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[Translation]

Information Disclosed Online

Related to the Notice of Convocation of the 88th Ordinary General Meeting of Shareholders

Content of the financial statements, etc. of
KANEKA CORPORATION for the last fiscal year

This information is posted on the Company's website (<https://www.cemedine.co.jp>) pursuant to applicable laws and regulations and Article 15 of the Articles of Incorporation of the Company.

Attachments to the Notice of Convocation of the 98th Ordinary General Meeting of Shareholders Business Report (From April 1, 2021 to March 31, 2022)

1. Current Status of Kaneka Group (the Corporate Group)

(1) Business Progress and Results

➤ The COVID-19 Pandemic and Ukraine Crisis - Honing Our Adaptability -

The Ukraine situation has tumbled deeper into chaos and has become a major disruptive factor in destabilizing the current global situation. The shift in the global balance of power has jeopardized the structure of society through resource/energy/food crises, supply chain disruptions and so on. The end of the COVID-19 pandemic is a long way off, the war in Ukraine was added to the world's concerns. The world has plunged headlong into completely unpredictable times. The management will enhance the sensibility for managing the unexpected under control and hone our strengths in terms of adaptability to be able to respond to changing business environments promptly.

➤ The Status of the Global Economy and Japan - Growing Concerns for Economic Recovery -

In the current fiscal year (April 1, 2021 to March 31, 2022), the global economy followed a recovery track, supported by the acceleration in coronavirus vaccinations, easing of COVID-19 restrictions and fiscal and monetary policies of various countries. However, surging prices for energy, materials, food and other resources triggered by the Ukraine issue are accelerating the progress of inflation. The impact of sanctions against Russia is unclear, and there are concerns that persistently high prices could disturb the recovering economy. The business environment has become even more uncertain. In Japan, the number of COVID-19 cases is yet to show a substantial decrease. The rising prices for energy, food and living supplies as well as the shift to a weaker yen are causing many issues to be concerned that these could derail the economic recovery in Japan.

➤ Kaneka Group's Business Performance - Increases in Sales and Profits, with Net Sales Achieving a Record High for the Full Fiscal Year -

In this business environment, our business performance for the fiscal year ended March 31, 2022 resulted in significant increases in sales and profits and was as follows. Consolidated net sales amounted to ¥691,530 million yen (up 19.8% year on year), and operating income was ¥43,562 million yen (up 58.2% year on year). Ordinary income was ¥40,816 million yen (up 85.0% year on year). Net income attributable to owners of parent was ¥26,487 million yen (up 67.3% year on year).

Business performance for the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Millions of yen)

	FY2020	FY2021	Difference (year on year)
Net sales	577,426	691,530	114,103 19.8%
Operating income	27,544	43,562	16,017 58.2%
Ordinary income	22,066	40,816	18,749 85.0%
Net income attributable to owners of parent	15,831	26,487	10,656 67.3%

Net sales and operating income by segment for the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022) (Millions of yen)

	Net sales										
	FY2020					FY2021					Difference
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Total (Apr.-Mar.)
Material SU	48,894	55,587	60,240	65,787	230,509	69,967	70,922	76,347	82,670	299,908	69,399 30.1%
Quality of Life SU	29,738	33,924	39,159	38,153	140,976	40,856	41,878	43,403	42,928	169,067	28,091 19.9%
Health Care SU	11,698	12,756	14,068	13,899	52,422	13,220	13,397	15,402	16,915	58,936	6,513 12.4%
Nutrition SU	35,938	37,560	41,062	37,806	152,368	39,753	39,725	43,054	40,020	162,554	10,186 6.7%
Others	373	241	238	296	1,149	308	236	240	277	1,062	(87) (7.6%)
Total	126,644	140,069	154,769	155,942	577,426	164,106	166,160	178,449	182,813	691,530	114,103 19.8%

	Operating income										
	FY2020					FY2021					Difference
	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	1Q	2Q	3Q	4Q	Total (Apr.-Mar.)	Total (Apr.-Mar.)
Material SU	2,855	4,518	6,465	9,433	23,272	9,311	8,652	8,303	10,117	36,385	13,112 56.3%
Quality of Life SU	1,236	2,692	4,439	2,281	10,650	4,586	4,737	4,460	3,158	16,942	6,292 59.1%
Health Care SU	2,298	2,672	3,213	3,252	11,436	2,310	2,941	3,168	4,242	12,662	1,226 10.7%
Nutrition SU	827	605	1,882	1,564	4,879	1,429	656	1,562	1,435	5,084	205 4.2%
Others	248	92	98	158	598	177	73	98	151	501	(96) (16.1%)
Adjustment	(5,436)	(5,576)	(5,844)	(6,433)	(23,291)	(5,967)	(5,894)	(7,291)	(8,861)	(28,014)	(4,723) -
Total	2,029	5,005	10,253	10,256	27,544	11,848	11,167	10,301	10,244	43,562	16,017 58.2%

※SU : Solutions Unit

➤ Two Remarks on the Group-wide Business Performance

- Driving Profit Growth through Both Overseas Operations and Portfolio Transformation -

(i) Successful Overseas Operations

In the current fiscal year ended March 31, 2022, the global economy is recovering well, and the overseas sales ratio recorded an all-time high of 45%. Our operation performance managed from a “Global and Local” perspective emerged successfully, serving as a major driving force behind substantial increases in sales and profits.

- ★ Overseas demands in material businesses, E & I Technology, Performance Fibers, Medical, Pharma, and Supplemental Nutrition built up momentum far surpassing what was seen before the pandemic. The frontline execution capabilities of our global network (Head Quarters in 3 major geographical regions of the world) pushed up global sales significantly.
- ★ We strove to expand spreads adroitly in response to historical surges in raw materials and fuel prices in the third quarter (October-December 2021; “3Q”) and fourth quarter (January-March 2022; “4Q”)

(ii) Progress in the Portfolio Transformation

A positive economic cycle continues to evolve, with foundation businesses generating cash and leading-edge businesses steadily increasing profits.

- ★ Regarding leading-edge businesses, sales grew steadily in the key business domains, which is reflected by solid sales increases in the following areas: new products for blood purification systems and catheters in Medical, small molecule pharmaceuticals and biopharmaceuticals in Pharma, and nutritional supplements for the U.S. market. Sales were also brisk in Performance Polymers (MS) for Europe, the U.S., and Asia. Moreover, as the digital society rapidly evolves, E & I Technology is expanding its sales for polyimide products used in smartphones and PCs as well as resin for acrylic films used in large-screen TVs significantly. Sales increased for original high-efficiency photovoltaic module products contributing to ZEH/ZEB due to the tailwind of growing demand for renewable energy aiming at carbon neutrality. As a result, the profit of these leading-edge businesses grew steadily.

- ★ In foundation businesses, we received orders surpassing our production capacity in areas such as Vinyls and Chlor-Alkali, Performance Polymers (MOD), and Performance Fibers. This shows we are capable of generating cash in these fundamental businesses. Through these efforts, the transformation of our business portfolio is making steady progress.

Operating performance by business segment was as follows:

(Earthology Chemical Solution)

Material Solutions Unit

-Material Value Creator to support the advancement of life and the environment by drawing out the richness of the materials

- In Vinyls and Chlor-Alkali, demand continued to expand rapidly in Asian markets. The overseas market prices rose and contributed to profit growth.
- In Modifiers, demand has been strong in Europe, the U.S., and Asia. Sales of non-PVC applications (automobiles, PCs and home electronics) are growing globally. Our global supply chain consisting of 4 locations has displayed its strengths. Amid global supply chain disruptions, we have turned pain into gain.
- In Modified silicone polymers, demand has continued to increase in Europe and the U.S. In addition, the business is expanding into new markets – e.g. construction applications – with in Asia. In anticipation of surging demand going forward, we will rapidly ramp up production capacity at each manufacturing site.
- For KANEKA Biodegradable Polymer Green Planet™, we decided to significantly increase production capacity in February 2022. We will improve productivity and reduce cost by accelerating new product development and introducing innovative technology for unique next-generation production process. We will drive the evolution of our production technology with the aim of additional facility investment in the next phase. In Japan, the Plastic Resource Circulation Act has stimulated major demand. Inquiries for cutlery applications and shopping bag applications from hotels, convenience stores and others have increased rapidly. There are high expectations from national and local governments and other organizations that are seeking to promote composting. Furthermore, there are major joint development projects with international brand holders who have a strong interest in reducing their environmental impact.

(Earthology Chemical Solution)

Quality of Life Solutions Unit

-Quality of Life Pathfinder to produce the leading edge of the enhancement of the quality of life through the power of materials

- In Foam & Residential Techs, expandable polystyrene resin and extruded polystyrene foam boards were heavily impacted by factors such as surging raw material and fuel prices. Recovery in demand is slow for polyolefin foam as automobile production continues to decrease globally. Tack Pack, which is used to transport COVID-19 vaccines safely at a low temperature, was adopted by local governments, contributing to society as a COVID-19 solution.
- In PV & Energy management, Japan's energy security policy identifies the promotion of the widespread use of renewable energy as a key topic. This topic has added impetus to efforts to increase the installation of solar photovoltaic power generation systems. Sales of Kaneka's residential high-efficiency photovoltaic module products increased due to a growing load rate. Demand is also accelerating for "electricity generating windows (see-through photovoltaic modules)" and "electricity generating walls (wall-mounted solar panels)", which are consonant with efforts to make zero-energy building (ZEB) more prevalent in society.
Following the Japanese government's decision to grant subsidies for the development of high-performance perovskite solar cells, which are expected to serve as next-generation solar cells, we will accelerate the development towards the practical application.
- In E & I Technology, sales were strong concerning polyimide film and polyimide varnish for smartphones and OLED displays as well as resin for acrylic film for large-screen TVs. Demand will grow further as the wave of digitalization accelerates. It is imperative to develop a supply system to meet this growing demand. We are considering ramping up the production capacity.
- In Performance Fibers, demand for hair accessory products for the African market has remained extremely strong and demand for flame-retardant materials has followed a recovery path. The next phase of capacity upgrading is under consideration in order to respond to further growth in demand.

(Active Human Life Solution)

Health Care Solutions Unit

Medical Edge Explorer to create a world in where advanced medical means are available to as many people as possible

- In Medical, a new blood purification device for the treatment of arteriosclerosis obliterans (ASO) has shown high therapeutic effectiveness, resulting in a substantial increase in sales of this product. Regarding catheters, sales increased significantly for products such as coils for embolization of brain aneurysms, mainly in overseas markets. In addition, making the most of our rapid development capabilities, we launched PCR testing kits that can detect COVID-19 variants at an early stage, helping to prevent the spread of infection.

In January 2022, we decided to build a new manufacturing site with cutting-edge technology for the production of medical devices in Tomakomai, Hokkaido that realizes zero field operations. Automation and advancement will be designed into the plant through process innovation. With this new plant, we will accelerate the global expansion of the medical equipment business.

- In Pharma, particularly biopharmaceuticals, contract manufacturing of COVID-19 vaccines on expanded production lines at Kaneka Eurogentec S.A. contributed to business results. Research reagents as well as testing and diagnostic services also performed strongly. In small molecule pharmaceuticals, sales related to a large new project for an antiviral drug commenced and contributed to business results.

(Active Human Life Solution)

Nutrition Solutions Unit

Nutrition Value Chain Innovator to re-innovate food and health

- In Supplemental Nutrition, sales of the active form of coenzyme Q10 were favorable, reflecting a heightened awareness of the importance of increasing immunity. In Japan, the product lineup has been enhanced for the “Watashi no Chikara (My Energy)™” series of products containing the active form of coenzyme Q10. This series comprises foods with new function claims. In the probiotics business, we will strengthen the production system in response to increased market recognition in the U.S. and drive growth in sales.
- In Foods & Agris, there was a strong impact from large increases in prices of raw materials such as oils and fats. “panmusubi,” a newly launched mall-type e-commerce site, has proven popular. Together with “Milk for Bread,” “Belgian Yogurt” and “Q10 Yogurt,” we will strongly promote media strategies covering social media and other media channels. Moreover, as the organic dairy farming and dairy products business currently underway in Betsukai-cho, Hokkaido has also been met with strong popularity, we are currently considering enhancing the production system.

(2) Capital Expenditure

For this fiscal year, the total capital expenditure was 37,716 million yen.

The major facilities completed during this fiscal year were the new solar cell manufacturing facilities of Kaneka Solartech Corporation and others. During this fiscal year, the Company decided to increase the capacity of the biodegradable polymer manufacturing facilities at the Takasago Manufacturing Site and to build a new medical equipment plant in Hokkaido.

(3) Financing

In this fiscal year, the required funds, such as capital expenditures and working capital, were appropriated from cash on hand and borrowings.

(4) Issues to be Addressed

➤ Adaptability is the Keyword for Overcoming the Challenges of Uncertainty

In April 2022, the International Monetary Fund (IMF) lowered its forecast for global GDP growth in 2022 to 3.6%. The IMF now expects global GDP growth to decelerate significantly. The world’s two major struggles, specifically the long fight against the COVID-19 pandemic and the war in Ukraine, are reflected in the outlook as having a strong negative impact on overall global economic performance. With soaring food and energy prices, the world is likely to see the global economic recovery trend start to lose steam. The change in economic conditions has been particularly notable since January 2022.

In addition, there is no way in foreseeing the risk of natural disasters caused by global warming. The situation is unpredictable.

On the other hand, the evolution of science and technology and innovation are accelerating.

We are fully mobilizing chemistry's power of transformation to ambitiously turn pain caused by the global change into gain. We will preserve the global environment and contribute to the sustainable recovery of our humanity.

The continuous research and development efforts we have made over many years are starting to open the doors of possibility and hope toward solving the world's issues. Adaptability, which enables swift responses to change, is a matter of Kaneka's existence as a going concern.

Please look forward to what lies ahead for Kaneka.

➤ **An Excited and Exhilarated Trial & Error Experiment Driven Company**

Foundation businesses are working to identify uncharted frontiers in existing business domains and develop new technologies from fresh perspectives.

We are making progress in transforming foundation businesses into leading-edge businesses.

Unknown worlds lie not only far beyond what we know, but they can also be found right at our feet.

The new domains that leading-edge businesses are trying to grow do not involve looking beyond the horizon and seeing what is unknown. Our researchers do not stay in safe places they already know, but they make a habit of taking bold steps beyond the horizon every day.

The boundless wonder and adventure of chemistry.

Both foundation businesses and leading-edge businesses are excited and exhilarated about the unknown and we are enjoying the process of conducting experiments that expose them to the unknown. While remaining aware of the need to shift domains and move into new frontiers in these ways, Kaneka has continued to transform itself through unique technologies. We will continue to attach great importance to Kaneka's scientific mindset.

In the current fiscal year, the Performance Polymers (MS) Solutions Vehicle was included in leading-edge businesses.

➤ **We Continued to Pursue Human Driven Management This Year. We Will Strengthen This Approach.**

Recently, one of the major changes in our hearts and minds has been that we have become strongly aware of the existence of the COVID-19 virus on a daily basis. We believe that viruses are also living creatures. Additionally, carbon neutrality and global environmental issues have been simultaneously brought into focus, providing the opportunity for the world to recognize that the realization of a sustainable society is a shared theme. These trends are initiatives to recover our humanity.

We have established a task force to serve as the Engine of Sustainability Management. This new task force was created to ensure that ESG management and "Well-ness First" health management are upgraded and implemented throughout the Kaneka Group.

The Engine of Sustainability Management will oversee and coordinate 8 real organizations, leading the formulation of action plans and visualization for each organization. As part of efforts to realize human driven management, it will strengthen and accelerate ESG management.

Diagram of ESG Promotion System



(5) Changes in Financial Position and Results of Operations

Classification	95th fiscal year	96th fiscal year	97th fiscal year	98th fiscal year
	(From April 2018 To March 2019)	(From April 2019 To March 2020)	(From April 2020 To March 2021)	(Current period) (From April 2021 To March 2022)
Net sales (million yen)	621,043	601,514	577,426	691,530
Operating income (million yen)	36,041	26,014	27,544	43,562
Ordinary profit (million yen)	31,268	20,166	22,066	40,816
Profit attributable to owners of parent (million yen)	22,238	14,003	15,831	26,487
Earnings per share (yen)	339.15	214.70	242.68	406.01
Total assets (million yen)	659,587	653,262	667,429	726,959
Net assets (million yen)	360,726	354,094	381,040	412,204
Net assets per share (yen)	5,166.88	5,082.08	5,473.85	5,934.36

(Note) 1. The amount is rounded down to the nearest unit.

2. Earnings per share is calculated based on the average number of issued shares during the period, and net assets per share is calculated based on the number of issued shares at the end of the period.

(6) Status of Principal Subsidiaries (as of March 31, 2022)

Company name	Capital amount	Company's investment ratio	Main business
Tatsuta Chemical Co., Ltd.	300 million yen	84.53 (%)	Processing and sales of polyvinyl chloride, etc.
Showa Kasei Kogyo Co., Ltd.	62 million yen	71.37	Processing and sales of PVC compounds
Tobu Chemical Co., Ltd.	200 million yen	72.75	Processing and sales of polyvinyl chloride, etc.
Cemedine Co., Ltd.	3,050 million yen	54.77	Manufacturing and sales of adhesives, sealants, etc.
Hane Co., Ltd.	40 million yen	100	Sales of expandable plastics and products
Kaneka Kentech Co., Ltd.	30 million yen	100	Sales of construction materials, etc.
Kaneka Foam Plastics Co., Ltd.	60 million yen	100	Processing and sales of expandable plastics and products
Kaneka Solartech Corporation	600 million yen	100	Manufacturing of solar cells
Kaneka Medix Corporation	450 million yen	100	Manufacturing and sales of medical devices
Osaka Synthetic Chemical Laboratories, Inc.	35 million yen	100	Manufacturing and sales of small molecule pharmaceutical materials and API
Kaneka Foods Corporation	200 million yen	100	Sales of foods
Kaneka Sun Spice Corporation	200 million yen	100	Manufacturing and sales of spices
Taiyo Yushi Corporation	120 million yen	71.79	Manufacturing and sales of oils and fats
Kaneka Hokkaido Co., Ltd.	10 million yen	100	Headquarters company in Hokkaido
Kaneka Europe Holding Company N.V.	58 million euro	100	Headquarters company in Europe
Kaneka Belgium N.V.	23 million euro	(90)	Manufacturing and sales of performance polymers and expandable plastics and products
Kaneka Eurogentec S.A.	31 million euro	(100)	Development, manufacturing and sales of biopharmaceuticals
Kaneka Americas Holding, Inc.	212 million dollar	100	Headquarters company in the Americas
Kaneka North America LLC	166 million dollar	(100)	Manufacturing and sales of specialty PVC resins, functional resins, electronic materials, and functional foodstuffs
Kaneka Singapore Co. (Pte) Ltd.	16 million Singapore dollar	100	Manufacturing and sales of small molecule pharmaceutical materials
Kaneka (Malaysia) Sdn. Bhd.	342million ringgit	100	Manufacturing and sales of performance polymers
Kaneka Paste Polymers Sdn. Bhd.	45 million ringgit	100	Manufacturing and sales of specialty PVC resins
Kaneka Eperan Sdn. Bhd.	16 million ringgit	100	Manufacturing and sales of expandable plastics and products
Kaneka Apical Malaysia Sdn. Bhd.	289 million ringgit	100	Manufacturing and sales of electronic products
Kaneka Innovative Fibers Sdn. Bhd.	160 million ringgit	100	Manufacturing of synthetic fibers
Kaneka MS Malaysia Sdn. Bhd.	68 million ringgit	100	Manufacturing and sales of performance polymers
Kaneka Asia Co., Ltd.	13 million CNY	100	Headquarters company in Asia
HiHua Fiber Co., Ltd.	269 million CNY	100	Manufacturing of synthetic fibers
Kaneka Eperan (Suzhou) Co., Ltd.	48 million CNY	100	Manufacturing and sales of expandable plastics and products

- (Note) 1. Kaneka Belgium N.V. and Kaneka Eurogentec S.A. are subsidiaries of Kaneka Europe Holding Company N.V. Therefore, for “Company’s investment ratio” in the both companies, the ratio of indirect holdings of the both companies is shown in parentheses.
2. Kaneka North America LLC is a subsidiary of Kaneka Americas Holding Inc. Therefore, for “Company’s investment ratio” in the company, the ratio of indirect holdings of Kaneka North America LLC is shown in parentheses.
3. Including the above-mentioned principal consolidated subsidiaries, the Company has 90 consolidated subsidiaries and 3 equity-method affiliates.

(7) Principal Business (as of March 31, 2022)

Main products that belong to each segment are as follows:

Segment (Solutions Unit)	Business Unit (Solutions Vehicle)	Main products
Material Solutions Unit	Vinyls and Chlor-Alkali SV	General PVC resins, Caustic soda, Specialty PVC resins
	Performance Polymers (MOD) SV	Modifiers, Epoxy masterbatch, Biodegradable polymers
	Performance Polymers (MS) SV	Modified silicone polymers
Quality of Life Solutions Unit	Foam & Residential Techs SV	Expandable polystyrene resins and products, Extruded polystyrene foam boards, Extruded polyolefin foam, Solar circuit construction method (external insulation and double ventilation construction) products
	E & I Technology SV	Polyimide films, Optical materials, Graphite sheets
	PV & Energy management SV	Photovoltaic modules, Energy storage batteries for residences
	Performance Fibers SV	Acrylic synthetic fibers
Health Care Solutions Unit	Medical SV	Medical devices
	Pharma & Supplemental Nutrition (Pharma)	Small molecule pharmaceutical materials, API, Biopharmaceuticals
Nutrition Solutions Unit	Pharma & Supplemental Nutrition (Supplemental Nutrition)	Functional foodstuffs
	Foods & Agris SV	Margarine, Shortening, Bakery yeast, Spices, Antifreeze materials, Dairy products, Functional fertilizers and feeds

(8) Principal Offices and Manufacturing Sites (as of March 31, 2022)

a. The Company

Name	Location
Head Offices Tokyo Head Office Osaka Head Office (Registered Head Office)	Minato-ku, Tokyo Osaka City, Osaka
Sales Office Nagoya Sales Office	Nagoya City, Aichi
Manufacturing Sites Takasago Manufacturing Site Osaka Manufacturing Site Shiga Manufacturing Site Kashima Manufacturing Site	Takasago City, Hyogo Settsu City, Osaka Otsu City, Shiga Kamisu City, Ibaraki
Research Institutes Material Solutions New Research Engine Electronics Research Laboratories Regenerative Medicine and Cell Therapy Laboratories Photovoltaic & Thin Film Device Research Laboratories Engineering Research Laboratories Process Development Research Laboratories Green Planet Technology Laboratories	Settsu City, Osaka Settsu City, Osaka Kobe city, Hyogo Settsu City, Osaka Takasago City, Hyogo Settsu City, Osaka, and Toyooka City, Hyogo Settsu City, Osaka

b. Subsidiaries

Name	Location
<p>Domestic regional headquarter Kaneka Hokkaido Co., Ltd.</p> <p>Domestic production base Kaneka Solartech Corporation</p> <p>Domestic sales base Hane Co., Ltd. Kaneka Kentech Co., Ltd. Kaneka Foods Corporation</p> <p>Domestic production bases and sales bases Tatsuta Chemical Co., Ltd. Showa Kasei Kogyo Co., Ltd. Tobu Chemical Co., Ltd. Cemedine Co., Ltd. Kaneka Foam Plastics Co., Ltd. Kaneka Medix Corporation Osaka Synthetic Chemical Laboratories, Inc. Kaneka Sun Spice Corporation Taiyo Yushi Corporation</p>	<p>Sapporo City, Hokkaido</p> <p>Toyooka City, Hyogo</p> <p>Nagoya City, Aichi Chiyoda-ku, Tokyo Shinjuku-ku, Tokyo</p> <p>Koga City, Ibaraki Hanyu City, Saitama Joso City, Ibaraki Shinagawa-ku, Tokyo Bunkyo-ku, Tokyo Osaka City, Osaka Nishinomiya City, Hyogo Osaka City, Osaka Yokohama City, Kanagawa</p>
<p>Overseas headquarters Kaneka Europe Holding Company N.V. Kaneka Americas Holding, Inc. Kaneka Asia Co., Ltd.</p>	<p>Zaventem, Belgium Texas, USA Shanghai, China</p>
<p>Overseas production bases and sales bases Kaneka Belgium N.V. Kaneka Eurogentech S.A Kaneka North America LLC Kaneka Singapore Co. (Pte) Ltd. Kaneka (Malaysia) Sdn. Bhd. Kaneka Paste Polymers Sdn. Bhd. Kaneka Eperan Sdn. Bhd. Kaneka Apical Malaysia Sdn. Bhd. Kaneka Innovative Fibers Sdn. Bhd. Kaneka MS Malaysia Sdn. Bhd. HiHua Fiber Co., Ltd. Kaneka Eperan (Suzhou) Co., Ltd.</p>	<p>Antwerp, Belgium Liege, Belgium Texas, USA Singapore Pahang, Malaysia Pahang, Malaysia Pahang, Malaysia Pahang, Malaysia Pahang, Malaysia Pahang, Malaysia Pahang, Malaysia Shandong Province, China Jiangsu Province, China</p>
<p>Overseas research base Kaneka US Innovation Center</p>	<p>California, USA</p>

(9) Status of Employee (as of March 31, 2022)

a. Status of Employee of Kaneka Group

Segment (SU)	Number of employees	Increase or decrease from the end of previous consolidated fiscal year
Material Solutions Unit	2,968	46
Quality of Life Solutions Unit	2,674	6
Health Care Solutions Unit	1,775	70
Nutrition Solutions Unit	2,044	10
Others	103	1
Group-wide (Common)	1,771	△70
Total	11,335	63

(Note) “Others” refers to non-life insurance and life insurance agency services that are not included in the business segment.

b. Status of Employee of Kaneka

Number of employees	Increase or decrease from the end of previous consolidated fiscal year	Average ages	Average years of employment
3,472	△79	41 years and 4 months of age	17 years and 7 months

(10) Principal Lenders (as of March 31, 2022)

Lenders	Amount of Borrowing (million yen)
Sumitomo Mitsui Banking Corporation	46,022
Bank of Tokyo-Mitsubishi UFJ, Ltd.	27,547
Nippon Life Insurance Company	12,300
Meiji Yasuda Life Insurance Company	7,850

(Note) The amount is rounded down to the nearest unit.

(11) Others

The Company and Cemedine Co., Ltd. (“Cemedine”) resolved at their respective board of directors meetings held on May 12, 2022 to conduct a share exchange (the “Share Exchange”), in which the Company will become the wholly-owning parent company through the share exchange, and Cemedine will become the wholly-owned subsidiary. They concluded a share exchange agreement (the “Share Exchange Agreement”) dated as of May 12, 2022.

The Share Exchange is scheduled to take effect on August 1, 2022 after the approval for the Share Exchange Agreement is obtained at the Ordinary General Meeting of Shareholders of Cemedine, which is scheduled to be held on June 12, 2022.

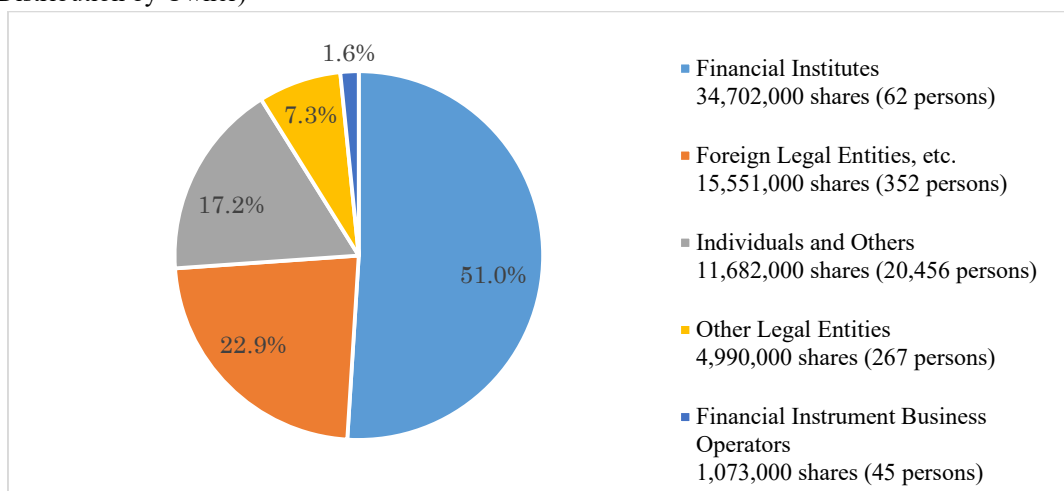
2. Matters Regarding Shares of the Company

- (1) Total Number of Authorized Shares 150,000,000 shares
 (2) Total Number of Issued Shares 68,000,000 shares (including 2,761,323 treasury shares)
 (3) Number of Shareholders 21,191 persons
 (4) Major Shareholders (Top 10)

Name of Shareholders	Share Unites Owned (thousand shares)	Percentage of Total Share Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,801	13.49
Custody Bank of Japan, Ltd. (Trust account)	3,363	5.15
Nippon Life Insurance Company	3,114	4.77
Sumitomo Mitsui Banking Corporation	3,091	4.74
Meiji Yasuda Life Insurance Company	2,825	4.33
Custody Bank of Japan, Ltd. (Trust account 4)	2,689	4.12
Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,308	3.54
Mitsui Sumitomo Insurance Co., Ltd.	2,104	3.23
BNYMSANV AS AGENT / CLIENTS	1,475	2.26
LUX UCITS NON TREATY 1	1,220	1.87
Kaneka Business Partner Shareholding Association	1,220	1.87

- (Note) 1. The numbers of Share Units Owned are rounded down to thousands of shares.
 2. The Percentage of Total Shares Issued is calculated by using deducting number of treasury shares from Number of Shares Issued and Outstanding and rounded to two decimal places.
 3. In addition to the above list, the Company maintains 2,760 thousand shares of treasury stock.

(Stock Distribution by Owner)



- (Note) 1. The numbers of Share Units Owned are rounded down to thousands of shares.
 2. The numbers of Percentage are rounded to one decimal places.

3. Matters Regarding Stock Acquisition Rights of the Company

(1) Status of Stock Acquisition Rights Granted to the Company's Directors as Remuneration for the Execution of Duties at the End of the Current Fiscal Year

Name	Category and number of holders	Number of stock acquisition rights	Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights	Payment amount per share	Exercise price per share	Exercise period
Kaneka 1 st Stock Option	Company Director, 1	3	Common stock 600 shares	4,415 yen	1yen	September 11, 2007 to September 10, 2032
Kaneka 2 nd Stock Option	Company Director, 1	12	Common stock 2,400 shares	3,000 yen	1yen	August 12, 2008 to August 11, 2033
Kaneka 3 rd Stock Option	Company Director, 1	11	Common stock 2,200 shares	3,110 yen	1yen	August 12, 2009 to August 11, 2034
Kaneka 4 th Stock Option	Company Directors, 2	13	Common stock 2,600 shares	2,280 yen	1yen	August 11, 2010 to August 10, 2035
Kaneka 5 th Stock Option	Company Directors, 2	15	Common stock 3,000 shares	2,060 yen	1yen	August 11, 2011 to August 10, 2036
Kaneka 6 th Stock Option	Company Directors, 3	18	Common stock 3,600 shares	1,815 yen	1yen	August 10, 2012 to August 9, 2037
Kaneka 7 th Stock Option	Company Directors, 3	21	Common stock 4,200 shares	2,790 yen	1yen	August 10, 2013 to August 9, 2038
Kaneka 8 th Stock Option	Company Directors, 4	37	Common stock 7,400 shares	2,510 yen	1yen	August 12, 2014 to August 11, 2039
Kaneka 9 th Stock Option	Company Directors, 5	41	Common stock 8,200 shares	4,735 yen	1yen	August 12, 2015 to August 11, 2040
Kaneka 10 th Stock Option	Company Directors, 6	48	Common stock 9,600 shares	3,605 yen	1yen	August 10, 2016 to August 9, 2041
Kaneka 11 st Stock Option	Company Directors, 6	56	Common stock 11,200 shares	3,380 yen	1yen	August 10, 2017 to August 9, 2042
Kaneka 12 nd Stock Option	Company Directors, 6	56	Common stock 11,200 shares	4,900 yen	1yen	August 10, 2018 to August 9, 2043
Kaneka 13 rd Stock Option	Company Directors, 8	63	Common stock 12,600 shares	2,957 yen	1yen	August 10, 2019 to August 9, 2044
Kaneka 14 th Stock Option	Company Directors, 8	75	Common stock 15,000 shares	2,138 yen	1yen	August 14, 2020 to August 13, 2045
Kaneka 15 th Stock Option	Company Directors, 8	75	Common stock 15,000 shares	3,997 yen	1yen	August 13, 2021 to August 12, 2046

(Note) 1. The outline of the main conditions for exercising stock acquisition rights is as follows.

- (1) When the stock acquisition rights holder exercises the stock acquisition rights, the holder shall exercise all of the allotted stock acquisition rights, and cannot exercise only a part of them.
 - (2) When a stock acquisition right holder loses the position of a director or executive officer of the Company within the period in which the stock acquisition right can be exercised, the holder may exercise the stock acquisition rights only during the period from the day following the day when the position is lost to the day when 10 days have passed.
 - (3) Pledge and any other disposal of stock acquisition rights are not permitted.
2. The Company conducted a reverse stock split of five common stocks with one on the effective date of October 1, 2018. As a result, the "Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights" and "Payment amount per share" of the above-mentioned 1st to 12th stock options have been adjusted.
3. The company directors in the table are the directors of the Company excluding outside directors.

(2) Status of Stock Acquisition Rights Granted to the Company's Employees for the Current Fiscal Year

Name	Category and number of holders	Number of stock acquisition rights	Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights	Payment amount per share	Exercise price per share	Exercise period
Kaneka 15 th Stock Option	Executive Officers (excluding directors of the Company), 26	71	Common stock 14,200 shares	3,997 yen	1yen	August 13, 2021 to August 12, 2046

(Note) 1. The outline of the main conditions for exercising stock acquisition rights is as follows.

- (1) When the stock acquisition rights holder exercises the stock acquisition rights, the holder shall exercise all of the allotted stock acquisition rights, and cannot exercise only a part of them.
- (2) When a stock acquisition right holder loses the position of a director or executive officer of the Company within the period in which the stock acquisition right can be exercised, the holder may exercise the stock acquisition rights only during the period from the day following the day when the position is lost to the day when 10 days have passed.
- (3) Pledge and any other disposal of stock acquisition rights are not permitted.

(3) Other Important Matters Regarding Stock Acquisition Rights

Not applicable.

4. Matters Regarding Directors and Auditors of the Company

(1) Name of Directors and Company auditors (as of March 31, 2022)

Positon	Name	Responsibilities or important concurrent positions
Chairman of the Board and Representative Director	Kimikazu Sugawara	
President and Representative Director	Minoru Tanaka	
Director and Executive Vice President	Kazuhiko Fujii	In charge of Overall Business, Health Care Solutions Unit, Supplements, E&I Technology Solutions Vehicle, New Business Development and United States business
Director and Senior Managing Executive Officer	Shinichiro Kametaka	In charge of Corporate Staff, Material Solutions Unit, Chemicals Purchasing, Human Resources and ESG Promotion (vice in charge)
Director and Senior Managing Executive Officer	Shinobu Ishihara	In charge of Investor & Public Relations, Legal Affairs, Accounting and Finance and IoT Solutions Center
Director and Managing Executive Officer	Katsunobu Doro	In charge of PV & Energy management Solutions Vehicle and President and Director of Kaneka Americas Holding, Inc.
Director and Managing Executive Officer	Jun Enoki	In charge of Nutrition Solutions Unit and General Manager of Foods & Agris Solutions Vehicle
Director and Senior Managing Corporate Executive Officer	Mamoru Kadokura	In charge of Research and Security and General Manager of Material Solutions New Research Engine
Director (Outside)	Takeo Inokuchi	Outside Director, Kikkoman Co., Ltd.
Director (Outside)	Mamoru Mohri	Honorary Director, Japan Science and Technology Agency, National Research and Development Corporation, National Museum of Emerging Science and Innovation Chairman of the Japan Water Awards Committee
Director (Outside)	Takao Kusakari	Outside Director, Japan Oil Transportation Co., Ltd.
Director (Outside)	Jun Yokota	
Company auditor	Hideyuki Matsui	Full-Time
Company auditor	Masami Kishine	Full-Time
Company auditor (Outside)	Hiroshi Fujiwara	Attorney at law
Company auditor (Outside)	Yasuhiro Uozumi	Attorney at law

(Note) 1. Mr. Takeo Inokuchi, Mr. Mamoru Mohri, Mr. Takao Kusakari and Mr. Jun Yokota are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act. Mr. Hiroshi Fujiwara and Mr. Yasuhiro Uozumi are Outside Company auditor as stipulated in Article 2, Item 16 of the Companies Act. The Company designates Mr. Takeo Inokuchi, Mr. Mamoru Mohri, Mr. Takao Kusakari, Mr. Jun Yokota, Mr. Hiroshi Fujiwara and Mr. Yasuhiro Uozumi as Independent Director/Auditor and submit the statement to that effect to the Tokyo Stock Exchange, Inc.

2. Mr. Masami Kishine has many years of experience in the accounting department of the Company and has considerable knowledge of finance and accounting.

3. As of July 1, 2021 during the current fiscal year, "Responsibilities or important concurrent positions" of the directors has been changed as follows.

Positon	Name	Before the change	After the change
Director and Senior Managing Executive Officer	Shinichiro Kametaka	In charge of Corporate Staff, Material Solutions Unit, Chemicals Purchasing, Human Resources and ESG Promotion (vice in charge) and General Manager of Human Resources	In charge of Corporate Staff, Material Solutions Unit, Chemicals Purchasing, Human Resources and ESG Promotion (vice in charge)

As of April 1, 2022, position and role of the directors has been changed as follows.

Positon	Name	Responsibilities or important concurrent positions
Director and Executive Vice President	Kazuhiko Fujii	In charge of Overall Business, E&I Technology Solutions Vehicle, Global, and New Business Development
Director and Executive Vice President	Shinichiro Kametaka	In charge of Material Solutions Unit, Chemicals Purchasing, Human Resources and General Manager of Task Force “Sustainability (SX) Department”
Director and Senior Managing Executive Officer	Shinobu Ishihara	In charge of Accounting and Finance and Investor Relationship
Director and Managing Executive Officer	Jun Enoki	In charge of Nutrition Solutions Unit, Foods & Agris Solutions Vehicle, Healthy Foods Strategic Unit, Internal control and Group Companies Support
Director and Managing Executive Officer	Mamoru Kadokura	In charge of Research and Security and General Manager of Green Planet Promotion

(2) Outline of Limited Liability Agreement

The Company entered into a contract with Mr. Takeo Inokuchi, Mr. Mamoru Mohri, Mr. Takao Kusakari, Mr. Jun Yokota, Mr. Hiroshi Fujiwara and Mr. Yasuhiro Uozumi to limit the liability of each of them in relation to the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act, which is in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act. Under the contract, the amount of their liability for damages will be limited to the minimum liability amount provided for under laws and regulations.

(3) Outline of Directors and Officers Liability Insurance Agreement

The Company concluded a directors and officers liability insurance agreement with an insurance company. The outline of the agreement is as follows:

- The insured are the Directors, Company auditors, Executive Officers, and Department Managers of the Company, and the Directors, Company auditors, and Executive Officers of the Company's subsidiaries (excluding listed subsidiaries).
- The coverage of the insurance is the legal damages and expenses that may be incurred by the insured due to the insured's business actions (including omissions).
- All of the premiums for the insurance agreement are borne by the Company.

(4) Amount of the Remuneration of Directors and Company auditors

(i) Matters regarding the policy for determining the details of the individual remuneration for directors

a. Method for determining the policies

The Company decided on the policy through a resolution of the Board of Directors issued on February 9, 2021, which was based on the deliberations by the Appointment and Remuneration Advisory Committee.

b. Outline of the policy

(a) Basic Policy

The remuneration of the Company's directors should be appropriate, fair and balanced so that it is linked to the medium- to long-term interests of the shareholders and can further motivate the directors to maximize the corporate value of the Company.

The remuneration of internal directors consists of monthly remunerations as fixed remunerations, bonuses as performance-based remunerations, and stock compensation-type stock options as non-monetary remunerations. The individual remuneration is determined according to responsibilities. For outside directors, only monthly remunerations as fixed remunerations are provided.

The Company has a Appointment and Remuneration Advisory Committee that is composed of the Representative Director and independent outside directors. Its purpose is to have the independent outside directors express their opinion from a fair and neutral standpoint and report to the Board of Directors, upon consultation of the Representative Director, when deciding the remuneration of the directors.

(b) Policy for determining the individual amount of fixed remuneration (monetary remuneration), including the policy for determining the timing or conditions to pay the remuneration

The fixed remunerations of the directors of the Company should be monthly remunerations, and should be determined by taking into consideration the business environment, business performance, etc., according to responsibilities, within the range of the remuneration limit approved at the general meeting of shareholders.

(c) Policy for determining the details and amount, or the calculation method, of the performance-based and non-monetary remunerations, including the policy for determining the timing or conditions to pay the remuneration

Bonuses, which are performance-based remunerations, are decided by considering and judging comprehensively the short-term performance, business environment, stock prices, dividend trends, etc., without limiting them to one index, in order to grasp the willingness to improve the corporate value of the Company from the perspective of reflecting the foregoing factors.

The total amount of the payment is deliberated by the Appointment and Remuneration Advisory Committee, approved by the Board of Directors, submitted and approved at the annual general meeting of shareholders, and paid at a fixed time each year. The business results for the current fiscal year are as stated in the "(1) Business Progress and Results" and "(5) Changes in Financial Positions and Results of Operations" under "1. Current Status of Kaneka Group (the Corporate Group)" and "8. Policy concerning the dividends from surplus, etc."

Stock compensation-type stock options, which are non-monetary remunerations, are paid at a certain time every year, the number of which is determined according to responsibility, based on a fair price calculated using the formula specified by the Black-Scholes model, within the remuneration limit approved at the general meeting of shareholders. The purpose of this remuneration is to further improve the motivation and morale of the directors to contribute to the rise in stock prices and corporate value of the Company. The outline of the stock compensation-type stock options is as described in the "(1) Status of Stock Acquisition Rights Granted to the Company's Directors as Remuneration for the Execution of Duties at the End of the Current Fiscal Year" under "3. Matters Regarding Stock Acquisition Rights of the Company".

(d) Policy for determining the ratio of the amount of monetary remuneration, performance-based remuneration or non-monetary remuneration to the amount of individual remuneration of directors

Based on the "(a) Basic Policy," the compensation ratio for each type of internal director is about 70% for monthly remuneration (fixed remuneration) and about 30% for variable remuneration, including bonuses and stock compensation-type stock options.

(e) Matters regarding the determination of the details of the individual remuneration for directors

The basic policy regarding the details of the individual remuneration for directors will be decided by the Board of Directors, based on the deliberations by the Appointment and Remuneration Advisory Committee.

The amount of the basic remuneration and bonuses for each individual will be decided as follows by the Representative Director who has been entrusted to decide the specific details, based on the resolution of the Board of Directors:

- Basic remuneration for each individual: Based on the deliberations by the Appointment and Remuneration Advisory Committee, the Representative Director will decide on the allocation of the remuneration according to responsibility, within the remuneration limit approved at the general meeting of shareholders;
- Bonuses for each individual: Based on the deliberations by the Appointment and Remuneration Advisory Committee, the Representative Director will decide on the allocation of total bonuses according to responsibility, within the remuneration limit approved at the general meeting of shareholders.

In addition, the number of stock compensation-type stock options to be allocated will be determined according to responsibility.

c. Reason why the Board of Directors decided that the details of the individual remuneration for directors for the current fiscal year is in line with the policy

The details of the individual remuneration for the directors are in line with the policy for determination since the remuneration will be decided based on the policy and deliberations by the Appointment and Remuneration Advisory Committee, and according to responsibility, within the range of the remuneration limit approved at the general meeting of shareholders.

(ii) Matters regarding the policy for determining the amount or calculation method of the remuneration for the Company auditors

The remuneration for the Company auditors should be fixed and determined within the range of the remuneration limit approved at the general meeting of shareholders. The amount of the remuneration of the individual Company auditors will be determined through consultations with the Company auditors, according to their duties and responsibilities.

(iii) Matters regarding the resolutions at the General Meeting of Shareholders on the remuneration for directors and Company

auditors

At the 76th Ordinary General Meeting of Shareholders held on June 29, 2000, the amount of monetary remuneration for the directors was resolved to be within 46 million yen per month. The number of directors at the end of that Ordinary General Meeting of Shareholders was 19. In addition to the monetary remuneration amount, at the 83rd Ordinary General Meeting of Shareholders held on June 28, 2007, the amount of stock compensation-type stock options was resolved to be within 75 million yen or less per year, and the number of stock acquisition rights to be granted was resolved to be within 75. The number of directors at the end of that Ordinary General Meeting of Shareholders was 13. Furthermore, at the 97th Ordinary General Meeting of Shareholders held on June 25, 2021, a total director bonus of 100 million yen for eight directors excluding outside directors was resolved.

At the 83rd Ordinary General Meeting of Shareholders held on June 28, 2007, the amount of monetary remuneration for Company auditors was resolved to be within 7.8 million yen per month. The number of Company auditors at the end of that Ordinary General Meeting of Shareholders was 4.

(iv) Matters regarding the delegation of the determination of the individual remuneration for directors

The individual basic remuneration and bonuses for directors will be discussed and decided by Mr. Koichi Sugawara, Chairman of the Board of Directors and Representative Director, and Mr. Minoru Tanaka, President and Representative Director, based on the delegation resolution of the Board of Directors issued on June 25, 2021. The reason for such delegation to the two Representative Directors is that they are the most suitable, as they represent the Company and have a bird's-eye view of the overall management. The individual remuneration for directors is decided according to the responsibilities of each director, within the range of the remuneration limit approved at the general meeting of shareholders.

(v) Total amount of remuneration for directors and Company auditors

Category	Number of persons granted	Total amount of remuneration (in million yen)	Total amount by type of remuneration (in million yen)		
			Base remuneration	Performance-based remuneration (bonus)	Non-monetary remuneration (stock compensation-type stock options)
Directors (outside directors)	12 (4)	635 (68)	455 (68)	120 (-)	59 (-)
Company auditors (outside Company auditors)	4 (2)	82 (34)	82 (34)	—	—

(Note) 1. The amount is rounded down to the nearest unit.

2. Performance-based remuneration (bonuses) of 120 million yen for eight directors excluding outside directors will be paid after approval of Proposal No. 4 of the 98th Ordinary General Meeting of Shareholders, "Bonus payments for officers," as originally proposed.

3. Non-monetary remuneration (stock compensation type stock options) of 59 million yen is the amount of stock acquisition rights granted to eight directors excluding outside directors in the current fiscal year.

(5) Matters regarding Outside Directors

(i) Status of significant concurrent positions of outside directors

Title	Name	Concurrent positions
Director	Takeo Inokuchi	Outside Director, Kikkoman Co., Ltd.
Director	Mamoru Mohri	Honorary Director, Japan Science and Technology Agency, National Research and Development Corporation, The National Museum of Emerging Science and Innovation Chairman of the Japan Water Awards Committee
Director	Takao Kusakari	Outside Director, Japan Oil Transportation Co., Ltd.
Director	Jun Yokota	
Company auditor (Outside)	Hiroshi Fujiwara	Attorney at law
Company auditor (Outside)	Yasuhiro Uozumi	Attorney at law

(Note) 1. Although the Company has transactions related to product shipments with Japan Oil Transportation Co., Ltd., where Mr. Takao Kusakari is Outside Director, the transaction amount paid by the Kaneka Group to Japan Oil Transportation Co., Ltd. in the most recent fiscal year is minimal, accounting for less than 0.1% of its sales amount.

2. Other than above, there is no special relationship between significant concurrent positions and the Company.

(ii) Major activities during the current fiscal year

Title	Name	Major activities during the current fiscal year
Director	Takeo Inokuchi	Mr. Inokuchi attended 14 of the 14 meetings of the Board of Directors held in the current fiscal year, and made appropriate remarks based on his abundant knowledge as a manager. Every month, Mr. Inokuchi receives business reports from the directors and exchange opinions as appropriate. In addition, Mr. Inokuchi regularly meets with the representative director and attend the Appointment and Remuneration Advisory Committee and Independent External Director's Meeting to exchange opinions. As an outside director, Mr. Inokuchi provides appropriate management supervision and objective and strategic advice. Mr. Inokuchi plays that role well.
Director	Mamoru Mohri	Mr. Mohri attended 14 of the 14 meetings of the Board of Directors held in the current fiscal year, and made appropriate remarks based on his abundant knowledge as an internationally experienced scientist. Every month, Mr. Mohri receives business reports from the directors and exchange opinions as appropriate. In addition, Mr. Mohri regularly meets with the representative director and attend the Appointment and Remuneration Advisory Committee and Independent External Director's Meeting to exchange opinions. As an outside director, Mr. Mohri provides appropriate management supervision and objective and strategic advice. Mr. Mohri plays that role well.
Director	Takao Kusakari	Mr. Kusakari attended 14 of the 14 meetings of the Board of Directors held in the current fiscal year, and made appropriate remarks based on his abundant knowledge as a manager. Every month, Mr. Kusakari receives business reports from the directors and exchange opinions as appropriate. In addition, Mr. Kusakari regularly meets with the representative director and attend the Appointment and Remuneration Advisory Committee and Independent External Director's Meeting to exchange opinions. As an outside director, Mr. Kusakari provides appropriate management supervision and objective and strategic advice. Mr. Kusakari plays that role well.
Director	Jun Yokota	Mr. Yokota attended 14 of the 14 meetings of the Board of Directors held in the current fiscal year, and made appropriate remarks based on his abundant internationally experienced knowledge. Every month, Mr. Yokota receives business reports from the directors and exchange opinions as appropriate. In addition, Mr. Yokota regularly meets with the representative director and attend the Appointment and Remuneration Advisory Committee and Independent External Director's Meeting to exchange opinions. As an outside director, Mr. Yokota provides appropriate management supervision and objective and strategic advice. Mr. Yokota plays that role well.
Company auditor (Outside)	Hiroshi Fujiwara	Mr. Fujiwara attended 14 out of 14 meetings of the Board of Directors and 14 out of 14 meetings of the Board of Company auditors held in the current fiscal year, and made appropriate remarks from the perspective of legal compliance, etc., based on his abundant experience and expertise as a lawyer. In addition, Mr. Fujiwara receives monthly corporate auditor business reports from full-time corporate auditors, exchange opinions, and discuss important matters. In addition, Mr. Fujiwara holds regular meetings with representative directors and meetings of outside officers, including outside directors, to exchange opinions.
Company auditor (Outside)	Yasuhiro Uozumi	Mr. Uozumi attended 14 out of 14 meetings of the Board of Directors and 14 out of 14 meetings of the Board of Company auditors held in the current fiscal year, and made appropriate remarks from the perspective of legal compliance, etc., based on his abundant experience and expertise as a lawyer. In addition, Mr. Uozumi receives monthly corporate auditor business reports from full-time corporate auditors, exchange opinions, and discuss important matters. In addition, Mr. Uozumi holds regular meetings with representative directors and meetings of outside officers, including outside directors, to exchange opinions.

5. Status of the Accounting Auditor

(1) Name of the accounting auditor

KPMG AZSA LLC

(2) Amount of Remuneration for the Accounting Auditor for the Current Fiscal Year

(i) Amount of remuneration for the fiscal year
82 million yen
(ii) Total amount of money or other economic benefits to be paid by the Company and its subsidiaries
100 million yen

(Note) 1. The amount is rounded down to the nearest unit.

2. The Board of Company auditors performed necessary verification to decide whether the contents of the accounting auditor's audit plan, the status of accounting audit execution and the grounds for calculation of the remuneration estimate, etc. were appropriate, and determined to agree on the amount of remuneration, etc. for the accounting auditor pursuant to Article 399, Paragraph 1 of the Companies Act.

3. The audit agreement between the Company and the accounting auditor does not separate the remuneration for audit services under the Companies Act from that for audit services under the Financial Instruments and Exchange Act. Thus, the amount described in (i) above indicates total amount of the remuneration, etc. for both audit services.

(3) Contents of Non-auditing Services

The Company and its subsidiaries outsourced to the Accounting Auditor the "confirmation procedure work required for the certification application with regard to the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities," which is a business (non-audit business) that is other than the business under Article 2, Paragraph 1 of the Certified Public Accountants Act.

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

The Board of Company Auditors shall dismiss the Accounting Auditor based on the consent of all corporate auditors if the Accounting Auditor is deemed to fall under any of the items stipulated in each item of Article 340, Paragraph 1 of the Companies Act. In addition, the Board of Company Auditors shall comprehensively consider the independence of the Accounting Auditor, the status of its execution of duties, etc., and if changing the Accounting Auditor is deemed appropriate, the Board of Company Auditors will decide the content of the agenda on the dismissal or non-reappointment to be submitted to the general meeting of the shareholders. Based on the decision of the Board of Company Auditors, the Board of Directors shall submit a proposal for the dismissal or non-reappointment of the Accounting Auditor to the Ordinary General Meeting of Shareholders.

6. Systems to ensure the appropriateness of business operations and the status of operation of the systems

(1) Outline of systems to ensure the appropriateness of business operations

The Company established the "Basic Policy for the Systems to Ensure Appropriateness of Business Operations (Internal Control System)" through a resolution of the Board of Directors. The outline of the systems is as described below. The Company endeavors to ensure the effectiveness of the internal control systems by regularly confirming this basic policy and reviewing it appropriately. During this fiscal year, this policy was resolved at the meeting of the Board of Directors held on March 23, 2022.

- i. System to ensure that the execution of duties of directors and employees complies with laws and regulations and the Articles of Incorporation
 - a. In principle, four independent outside directors will be appointed to strengthen the supervisory function of the Board of Directors.
 - b. In order to ensure the effective functioning of the corporate governance initiatives, the Company shall establish a Appointment and Remuneration Advisory Committee as an advisory committee to the Board of Directors.
 - c. An Independent External Director's Meeting, composed of independent outside directors and independent outside company auditors, shall be established to discuss matters related to corporate governance and report on issues and improvement measures to the Chairman of the Board of Directors.
 - d. An ESG Committee shall be established to oversee the promotion of corporate activities respecting all stakeholders in order to resolve social issues and continuously increase corporate value.
 - e. With regard to corporate ethics and legal compliance, the Compliance Subcommittee under the ESG Committee shall oversee the promotion and audit of necessary activities, such as overseeing company-wide plans, understanding the degree of progress, checking the status of compliance, and establishing and maintaining an appropriate consultation and whistle-blowing desk.
 - f. A Earth Environment Subcommittee, Safety & Human Health Subcommittee, and Product Safety Subcommittee under the ESG Committee will supervise the promotion of plans for company-wide issues.
 - g. The Company will develop various internal regulations from the viewpoint of compliance, and ensure a thorough understanding and compliance with these regulations through education and training, self-inspections, audits, etc.
 - h. Blocking all relationships with antisocial forces, the Company will take a firm, company-wide approach to deal with illegal and unfair demands. In addition, the Company will establish a department within the Company that will be in charge of responding, gathering and managing information on a regular basis, collaborating with external organizations and related organizations such as the police and others, and developing and strengthening the Company's internal system to eliminate antisocial forces.
 - i. In order to ensure the reliability of financial reporting, internal controls over financial reporting shall be established, and the Internal Control Department shall conduct necessary monitoring activities.
- ii Rules and other systems related to management of risks of loss
 - a. With regard to risk management, basically, each division shall take appropriate preventive measures in the course of carrying out their operations or assuming risks that are likely to occur in connection therewith, and, in the event that a risk materializes, shall take appropriate measures with the support of the related divisions.
 - b. The Compliance Subcommittee under the ESG Committee shall oversee the drafting and promotion of company-wide plans for preventive measures against the emergence of potential risks, including those related to ethics and legal compliance.
 - c. The ESG Committee will collaborate with the relevant department, as appropriate, to address risks that have occurred or are specifically expected to occur.
 - d. The Company will regularly inspect whether the above three items are being properly implemented to avoid losing the substance of the system, and to maintain and improve its effectiveness.
- iii System to ensure that the execution of the duties of the directors is performed efficiently
 - a. Under the executive officer system, the Company will harmonize the supervisory and executive functions of the directors to speed up the decision-making and clarify roles.
 - b. With regard to the execution of day-to-day operations, the Company will assign the department heads, including the executive officers appointed through the Board of Directors' broad authority, to ensure flexibility in the execution of operations, and the directors will be in charge of each division to supervise the execution of operations.
 - c. The Company will hold monthly regular meetings of the Board of Directors to make decisions on important matters and report on the status of the directors' execution of the operations.

- d. Important matters shall be resolved by the Board of Directors and executed after the deliberations by the Management Committee in accordance with internal proposals and decision-making procedures based on the Decision Standards Table.
 - e. The Company will hold a monthly Executive Officers' Meeting to share management policies and issues to speed up execution, and realize management objectives.
 - f. The Company will hold a monthly meeting of the division heads to communicate and disseminate management policies, business results, etc., and the designated division heads shall report on the business plan and its progress.
 - g. The Independent External Director's Meeting will discuss the ideal Board of Directors and how to operate a Board of Directors, thereby enhancing the effectiveness of the Board of Directors.
- iv System regarding retention and management of information in relation to the execution of duties of directors
Information related to internal decision-making and execution of operations shall be stored and managed in accordance with laws, regulations and internal regulations.
- v System to ensure the appropriateness of operations in the corporate group consisting of the Company and its subsidiaries
- a. The organization and business operations of domestic and overseas subsidiaries and the risk management shall be conducted in accordance with the "Guidelines for Organizational Structure and Operation of Group Companies."
 - b. The relevant departments and divisions of the Company will provide necessary support to the compliance committees of subsidiaries in order to develop and disseminate the ESG Charter, Ethical Code of Conduct and other internal rules and regulations. In addition, the Company's Compliance Subcommittee will check the status of compliance of the subsidiaries.
 - c. Company auditors shall be appointed in domestic subsidiaries, and the relevant divisions of the Company shall provide necessary guidance and support so that the company auditors can conduct effective audits. The appropriateness of the Company group's operations shall be ensured through internal audits and internal control evaluations conducted by the Company's Internal Control Department for domestic and overseas subsidiaries.
 - d. The Company will hold regular briefings for the domestic subsidiaries to communicate the Company group's management policies and other matters. Also, each president will report on the management policies and the status of achievements, etc. In addition, the Company will strive to improve operational efficiency by function by sharing plant safety measures at global plant managers meetings, which the overseas subsidiaries' plant managers attend.
- vi System for the directors and employees, etc. of the Company and its subsidiaries to report to the company auditor and other systems for reporting to the company auditor, and system for ensuring no unfavorable treatment resulting from making the report
- a. Directors and employees, etc. of the Company and its subsidiaries, as well as the person who receives a report from the directors and employees, etc. of its subsidiaries, shall report the following matters to the company auditors without delay:
 - (a) Matters that may cause significant damage to the Company and its subsidiaries
 - (b) Implementation status of internal audits and internal control evaluations
 - (c) Important compliance issues
 - (d) Other important matters related to management
 - b. Important approval documents shall be circulated to the company auditors.
 - c. The Company will take care not to cause any disadvantage to the person who makes the report referred to in a. above on the grounds that such report was made.
- vii Matters concerning employees who are to assist in the duties of the company auditors, matters concerning the independence of such employees from the directors, and matters ensuring the effectiveness of instructions given to such employees
- a. A secretariat shall be established at the Board of Company Auditors, and assistants shall be assigned to the company auditors as employees who will assist in the duties of the company auditors.
 - b. The appointment, transfer and evaluation of such assistants to the company auditors shall be decided upon the consent of the company auditors to ensure independence from the directors.
 - c. Such assistants to the company auditors shall comply with the instructions and orders of the company auditors.
- viii Other systems to ensure effective audits by the company auditors
- a. Regular meetings to exchange opinions between the representative director and the company auditors shall be held.
 - b. The company auditors shall hear from the directors, etc. from time to time the status of execution of operations.

- c. The company auditors will attend important meetings, such as meetings of the Board of Directors, division heads, and the Management Committee.
- d. The company auditors shall receive reports on the results of accounting audits, etc. from the accounting auditors on a regular basis and hold meetings to exchange opinions in order to cooperate with them.
- e. The company auditors shall examine from time to time the status of execution of operations and asset management at the Company's head office, factories, etc. and subsidiaries.
- f. The company auditors may consult experts, such as certified public accountants and attorneys, as necessary, and the costs thereof shall be borne by the Company.

(2) Outline of the status of operation of the systems to ensure the appropriateness of operations

The outline of the status of operations of the systems to ensure the appropriateness of operations during this year is as follows:

i Compliance and Risk Management System

- The four independent outside directors attended the meetings of the Board of Directors and expressed their opinions based on an objective and strategic perspective from their respective perspectives, as appropriate.
- The Appointment and Remuneration Advisory Committee meeting was held, and the Company obtained approval for the selection of director candidates and company auditor candidates to be presented at the 98th Ordinary General Meeting of Shareholders, as well as the compensation to be granted to the directors.
- The Independent External Director's Meeting was held where frank opinions were exchanged among the independent outside directors and outside auditors regarding the operations of the Company's Board of Directors and other matters, and the content of the meetings was reported to the Chairman of the Board of Directors.
- The meeting of the ESG Committee was held twice during the year where the status of the responses to COVID-19 and future responses, the efforts to realize carbon neutrality, and the activities of the four subcommittees under the ESG Committee were shared. The meetings also determined the direction of initiatives for the next fiscal year.
- The Compliance Subcommittee meetings, under the ESG Committee, were held twice during the year, and reports were received from company-wide staff departments involved in compliance and risk management on the actual conditions, issues, measures, etc. The overall policies were also decided.
- The ESG Department Internal Control Division conducted internal audits and internal control evaluations for each of the divisions.

ii Efficient system for the execution of duties of directors

- The meeting of the Board of Directors was held 14 times during the year to discuss and make resolutions on important matters in accordance with the rules of the Board of Directors and to report on the status of execution of the operations by the directors.
- The meetings of the division heads were held every month. The top management communicated and disseminated management policies and business results, and each division manager reported on the business plans and their progress to confirm the status of execution of the operations.

iii Subsidiary management system

- The Company, led by the ESG Department Group Companies Support Division, provided necessary support to domestic subsidiaries for compliance and other matters. Members of the ESG Department Group Companies Support Division concurrently served as company auditors at domestic subsidiaries and attended important meetings, such as meetings of the Board of Directors; checked the status of execution of operations, internal controls and legal compliance; and also reported on those at the Compliance Subcommittee under the Company's ESG Committee, appropriately.
- Internal audits and internal control evaluations were conducted for domestic and overseas subsidiaries by the ESG Promotion Department Internal Control Division.

iv Audit system by the company auditors

- The meeting of the Board of Company Auditors was held 14 times during the year to broadly verify and exchange opinions on management legality, compliance and other matters.
- The company auditors attended the meetings of the Board of Directors and other important meetings, and heard from the directors and others the status of execution of the operations appropriately. In addition, the company auditors gathered information and conducted surveys through the cooperation of the accounting auditors, the ESG Promotion Department Internal Control Office and other bodies, and through visits to each business site and domestic and

overseas subsidiaries.

7. Basic Policy Regarding the Control of the Company

As long as the Company is a public company, it is natural that shares of the Company will be freely traded on the market, and if a so-called "hostile takeover" were to occur without the support of the Board of Directors of the Company, it should not be excessively refused if it would result in corporate value and, in turn, redound to the common interests of the shareholders. However, in the event of a large-scale acquisition of shares of the Company, the Company believes it is necessary to ensure that sufficient information is provided to the shareholders. In addition, if hostile and abusive purchases are made against the Company, which undermine the corporate value of the Company and the common interests of the shareholders, such as those seeking solely to pursue the interests of the bidders themselves, then the Company believes that it must take necessary and appropriate measures to protect the corporate value of the Company and, in turn, the common interests of the shareholders.

Accordingly, we will take appropriate measures in accordance with the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations. For example, the Company will ask persons who intend to conduct a large-scale purchase of the shares of the Company to provide shareholders with necessary and sufficient information to allow them to make an appropriate judgment on the pros and cons of the large-scale purchase, and the Company will also disclose the opinions of its Board of Directors and endeavor to secure the time and information necessary for the shareholders to consider the large-scale purchase.

8. Policy concerning the dividends from surplus, etc.

The Company places a high priority on strengthening its financial base while increasing its earning capability and returning profits to shareholders.

In returning profits, the Company's basic policy is to give overall consideration to its business performance each fiscal year, medium- to long-term earning trends, investment plans, financial position, and other factors, and to continue stable profit returns with a target consolidated dividend payout ratio of 30% as well as acquisition of treasury shares.

The Company decided to pay a dividend of 110 yen per share for this fiscal year by resolution of the Board of Directors, comprehensively taking into account factors such as business performance trends and the dividend payout ratio. As the Company has paid an interim dividend of 50 yen per share, the year-end dividend is 60 yen per share. (Effective date and payment commencement date: June 13, 2022)

Balance Sheet
(As of March 31, 2021)

(Millions of yen)

Items	Amounts	Items	Amounts
(Assets)		(Liabilities)	
Current assets	205,082	Current liabilities	157,402
Cash and deposits	14,849	Accounts payable-trade	47,320
Notes	1,103	Short-term loans payable	78,443
Accounts receivable-trade	93,825	Accounts payable-other	23,750
Merchandise and finished goods	26,723	Accrued expenses	5,295
Work in process	7,663	Income taxes payable	1,105
Raw materials and supplies	28,682	Advances received	759
Prepaid expenses	2,728	Deposits received	500
Other	30,234	Provision for directors' bonuses	120
Allowance for doubtful accounts	(729)	Other	105
Noncurrent assets	285,640	Noncurrent liabilities	60,036
Property, plant and equipment	144,028	Bonds payable	10,000
Buildings	36,276	Long-term loans payable	25,490
Structures	11,720	Provision for retirement benefits	21,416
Machinery and equipment	54,679	Provision for product warranties	2,331
Vehicles	149	Other	799
Tools, furniture and fixtures	4,479	Total liabilities	217,439
Land	20,585	(Net assets)	
Construction in progress	16,138	Shareholders' equity	252,694
Intangible assets	5,193	Capital stock	33,046
Software	3,982	Capital surplus	34,821
Other	1,211	Legal capital surplus	34,821
Investments and other assets	136,418	Retained earnings	196,355
Investment securities	49,105	Legal retained earnings	5,863
Shares of subsidiaries and associates	68,773	Other retained earnings	190,491
Long-term loans receivable	3,186	Reserve for special disaster	35
Deferred tax assets	2,410	Reserve for property replacement	753
Other	13,104	Reserve for tax purpose reduction entry for property replacement	317
Allowance for doubtful accounts	(161)	General reserve	151,427
		Retained earnings brought forward	37,957
		Treasury stock	(11,528)
		Valuation and translation adjustments	20,033
		Valuation difference on available-for-sale securities	20,033
		Subscription rights to shares	555
		Total net assets	273,283
Total assets	490,722	Total liabilities and net assets	490,722

Statement of income
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Items	Amounts	
Net sales		334,675
Cost of sales		237,081
Gross profit		97,593
Selling, general and administrative expenses		83,576
Operating income		14,017
Non-operating income		
Interest and dividends income	21,423	
Other	1,138	22,562
Non-operating expenses		
Interest expenses	363	
Other	3,829	4,192
Ordinary income		32,386
Extraordinary income		
Insurance claim income	1,159	1,159
Extraordinary losses		
Restructuring charges	1,896	
Product warranty expense	2,331	4,227
Profit before income taxes		29,319
Income taxes-current	2,277	
Income taxes-deferred	(1,305)	971
Net income		28,347

Statement of Changes in Shareholders' Equity

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

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings					Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings					
					Reserve for special disaster	Reserve for property replacement	Reserve for tax purpose reduction entry for property replacement	General reserve	Retained earnings brought forward	
Balance at beginning of the period	33,046	34,821	34,821	5,863	35	753	349	147,427	20,103	174,533
Changes of items during period										
Provision of reserve for special disaster					0				(0)	—
Reversal of reserve for tax purpose reduction entry for property replacement							(32)		32	—
Provision of general reserve								4,000	(4,000)	—
Dividends of surplus									(6,523)	(6,523)
Net income									28,347	28,347
Purchase of treasury stock									—	—
Disposal of treasury stock									(1)	(1)
Net changes of items other than shareholders' equity									—	—
Total changes of items during period	—	—	—	—	0	—	(32)	4,000	17,854	21,822
Balance at end of the period	33,046	34,821	34,821	5,863	35	753	317	151,427	37,957	196,355

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of the period	(11,535)	230,866	19,505	19,505	447	250,818
Changes of items during period						
Provision of reserve for special disaster		—				—
Reversal of reserve for tax purpose reduction entry for property replacement		—				—
Provision of general reserve		—				—
Dividends of surplus		(6,523)				(6,523)
Net income		28,347				28,347
Purchase of treasury stock	(4)	(4)				(4)
Disposal of treasury stock	10	8				8
Net changes of items other than shareholders' equity			528	528	108	636
Total changes of items during period	6	21,828	528	528	108	22,465
Balance at end of the period	(11,528)	252,694	20,033	20,033	555	273,283

Notes

Notes to significant accounting policies for preparing non-consolidated financial statements

1. Valuation method for assets

(1) Valuation method for securities

- | | |
|--|--|
| (i) Securities of subsidiaries and affiliates | Stated at cost determined by the moving average method |
| (ii) Other securities | |
| ▪ Other than non-marketable equity securities..... | Stated at fair value
(Unrealized holding gain or loss, net of applicable tax are reported in a separate component of equity, and the cost of securities sold is calculated by the moving average method.) |
| ▪ Non-marketable equity securities..... | Stated at cost determined by the moving average method |

(2) Valuation method for derivatives

Stated at fair value

(3) Valuation method for inventories

- | | |
|---|---|
| (i) Products and goods | Stated at cost based on monthly weighted-average method |
| (ii) Raw materials and work in progress | Stated at cost determined by the moving average method |

(Balance sheet amount is computed by devaluing the book price to reflect declines in profitability.)

2. Depreciation and amortization methods for fixed assets

(1) Tangible fixed assets

Straight-line method

The useful life of assets is primary as follows.

Buildings.....	31 to 50 years
Machinery and equipment...	7years, 8years

(2) Intangible fixed assets

Straight-line method

Software for own-use is amortized by the straight-line method over an expected useful life of 5 years.

3. Basis of Provisions

(1) Provisions for doubtful debts

Provision for doubtful debts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(2) Accrued bonus to Directors and statutory auditors

To provide for the payment of bonuses to Directors and statutory auditors, an amount corresponding to the current

fiscal year is accrued based on the estimated amount of payment.

(3) Provision for retirement benefits

Provision for retirement benefits is provided based on the estimated projected benefit obligation and pension assets as at the current fiscal year-end.

For calculating the retirement benefit obligation, the benefit formula basis has been adopted for attribution projected benefit to periods up to the end of this fiscal year.

Prior service costs are amortized as incurred by the straight-line method over 5 years, which are shorter than the average remaining years of service of employees.

Actuarial gain and loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over 5 years, which are shorter than the average remaining years of service of employees.

(4) Provision for product warranties

To provide for future product replacement and repair costs for products delivered to customers, the estimated amount is accrued.

4. Basis for recording revenues and expenses

The Company operated its business along four domains categorized by solution, the “Material Solutions Unit,” “Quality of Life Solutions Unit,” “Health Care Solutions Unit,” and “Nutrition Solutions Unit.” The Company primarily sells finished products and goods to customers.

In principle, the Company recognizes revenue as the performance obligation is satisfied at the time of delivery of the products. However, for domestic sales, if the period between shipment and delivery is within a normal period, revenue is recognized at the time of shipment.

Some of these are sold with rebates based on transaction volume, etc., and thus include variable pricing. The transaction price is calculated based on the consideration promised to customers in the contracts, less the estimated amount of such rebate.

5. Other material matters relating to the preparation of financial statements

(1) Hedge accounting

The Company adopts deferral hedge accounting, and applies exceptional processing for the interest swap, where certain conditions for such exceptional processing are met.

(2) Adoption of consolidated taxation system

The Company applies for the consolidated taxation system.

(3) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company will shift from transit the consolidated taxation system to the group tax sharing system from the following fiscal year. However, with regard to the transition to the group tax sharing system established under the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020) and the items for which the taxation system to each separate entity was revised in line with the transition to the group tax sharing system, in accordance with the treatment of Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from

the consolidated taxation system to the group tax sharing system” (Practical Solution No. 39, March 31, 2020), the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) are not applied, and the amount of deferred tax assets and deferred tax liabilities are in accordance with the provisions of the Tax Act before the revision.

The Company will apply the “Practical Solution on Accounting and Disclosure for the Application of the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting in the case of applying the group tax sharing system from the beginning of the next fiscal year.

(4) Accounting for Retirement Benefits

Unrecognized actuarial gains and losses on retirement benefits and unrecognized prior service cost are accounted for differently from those in the consolidated financial statements.

Changes in Accounting Principles

1. Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) (hereinafter referred to as “Revenue Recognition Accounting Standards”), etc. from the beginning of this fiscal year, and recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. The Company has applied the alternative treatment stipulated in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition,” and recognizes revenue from domestic sales of goods or products upon their shipment when there is a normal period of time from shipment until control of merchandise or products is transferred to the customer.

In applying the Revenue Recognition Accounting Standards, etc., the Company follows the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standards. The cumulative effect of retroactively applying the new accounting policy to periods prior to the beginning of this fiscal year has been added to or subtracted from retained earnings at the beginning of this fiscal year, and the new accounting policy has been applied from the beginning balance of this fiscal year. The cumulative effect on income for this fiscal year is inconsequential, and there is no impact on the balance of retained earnings at the beginning of this fiscal year.

2. Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) (hereinafter, “Fair Value Measurement Accounting Standards”), etc. from the beginning of this fiscal year. In accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standards and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policies set forth in the Fair Value Measurement Accounting Standards, etc. prospectively into the future. This does not affect the financial statements.

Notes to Revenue Recognition

Information to understand revenue from contracts with customers

With regard to information to understand revenue from contracts with customers, the notes are omitted since the same information is provided in “Notes to Revenue Recognition” in Notes to the Consolidated Financial Statements.

Notes to accounting estimates

1. Valuation of noncurrent assets

(1) Amount recorded in the financial statement for this fiscal year

The amount of property, plant and equipment recorded in the financial statements for this fiscal year based on accounting estimates is 144,028 million yen and the amount of intangible assets recorded in the financial statements for this fiscal year based on accounting estimates is 5,193 million yen.

(2) Information that contribute to understanding the content of accounting estimates

With regard to property, plant and equipment and intangible assets, the Company searches for an indication that the assets or asset group on which it makes business management and investment decision based on Solution Vehicles may be impaired. If so, the Company considers whether to recognize an impairment loss by using future cash flow estimated based on the med-term business plan, which is organized based on comprehensive consideration of economic trends and changes in the business environment.

The Company has four business segments (Solutions Unit) consisting of the “Material Solutions Unit,” “Quality of Life Solutions Unit,” “Health Care Solutions Unit,” and “Nutrition Solutions Unit,” which provide solutions to social issues by creating new value through technological innovation, and operates a wide variety of businesses on a global scale by networking its supply chain worldwide.

Therefore, for some asset groups, unexpected events such as pandemics, natural disasters, wars, terrorism, economic crises, shortages of raw material components or sharp price fluctuations could affect the supply chain and impact the assumptions used in the med-term business plan for estimating future cash flows.

2. Valuation of shares of subsidiaries and affiliates

(1) Amount recorded in the financial statement for this fiscal year

The amount of shares of subsidiaries and affiliates recorded in the financial statements for this fiscal year based on the accounting estimate is 68,773 million yen and, of these, the shares requiring consideration regarding the recoverability of real value is as follows:

Investment in Kaneka (Thailand) Co., Ltd. 2,549 million yen

(2) Information that contribute to understanding the content of accounting estimates

As for the shares of its subsidiaries and affiliates, the Company stated these, at cost, and determined these using the moving average method as the valuation method. If the real value of the shares declines significantly due to the deteriorating financial condition of the issuing company, the book value is reduced to the real value except in cases where the recoverability is supported by sufficient evidence.

Kaneka (Thailand) Co., Ltd. is engaged in the Eperan business in Thailand, which handles bead method polypropylene, but is in a deteriorating financial condition due to the delay in the sales expansion plans caused by expenses incurred in starting up the business and the spread of COVID-19. Although the Company believes that the recoverability of the real value of its shares is supported sufficiently by future business plans, these future projections are subject to uncertainty and may be affected by fluctuations in actual sales demand.

Notes to balance sheet

1. Collateral assets and secured debts

(1) Collateral assets

Investment securities	1,443million yen
<hr/> Total	<hr/> 1,443million yen

(2) Secured debts

Short-term loans payable	185million yen
Long-term loans payable	185million yen
<hr/> Total	<hr/> 370million yen

2. Accumulated depreciation of tangible fixed assets 423,493million yen

3. Guarantees, etc.

The Company guarantees borrowing obligations of affiliated companies from financial institution, etc.

(1) Guarantees

Kaneka (Malaysia) Sdn. Bhd.	925million yen
PT.Kaneka Foods Indonesia	847million yen
Kaneka (Thailand) Co.,Ltd.	1,142million yen
<hr/> Total	<hr/> 2,915million yen

4. Credits and debts against affiliated companies

Short term credits	67,278million yen
Long term credits	2,542million yen
Short term debts	36,795million yen

Notes to profit and statement

1. Transactions with affiliated companies

Operating transactions

Sales	116,399million yen
Purchase	47,676million yen

Non-operation transactions	20,948million yen
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2. Business restructuring costs

In order to further strengthen the competitiveness of graphite sheets, for which demand is expected to grow in the future, the Company has decided to reform its business structure through the achievement of radical production process innovation. As a result of this restructuring, the following losses on obsolete manufacturing facilities and inventories were recorded as business restructuring costs:

- (1) Impairment of noncurrent assets 1,632 million yen
- (2) Loss on valuation of inventories 263 million yen

3. Impairment losses

The main assets groups for which impairment losses were recorded are as follows.

Place	Use	Type
Mooka-city, Tochigi	Business assets (Electronic materials manufacturing facilities, etc.)	Machinery and equipment, etc.

The Company's basic policy is to group its business assets primarily by Solutions Vehicle and by market similarity. Idle assets are grouped by individual assets.

In connection with the business restructuring, for the Company's Electronic materials manufacturing facilities, etc., the book value of obsolete machinery and equipment, etc. was reduced to the recoverable amount, and the reduced amount of 1,632 million yen was included in the business restructuring costs and recorded as an extraordinary loss.

The recoverable amount is measured based on net realizable value, and the net realizable value is calculated based on the disposal value.

4. Product Warranty Expenses

The Company has recorded extraordinary losses for the cost of the countermeasures expected to be required in the future relating to the replacement and repair of solar cell products, which were manufactured and sold by the Company in the past, and which may have discolored in appearance.

Notes to statement of change in shareholders' equity

The number and class of treasury shares at the end of the year

Common share	2,761,323shares
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Notes to the deferred tax accounting

Main items of deferred tax assets and liabilities

(Deferred tax assets)

Provision for retirement benefits	6,593million yen
Loss on valuation of shares of subsidiaries and associates	4,192million yen
Accrued expenses (bonuses)	1,114million yen
Loss on valuation of investment securities	207million yen
Impairment losses	780million yen
Provision for product warranties	712million yen
Other	2,609million yen
Total gross deferred tax assets	16,209million yen
Valuation allowance	(5,119)million yen
Total deferred tax assets	11,090million yen

(Deferred tax liabilities)

Valuation difference on available-for-sale securities	(8,189)million yen
Reserve for tax purpose reduction entry of non-current assets	(471)million yen
Other	(18)million yen
Total deferred tax liabilities	(8,680)million yen
Net deferred tax assets (liabilities)	2,410million yen

Notes to related party transactions

Categories	Name	Voting rights	Relationship	Trade	Transaction amount (Million yen)	Accounting item	Final balance (Million yen)
Subsidiary	Kaneka Co., Ltd.	Kentech Direct holdings 100%	Sales of the Company's products Borrowing funds	Sales of the Company's products (note 1)	10,901	Accounts receivable-trade	5,090
				Borrowing funds (note 2)	—	Short-term loans payable	1,691
				Interest payments (note 2)	1	—	—
Subsidiary	Kaneka Corporation	Foods Direct holdings 100%	Sales of the Company's products Borrowing funds	Sales of the Company's products (note 1)	38,465	Accounts receivable-trade	10,220
				Borrowing funds (note 2)	—	Short-term loans payable	1,727
				Interest payments (note 2)	2	—	—
Subsidiary	Kaneka Corporation	Medix Direct holdings 100%	Sales of the Company's products Borrowing funds	Sales of the Company's products (note 1)	17,825	Accounts receivable-trade	6,872
				Borrowing funds (note 2)	—	Short-term loans payable	4,630
				Interest payments (note 2)	3	—	—
Subsidiary	Taiyo Corporation	Yushi Direct holdings 71.79%	Borrowing funds	Borrowing funds (note 2)	—	Short-term loans payable	5,798
				Interest payments (note 2)	3	—	—

Conditions and policies for decision-making for the conditions

(Note 1) The price of sales of products are determined by consideration of market prices, etc.

(Note 2) Interest rates of loans are reasonably determined by consideration of market rate.

Notes to per share information

Net assets per share	4,180.47 yen
Net income per share	434.52 yen

Independent Auditor's Audit Report

May 10, 2022

To the Board of Directors of
KANEKA CORPORATION

KPMG AZSA LLC
Osaka Office

Designated Limited
Liability Partner &
Engagement Partner
Designated Limited
Liability Partner &
Engagement Partner
Designated Limited
Liability Partner &
Engagement Partner

Certified Public
Accountant

Tomoyuki Ono

Certified Public
Accountant

Koji Narumoto

Certified Public
Accountant

Masato Tateishi

Audit Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, which are comprised of the balance sheet, the statement of income, the statement of changes in shareholders' equity and the notes, and the supplementary schedules (the "financial statements, etc.") of KANEKA CORPORATION (the "Company") for the 98th fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the financial statements, etc. referred to above present fairly, in all material respects, the status of the assets, and losses of the Company for the period for which the financial statements, etc. were prepared in accordance with accounting principles generally accepted as fair and appropriate in Japan.

Basis for the Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted as fair and appropriate in Japan. Our responsibilities under those standards are described in "Auditor's Responsibilities for the Audit of the Financial Statements, etc." In accordance with regulations regarding professional ethics in Japan, we are independent from the Company, and we have fulfilled all other ethical responsibilities as an auditor. We have judged that we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information is comprised of the business report and the supplementary schedules. Management is responsible for the presentation and disclosure of the other information. The company auditors and the board of company auditors are responsible for overseeing the directors' performance of their duties with regard to the development and operation of the Company's reporting process for the other information.

Our audit opinion on the financial statements, etc. does not cover the other information and we do not express any opinion thereon.

In connection with our audit of the financial statements, etc., our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, etc. or our knowledge obtained in the audit, or otherwise appears to be materially misstated, as well as to give consideration as to whether there is any sign of material misstatement in the other information other than such material misstatement.

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

We have nothing to report in this regard.

Responsibilities of Management, Company Auditors, and the Board of Company Auditors for the Financial Statements, etc.

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

In preparing the financial statements, etc., management is responsible for assessing whether or not the preparation of the financial statements, etc. using the going concern basis of accounting is appropriate, and disclosing, as applicable, matters relating to a going concern in accordance with accounting principles generally accepted as fair and appropriate in Japan.

The company auditors and the board of company auditors are responsible for overseeing the directors' performance of their duties with regard to the development and operation of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express our opinion on the financial statements, etc. in an auditor's report based on our audit from an independent point of view. 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 decision-making of those who use these financial statements, etc.

In accordance with auditing standards generally accepted as fair and appropriate in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit while implementing the following procedures.

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks of material misstatement. The selection and application of audit procedures is at the auditor's discretion. We obtain sufficient and appropriate audit evidence on which to base its opinion.
- We consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in assessing risks, while the objective of the audit of the financial statements, etc. is not to express an opinion on the effectiveness of internal control.
- We evaluate the appropriateness of accounting policies used by the management and the application method thereof, and the reasonableness of accounting estimates and the appropriateness of related notes made by management.
- We make a determination 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 is deemed to exist related to events or conditions that may cast significant doubt on the use of the going concern basis of accounting. If a material uncertainty is deemed to exist related to the use of the going concern basis of accounting, we are required to draw attention in our auditor's report to the related notes to the financial statements, etc. or, if such notes to the financial statements, etc. related to a material uncertainty are inadequate, to express our qualified opinion with respect to the financial statements, etc. 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.
- We evaluate whether the presentation and notes in the financial statements, etc. are in accordance with accounting standards generally accepted as fair and appropriate in Japan, the overall presentation, structure and content of the financial statements, etc., including the relevant notes, and whether the financial statements, etc. fairly represent the underlying transactions and accounting events.

We notify the company auditor and the board of company auditors of the planned scope and timing of the audit, significant audit findings, including any significant inadequacy in internal control that we identify during our audit, and other matters that are required to be reported under applicable auditing standards.

We also provide the company auditors and the board of company auditors with a statement that we have complied with professional ethical requirements in Japan regarding independence, and notify them of all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

Interest

Neither we nor our engagement partners have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End

Audit Report

In regard to the directors' performance of their duties for the 98th fiscal year from April 1, 2021 to March 31, 2022, the board of company auditors has prepared this Audit Report after deliberations based on the audit report prepared by each company auditor and reports as follows.

1. Method and Contents of Audits by the Company Auditors and the Board of Company Auditors

- (1) The board of company auditors determined the audit policies for this fiscal year, audit plan, etc. and received reports from each company auditor regarding the implementation status and results of their audits, in addition to which it received reports from the directors, etc. and the accounting auditor regarding the status of the performance of their duties, and requested explanations as necessary.
- (2) In compliance with the company auditor auditing standards established by the board of company auditors and in accordance with the audit policies and audit plan, etc. of this fiscal year, each company auditor communicated with the directors, the internal audit department, etc., endeavored to gather information and develop the audit environment, and conducted audits using the following methods.
 - (i) The company auditors attended meetings of the board of directors and other important meetings, received reports from directors, etc., regarding the status of the performance of their duties, requested explanations as necessary, viewed important decision-making documents, etc., and inspected the status of operations and assets at the head office, etc. Additionally, in regard to subsidiaries, the company auditors communicated and exchanged information with the directors and company auditors, etc. of subsidiaries and requested business report as necessary, as well as visited subsidiaries and inspected the status of operations and assets.
 - (ii) The company auditors verified the content of resolutions of the board of directors regarding the development of "systems to ensure that the directors' performance of their duties complies with laws, regulations and the articles of incorporation and other systems to ensure the appropriateness of operations of a corporate group composed of a stock company and its subsidiaries (internal control systems)" (Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act) as well as the development of the internal systems pursuant to such resolutions and the status of its operations.
 - (iii) The company auditors considered the contents of "basic policy regarding the control of the company" stated in the business report.
 - (iv) The company auditors confirmed that the accounting auditor maintained an independent position and conducted an appropriate audit, received reports from the accounting auditor on the status of the performance of its duties, and requested explanations as necessary. Additionally, the company auditors received notification from the accounting auditor that it had developed "systems in order to ensure that its duties are appropriately performed" (the matters stated in the items of Article 131 of the Ordinance on Accounting of Companies) and requested explanations as necessary.

Using the methods above, the board of company auditors examined the business report and the supplementary schedules thereto, financial statements (i.e., the balance sheet, statement of income, statement of changes in shareholders' equity, and notes to financial statements) and the supplementary schedules to the financial statements, and the consolidated financial statements (i.e., the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity, and notes to consolidated financial statements) for this fiscal year.

2. Audit Results

- (1) Results of audit of business report, etc.
 - (i) We find that the business report and the supplementary schedules thereto accurately present the status of the company in accordance with laws, regulations, and the articles of incorporation.
 - (ii) We do not find any misconduct nor any material fact constituting a violation of any law, regulation, or the articles of incorporation in relation to the directors' performance of their duties.
 - (iii) We find the content of the resolutions of the board of directors regarding internal control systems to be reasonable. Additionally, the internal control systems are continuously improved. We do not find any matters that should be commented upon in regard to the statements in the business report or the directors' performance of their duties.
 - (iv) We do not find any matters that should be commented upon in regard to the basic policy regarding the control of the company.
- (2) Results of audit of financial statements and supplementary schedules thereto
We find the methods and results of the audit by the accounting auditor, KPMG AZSA LLC, to be reasonable.
- (3) Results of audit of consolidated financial statements
We find the methods and results of the audit by the accounting auditor, KPMG AZSA LLC, to be reasonable.

May 11, 2022

Board of company auditors of KANEKA CORPORATION

Full-time company auditor	Hideyuki Matsui	[Seal]
Full-time company auditor	Masami Kishine	[Seal]
Outside company auditor	Hiroshi Fujiwara	[Seal]
Outside company auditor	Yasuhiro Uozumi	[Seal]