500 thousand	100%	Manufacture of surfactants, polyurethane resins, etc.
San-Dia Polymers (Nantong) Co., Ltd.	US\$64,900 thousand	100% (100%)	Manufacture and sales of superabsorbent polymers
Sanyo Chemical (Shanghai) Trading Co., Ltd.	US\$1,800 thousand	100%	Sales of surfactants, polyurethane resins, etc.

- (Notes)
- Figures in parenthesis in “Percentage of voting rights held by the Company” indicate the percentage of indirect shareholdings.
 - 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.
 - As of April 1, 2022, SANAM Corporation changed its name to Sanyo Chemicals America, Inc.

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 (xix) of the Regulations 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 (Minato-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 (Minato-ku, Tokyo)</p> <p>SAN NOPCO LIMITED: Tokyo (Minato-ku, Tokyo), Osaka (Osaka City)</p> <p>San-Apro Ltd.: Tokyo (Minato-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) and Kyoto (Higashiyama-ku)</p> <p>San-Apro Ltd.: Kyoto (Nishikyo-ku, Kyoto City)</p>

(10) Principal Lenders

Name of lender	Borrowing amount (Millions of yen)
Sumitomo Mitsui Banking Corporation	3,460
MUFG Bank, Ltd.	2,168
Mizuho Bank, Ltd.	1,138
Sumitomo Mitsui Trust Bank, Limited	1,120

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:** 11,051 (up 1,220 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)	2,173	9.8
Nippon Shokubai Co., Ltd.	1,105	5.0
ENEOS Holdings, Inc.	1,061	4.8
Custody Bank of Japan, Ltd. (Trust Account)	915	4.1
Sanyo Chemical Employees' Stock Ownership Association	538	2.4
Government of Norway	323	1.5
DFA INTL SMALL CAP VALUE PORTFOLIO	207	0.9
THE BANK OF NEWYORK MELLON 140042	172	0.8

- (Notes) 1. Treasury shares are not included in the number of shares owned by the shareholders listed in the table above. Treasury shares (1,418,817 shares) are excluded in calculating "Percentage of shares held."
2. The Company's shares (56,600 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 (915,800 shares) held by Custody Bank of Japan, Ltd. (Trust Account) and not included in treasury shares (1,418,817 shares).

- (5) **Matters Concerning Shares Delivered to Directors of the Company (Including Former Directors of the Company) as Consideration for Their Execution of Duties During the Fiscal Year Under Review**

Subject	Number of shares	Number of recipients
Directors (excluding outside Directors)	4,623 shares	1 person

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
Takao Ando	Chairman Chairman of the Board of Directors	
Akinori Higuchi	Representative Director, President & CEO	
Kohei Maeda	Representative Director, Executive Vice President, 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	
Hideya Narutaki	Director, Managing Executive Officer, supervising Business Planning, General Manager of Biotechnology & Medical Division, and Head of Tokyo Branch Office	
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	
Aya Shirai	Director	Outside Director of BROTHER INDUSTRIES, LTD.
Hideaki Obata	Director	Special Adviser of Nissin Electric Co., Ltd. Chairman of Kyoto Employers' Association Chairman of Kyoto Prefecture Council of Social Welfare
Yumi Sano	Director	General Manager, Kansai Office of Japan Institute for Women's Empowerment & Diversity Management
Takafumi Horie	Full-time Audit & Supervisory Board Member	
Hirokazu Kurome	Full-time Audit & Supervisory Board Member	

Name	Position and responsibilities	Significant concurrent positions
Jun Karube	Audit & Supervisory Board Member	Chairman of the Board of Toyota Tsusho Corporation Outside Audit & Supervisory Board Member of KDDI CORPORATION
Yusuke Nakano	Audit & Supervisory Board Member	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 Director (Audit and Supervisory Committee Member) of SK-Electronics CO., LTD.

- (Notes)
1. Directors Shirai, Obata and Sano are outside Directors as stipulated in Article 2, item (xv) of the Companies Act.
 2. Audit & Supervisory Board Members Kurome, Karube and Nakano are outside Audit & Supervisory Board Members as stipulated in Article 2, item (xvi) of the Companies Act.
 3. Audit & Supervisory Board Member Nakano is qualified as a certified public accountant, and has sufficient knowledge and experience concerning finance and accounting.
 4. Changes of Directors and Audit & Supervisory Board Members during the fiscal year under review were as follows:
 - 1) At the conclusion of the 97th Ordinary General Meeting of Shareholders held on June 18, 2021, Messrs. Ueno, Ota and Aikyo retired from the office of Directors due to expiration of term of office.
 - 2) At the conclusion of the 97th Ordinary General Meeting of Shareholders held on June 18, 2021, Mr. Ohshima retired from the office of Audit & Supervisory Board Member due to resignation.
 - 3) At the 97th Ordinary General Meeting of Shareholders held on June 18, 2021, Mr. Obata and Ms. Sano were newly appointed and assumed office as Directors.
 - 4) At the 97th Ordinary General Meeting of Shareholders held on June 18, 2021, Messrs. Kurome and Nakano were newly appointed and assumed office as Audit & Supervisory Board Members.
 5. The Company has designated Directors Shirai, Obata and Sano, and Audit & Supervisory Board Member Nakano 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) Summary of Content of Directors and Officers Liability Insurance Agreement

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. The scope of the insured is all Directors, Audit & Supervisory Board Members, and important employees of the Company and its subsidiaries (excluding SANAM Corporation). The insured do not bear the insurance premiums. The said insurance agreement shall compensate for damages and legal expenses relating to claims for damages against the insured during the term of the insurance. However, there are certain exemption, such as damages arising out of any action taken by the insured when they recognize that the said action is violating laws and regulations are not covered, in order to ensure that the insured continue to execute their duties appropriately.

(4) 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)	308	167	76	64	7
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	33	23	9	–	1
Outside Directors	27	27	–	–	5
Outside Audit & Supervisory Board Members	49	40	9	–	4
Total	418	259	95	64	17

- (Notes)
1. “Number of eligible Directors and Audit & Supervisory Board Members” and “Aggregate amount of remuneration” above include three Directors and 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 outside Directors and outside Audit & Supervisory Board Members received for their services as officers 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. The remuneration level and remuneration system are determined giving consideration to trends in financial results, external objective data, and other factors, and the appropriateness thereof is verified by the Nomination and Remuneration Committee of which a majority of members are outside Directors. 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, the total amount to be paid is calculated 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.

- (iii) Stock-based compensation
- The target value of consolidated ordinary profit for the fiscal year under review was ¥13.5 billion, and the actual result was ¥12.7 billion.
- 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 12,720 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 Representative Director and President, Akinori Higuchi 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 and President 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 Representative Director and 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

This stock-based compensation plan is being continued, and as the above trust period established in 2018 expired in August 2021, the trust period was extended for another 3 years until August 2024.

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.

(5) 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	Aya Shirai	Aya Shirai attended all 15 Board Meetings held during the fiscal year under review. Based on her many years of experience in municipal government administration and as an outside Director at other companies, she has actively expressed multifaceted suggestions and opinions from an independent position. She fulfils the role expected of her as an outside Director in an appropriate manner. She has also provided useful suggestions for initiatives promoting female advancement through meetings, etc., with employees. Furthermore, as a member of the Nomination and Remuneration Committee, she has actively expressed her opinion concerning the nomination and remuneration, etc., of Directors from an independent standpoint.
Director	Hideaki Obata	Since his appointment on June 18, 2021, Hideaki Obata has attended 11 of the 12 Board Meetings held during the fiscal year under review. Based on his many years of management experience in companies with a wide range of business domains, he has actively expressed suggestions and opinions concerning all aspects of the Company's management from an independent position. He fulfils the role expected of him as an outside Director in an appropriate manner. Furthermore, as a member of the Nomination and Remuneration Committee, he has actively expressed his opinion concerning the nomination and remuneration, etc., of Directors from an independent standpoint.
Director	Yumi Sano	Since her appointment on June 18, 2021, Yumi Sano has attended all 12 Board Meetings held during the fiscal year under review. Based on her extensive experience in human resources development, she has actively expressed suggestions and opinions about policies concerning employee motivation from an independent position. She fulfils the role expected of her as an outside Director in an appropriate manner. Furthermore, as a member of the Nomination and Remuneration Committee, she has actively expressed her opinion concerning the nomination and remuneration, etc., of Directors from an independent standpoint.
Audit & Supervisory Board Member	Hirokazu Kurome	Since his appointment on June 18, 2021, Hirokazu Kurome has attended all 12 Board Meetings and all 10 Audit & Supervisory Board Meetings held during the fiscal year under review. Based on his global management experience, he has provided useful suggestions and opinions.
Audit & Supervisory Board Member	Jun Karube	Jun Karube has attended all 15 Board Meetings and all 12 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.

Category	Name	Principal activities, etc.
Audit & Supervisory Board Member	Yusuke Nakano	Since his appointment on June 18, 2021, Yusuke Nakano has attended all 12 Board Meetings and all 10 Audit & Supervisory Board Meetings held during the fiscal year under review. He has provided useful suggestions and opinions from his professional perspective as a certified public accountant.

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	Aya Shirai	Aya Shirai is outside Director of BROTHER INDUSTRIES, LTD. There are transaction relationships between the Company and said company.
Director	Hideaki Obata	Hideaki Obata is Special Adviser of Nissin Electric Co., Ltd., Chairman of Kyoto Employers' Association, and Chairman of Kyoto Prefecture Council of Social Welfare. There are no transaction relationships between the Company and any of these entities.
Director	Yumi Sano	Yumi Sano is General Manager, Kansai Office of Japan Institute for Women's Empowerment & Diversity Management. There are transaction relationships between the Company and said institute.
Audit & Supervisory Board Member	Jun Karube	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 transaction relationships between the Company and KDDI CORPORATION.
Audit & Supervisory Board Member	Yusuke Nakano	Yusuke Nakano is Head of NAKANO C.P.A. OFFICE, Executive Senior Partner of Seiyu Audit Corporation, Independent Audit and Supervisory Board Member of Nissha Co., Ltd. and outside Director (Audit and Supervisory Committee Member) of SK-Electronics CO., LTD. There are transaction relationships between the Company and Nissha Co., Ltd., but there are no transaction relationships between the Company and any of the other companies at which he holds concurrent positions.

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 those under Article 2, paragraph (1) of the Certified Public Accountants Act: ¥6 million
	(2) Total amount of money and other property benefits payable by the Company and its subsidiaries to the Accounting Auditor: ¥69 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. Content of services other than those under Article 2, paragraph (1) of the Certified Public Accountants Act
Advice and guidance on internal control regarding financial reporting
 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 stipulate that 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 by the Compliance Committee under the direct control of the Board of Directors, we held a study session by conducting a group discussion and completing surveys after viewing a video (mini-drama) about "minor omissions" causing major problems in order to further increase awareness of "prevention of occurrence of corporate misconduct."
- At the Responsible Care Division in the Corporate Strategy 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 conducted internal audits of 3 out of 11 the important risks established by the internal control system, which had been in operation during the 8th and 9th Medium-Term Management Plans, and reported the results to the Internal Control Committee.

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 2020) were disclosed in the Corporate Governance Report.
- We improved capabilities of computers and improved business efficiency through simultaneous renewal of network PCs and update of Microsoft Office at all companies.
- 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.

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, one associate in China and two associates in Malaysia 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 12 times in total in the fiscal year under review). They also met with the Representative Director, executive directors, 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 (held monthly in principle) 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>

	95th term (April 2018 - March 2019)	96th term (April 2019 - March 2020)	97th term (April 2020 - March 2021)	98th term (Current term) (April 2021 - March 2022)
Interim	¥60.0	¥70.0	¥70.0	¥85.0
Year-end	¥65.0	¥70.0	¥80.0	¥85.0
Annual	¥125.0	¥140.0	¥150.0	¥170.0
Payout ratio	51.5%	40.2%	45.4%	56.0%

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- 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, 2022)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	93,764	Current liabilities	47,904
Cash and deposits	18,171	Accounts payable - trade	20,575
Notes and accounts receivable - trade	44,849	Electronically recorded obligations - operating	4,539
Electronically recorded monetary claims - operating	1,509	Short-term borrowings	6,887
Merchandise and finished goods	16,561	Current portion of long-term borrowings	850
Semi-finished goods	4,314	Accrued expenses	4,247
Work in process	596	Income taxes payable	1,892
Raw materials and supplies	6,115	Provision for bonuses	2,117
Other	1,681	Provision for bonuses for directors (and other officers)	121
Allowance for doubtful accounts	(35)	Electronically recorded obligations - non-operating	945
Non-current assets	106,429	Provision for loss on factory closing	12
Property, plant and equipment	61,389	Other	5,713
Buildings and structures	18,066	Non-current liabilities	5,257
Machinery, equipment and vehicles	27,898	Long-term borrowings	150
Land	8,853	Deferred tax liabilities	3,350
Construction in progress	3,635	Retirement benefit liability	38
Other	2,936	Provision for stock-based compensation	376
Intangible assets	5,248	Other	1,341
Software	1,283	Total liabilities	53,161
Other	3,965	(Net assets)	
Investments and other assets	39,791	Shareholders' equity	130,226
Investment securities	29,274	Share capital	13,051
Long-term loans receivable	4,012	Capital surplus	13,243
Deferred tax assets	378	Retained earnings	109,713
Retirement benefit asset	2,337	Treasury shares	(5,781)
Other	3,819	Accumulated other comprehensive income	14,253
Allowance for doubtful accounts	(30)	Valuation difference on available-for-sale securities	9,623
		Foreign currency translation adjustment	4,093
		Remeasurements of defined benefit plans	537
		Non-controlling interests	2,552
		Total net assets	147,032
Total assets	200,194	Total liabilities and net assets	200,194

Consolidated Statements of Income

(From April 1, 2020 to March 31, 2022)

(Millions of yen)

Item	Amount	
Net sales		162,526
Cost of sales		127,749
Gross profit		34,777
Selling, general and administrative expenses		22,908
Operating profit		11,868
Non-operating income		
Interest income	148	
Dividend income	760	
Rental income from real estate	133	
Foreign exchange gains	1,560	
Other	262	2,866
Non-operating expenses		
Interest expenses	48	
Rental costs on real estate	58	
Loss on abandonment of inventories	285	
Share of loss of entities accounted for using equity method	1,104	
Compensation expenses	266	
Other	199	1,963
Ordinary profit		12,771
Extraordinary income		
Gain on sales of investment securities	17	
Insurance claim income	31	48
Extraordinary losses		
Loss on valuation of investment securities		
Loss on retirement of non-current assets	863	
Loss on sales of non-current assets	936	
Loss on suspension of operation	279	
Other	7	2,086
Profit before income taxes		10,734
Income taxes - current	3,437	
Income taxes - deferred	138	3,576
Profit		7,157
Profit attributable to non-controlling interests		458
Profit attributable to owners of parent		6,699

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(As of March 31, 2022)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	68,842	Current liabilities	38,935
Cash and deposits	8,131	Electronically recorded obligations - operating	4,539
Electronically recorded monetary claims - operating	341	Accounts payable - trade	19,588
Accounts receivable -trade	37,285	Accounts payable - other	2,544
Merchandise and finished goods	9,250	Accrued expenses	3,215
Semi-finished goods and work in process	3,699	Income taxes payable	1,109
Raw materials	2,232	Deposits received	5,099
Containers	31	Provision for bonuses	1,671
Supplies	158	Provision for bonuses for directors (and other officers)	95
Prepaid expenses	231	Electronically recorded obligations - non-operating	885
Consumption taxes refund receivable	394	Other	186
Short-term loans receivable from subsidiaries and associates	1,422	Non-current liabilities	4,052
Accounts receivable - other	5,460	Deferred tax liabilities	2,560
Other	227	Provision for stock-based compensation	376
Allowance for doubtful accounts	(26)	Other	1,115
Non-current assets	98,329	Total liabilities	42,988
Property, plant and equipment	41,481	(Net assets)	
Buildings	10,107	Shareholders' equity	114,565
Structures	2,807	Share capital	13,051
Machinery and equipment	18,478	Capital surplus	12,290
Vehicles	58	Legal capital surplus	12,191
Tools, furniture and fixtures	1,712	Other capital surplus	99
Land	8,189	Retained earnings	95,005
Construction in progress	127	Legal retained earnings	2,775
Intangible assets	3,725	Other retained earnings	92,229
Software	944	Voluntary retained earnings	
Other	2,781	Reserve for dividends	329
Investments and other assets	53,122	General reserve	83,546
Investment securities	16,194	Retained earnings brought forward	8,354
Shares of subsidiaries and associates	17,801	Treasury shares	(5,781)
Investments in capital	2,322	Valuation and translation adjustments	9,617
Investments in capital of subsidiaries and associates	1,650	Valuation difference on available-for-sale securities	9,617
Long-term loans receivable	1	Total net assets	124,183
Long-term loans receivable from subsidiaries and associates	15,219		
Long-term prepaid expenses	453		
Prepaid pension cost	1,563		
Lease and guarantee deposits	503		
Other	148		
Allowance for doubtful accounts	(2,737)		
Total assets	167,171	Total liabilities and net assets	167,171

Non-consolidated Statements of Income

(From April 1, 2020 to March 31, 2022)

(Millions of yen)

Item	Amount	
Net sales		109,104
Cost of sales		84,413
Gross profit		24,691
Selling, general and administrative expenses		17,596
Operating profit		7,094
Non-operating income		
Interest income	90	
Dividend income	2,050	
Rental income from real estate	592	
Foreign exchange gains	991	
Other	441	4,166
Non-operating expenses		
Interest expenses	9	
Loss on abandonment of inventories	275	
Provision of allowance for doubtful accounts	606	
Other	162	1,053
Ordinary profit		10,207
Extraordinary income		
Gain on sales of investment securities	17	
Insurance claim income	19	36
Extraordinary losses		
Loss on valuation of investment securities	863	
Loss on retirement of non-current assets	890	
Other	11	1,764
Profit before income taxes		8,479
Income taxes - current		1,994
Income taxes - deferred		79
Profit		6,405

Independent Auditor's Report
(English Translation)

May 18, 2022

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, 2021 to March 31, 2022.

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, 2022, 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.

Other information

Other information is the business report and the supplementary schedules thereof. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of directors' duties throughout development and operation of other information reporting process.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management, the 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 execution of duties by Directors in the development and operation of 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 express an opinion with exclusions for the consolidated financial statements. 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 the 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 the 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 18, 2022

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 (i) 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 98th term from April 1, 2021 to March 31, 2022.

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, 2022, 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.

Other information

Other information is the business report and the supplementary schedules thereof. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of directors' duties throughout development and operation of other information reporting process.

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

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

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

We have nothing to report in this regard.

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

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 the financial statements and the accompanying supplementary schedules 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 execution of duties by Directors in the development and operation of 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 express an opinion with exclusions for the consolidated financial statements. 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 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 the 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 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 98th term from April 1, 2021 to March 31, 2022, 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, and 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, 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 Regulations 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 Regulations 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 19, 2022

Audit & Supervisory Board, SANYO CHEMICAL INDUSTRIES, LTD.

Full-time Audit & Supervisory Board Member	Takafumi Horiie
Full-time outside Audit & Supervisory Board Member	Hirokazu Kurome
Outside Audit & Supervisory Board Member	Jun Karube
Outside Audit & Supervisory Board Member	Yusuke Nakano