

[Translation: Please note that this is an English translation of the Japanese original Notice of the 11th Ordinary General Meeting of Shareholders of KH Neochem Co., Ltd. prepared for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.]

Securities code: 4189

March 1, 2021

To our shareholders,

Michio Takahashi
Representative Director
President & Chief Executive Officer

KH Neochem Co., Ltd.

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

Notice of the 11th Ordinary General Meeting of Shareholders

We are pleased to announce the 11th Ordinary General Meeting of Shareholders (the “Meeting”) of KH Neochem Co., Ltd. (the “Company”), which will be held as indicated below.

The Company requests that shareholders consider exercising their voting rights in writing or via the Internet, if at all possible, and refrain from attending the Meeting in person regardless of physical condition of shareholders from the perspective of preventing the spread of COVID-19. We ask that you check the attached “Instructions for Exercising Voting Rights” on pages 3-4 for guidance on exercising your voting rights.

1. **Date and Time:** Tuesday, March 23, 2021, at 10:00 a.m. (JST) (Reception will open at 9:00 a.m.)
2. **Venue:** Nihonbashi Mitsui Hall, (Reception: 4F), COREDO Muromachi 1, 2-2-1, Nihonbashi-Muromachi, Chuo-ku, Tokyo

* Please note that we have changed the location of the meeting venue this year.

3. Proposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 11th term (from January 1, 2020 to December 31, 2020), as well as the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Financial Statements for the 11th term (from January 1, 2020 to December 31, 2020)

Items to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Eight Directors
- Proposal No. 3:** Election of One Substitute Audit & Supervisory Board Member
- Proposal No. 4:** Continuation of Performance-linked Share-based Remuneration Plan for Directors

<Internet Disclosure>

Pursuant to relevant laws and regulations and Article 16 of the Articles of Incorporation of the Company, the following documents are posted on the Company's website and are therefore not included in the documents accompanying this notice.

- Consolidated statement of changes in equity and Notes to the consolidated financial statements in the Consolidated Financial Statements
- Statement of changes in equity and Notes to the financial statements in the Financial Statements

The documents attached to this notice constitute a part of the documents that were audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing the audit reports. Any corrections in the Reference Documents for the Meeting, Business Report, Consolidated Financial Statements or Financial Statements will be reported on the Company's website.

The Company's website : <http://www.khneochem.co.jp>.

Instructions for Exercising Voting Rights

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

[Mailing the Voting Card]

Complete the enclosed Voting Card by indicating your approval or disapproval of the proposals and return it without affixing a stamp.

Votes to be received by: 5:40 p.m. on Monday, March 22, 2021 (JST)

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

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

Votes to be given by: 5:40 p.m. on Monday, March 22, 2021 (JST)

<Electronic Voting Platform>

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

[Attending the Meeting]

Submit the Voting Card at the venue’s reception.

Date/Time: Tuesday, March 23, 2021, at 10:00 a.m. (JST) (Reception will open at 9:00 a.m.)

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

* Please note that we have changed the location of the Meeting venue this year.

- To prevent the spread of COVID-19, the Company asks for your understanding and cooperation in exercising your voting rights prior to the Meeting in writing or via the Internet, or by other means, if at all possible, and refrain from attending the Meeting in person regardless of physical condition.
- We will take shareholders’ temperatures at the reception of the venue. Those who appear to have a fever or to be unwell may be asked to refrain from entering the venue.
- When entering the venue, please wear a mask and sanitize your hands with alcohol.
- The venue will be arranged with a substantially reduced number of chairs for shareholders at this Meeting to ensure ample distance is maintained between shareholders. Therefore, please understand that entry may be refused even if you come to the venue on the day.

<Exercising Voting Rights by Proxy>

You may exercise your voting rights by a proxy who is also a shareholder with voting rights. Please be aware that a written statement attesting to the right of proxy must be submitted.

How to scan QR code, “Smart voting”

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

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

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

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

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

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

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

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

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

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

Cautions regarding exercising voting rights via the Internet

- (1) Please be aware that, in order to prevent illegal online access by third parties who are non-shareholders (spoofing) and unauthorized changing of voting details, you will be asked to change your password when you log in to the voting website for the first time.
- (2) If you enter your password incorrectly for a certain number of times, the password will be locked and you will no longer be able to use it. If this occurs, please complete the procedures indicated in the guidance on the screen.
- (3) If you exercise your voting rights in duplicate both in writing and via the Internet, your voting via the Internet shall prevail.
- (4) If you exercise your voting rights multiple times via the Internet, only your last voting instructions will be valid.
- (5) Your password (including the password after you have changed it) shall be effective only for this Meeting.
- (6) Voting rights exercised via the Internet are accepted until 5:40 p.m. on Monday, March 22, 2021; however, we kindly ask that you vote as early as possible.
- (7) We conducted operation checks of the voting website using common Internet access devices. However, you may not be able to use the website on some devices.
- (8) Please note that shareholders bear any costs incurred when accessing the voting website.

Reference Documents for the Meeting

Proposal No. 1: Appropriation of Surplus

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

Based on the above policy, the Company proposes to pay ¥30.00 per share as the year-end dividend for the 11th term (fiscal year under review), in comprehensive consideration of factors such as the consolidated financial results and financial condition for the fiscal year under review. As a result, the annual dividend including the interim dividend (¥30.00 per share) will be ¥60.00 per share.

Year-end dividends

1	Type of dividend property	Cash
2	Allotment of dividend property and aggregate amount thereof	Dividends per common share of the Company: ¥30 Total dividends: ¥1,114,470,630
3	Effective date of dividends of surplus	March 24, 2021

Proposal No. 2: Election of Eight Directors

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

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

The candidates for Director are as follows:

No.	Name		Position and responsibility in the Company (Significant concurrent positions outside the Company)	Attendance at Board of Directors meetings (fiscal year under review)
1	Michio Takahashi	Reelection	Representative Director President and Chief Executive Officer	100% (16 of 16 meetings)
2	Toshihiro Matsuoka	Reelection	Board Director and Senior Corporate Officer General Manager of Production & Technology Office	100% (16 of 16 meetings)
3	Tatsuro Niiya	Reelection	Board Director and Senior Corporate Officer General Manager of Business Headquarters Office	100% (16 of 16 meetings)
4	Masaya Hamamoto	Reelection	Board Director and Senior Corporate Officer & Chief Financial Officer In charge of Corporate Functions (Accounting and Risk Management)	100% (13 of 13 meetings)
5	Yukihiro Isogai	Reelection	Board Director and Corporate Officer General Manager of R&D Office and Head of Innovation Strategies Office	100% (16 of 16 meetings)
6	Sayoko Miyairi	Reelection Outside Director Independent Director	Outside Director (Independent Director) Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation	100% (16 of 16 meetings)
7	Jun Tsuchiya	Reelection Outside Director Independent officer	Outside Director (Independent Director) CEO of Tsuchiya International Consulting Corp Outside Director of Soken Chemical & Engineering Co., Ltd.	100% (13 of 13 meetings)
8	Yuji Kikuchi	Reelection Outside Director Independent officer	Outside Director (Independent Director) Partner and attorney at law of Tokyo Hatchobori Law Office Outside Corporate Auditor of NEC Networks & System Integration Corporation	100% (13 of 13 meetings)

Note: The records of attendance of Messrs. Masaya Hamamoto, Jun Tsuchiya and Yuji Kikuchi are based on only the Board of Directors meetings held after they assumed their office at the 10th Ordinary General Meeting of Shareholders held on March 26, 2020.

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
1	<Reelection> Michio Takahashi (February 15, 1965)	<p>Apr. 1987 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>Jul. 2011 President of Basic Chemicals Division of Kyowa Hakko Chemical Co., Ltd. (now the Company)</p> <p>Mar. 2013 Director and Corporate Officer of the Company</p> <p>Mar. 2016 Managing Director and Corporate Officer of the Company</p> <p>Mar. 2017 Director, Executive Vice President and Corporate Officer of the Company</p> <p>Mar. 2019 Representative Director, President and Chief Corporate Officer of the Company</p> <p>Mar. 2020 President and Representative Director, President and Chief Corporate Officer of the Company (to present)</p> <hr/> <p>[Reason for nomination as candidate for Director] Mr. Michio Takahashi exercises strong leadership as President in order to realize VISON 2030. The Company deems that Mr. Takahashi is a skilled individual that is appropriate for the sustained improvement of the Company's corporate value because he has extensive experience, achievements, and insight related to management of the Group. Accordingly, the Company proposes the election of Mr. Michio Takahashi as a Director.</p>	<p>6,937 shares (2,837 shares)</p> <hr/> <p>Attendance at Board of Directors meeting during the fiscal year</p> <p>100% (16 of 16 meetings)</p>
2	<Reelection> Toshihiro Matsuoka (May 9, 1962)	<p>Apr. 1987 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p>Apr. 2008 General Manager of Production Administration Division of Kyowa Hakko Chemical Co., Ltd. (now the Company)</p> <p>Jun. 2011 General Manager of Yokkaichi Plant of the Company</p> <p>Apr. 2013 Corporate Officer of the Company</p> <p>Mar. 2014 Director and Corporate Officer of the Company</p> <p>Mar. 2018 Managing Director and Corporate Officer of the Company</p> <p>Mar. 2020 Board Director and Senior Corporate Officer of the Company (to present)</p> <hr/> <p>[Current responsibility] General Manager of Production & Technology Office</p> <hr/> <p>[Reason for nomination as candidate for Director] Mr. Toshihiro Matsuoka has extensive experience, achievements, and insight related to production technology, quality control, and the manufacturing of chemical products and makes large contributions to stable, safe operations and the production technology platform in his role as General Manager of Production & Technology Office. The Company deems that Mr. Matsuoka is a skilled individual that is appropriate for the sustained improvement of the Company's corporate value. Accordingly, the Company proposes the election of Mr. Toshihiro Matsuoka as a Director.</p>	<p>4,165 shares (1,765 shares)</p> <hr/> <p>Attendance at Board of Directors meeting during the fiscal year</p> <p>100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
3	<p data-bbox="293 645 432 674"><Reelection></p> <p data-bbox="293 701 432 752">Tatsuro Niiya (June 1, 1964)</p>	<p data-bbox="496 360 1034 389">Apr. 1988 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p data-bbox="496 405 1206 465">Jul. 2013 General Manager of Chemical Sales & Marketing Division, Business Headquarters Office of the Company</p> <p data-bbox="496 481 994 510">Jan. 2016 Corporate Officer of the Company</p> <p data-bbox="496 526 1123 555">Mar. 2017 Director and Corporate Officer of the Company</p> <p data-bbox="496 571 1123 631">Mar. 2019 Managing Director and Corporate Officer of the Company</p> <p data-bbox="496 647 1155 707">Mar. 2020 Board Director and Senior Corporate Officer of the Company (to present)</p> <p data-bbox="496 723 724 752">[Current responsibility]</p> <p data-bbox="496 768 986 797">General Manager of Business Headquarters Office</p>	<p data-bbox="1353 546 1490 607">3,745 shares (1,545 shares)</p>
		<p data-bbox="496 813 979 842">[Reason for nomination as candidate for Director]</p> <p data-bbox="496 857 1219 1037">Mr. Tatsuro Niiya has extensive experience, achievements, and insight in the marketing field and makes large contributions to growing revenue and strengthening the business foundation in his role as General Manager of Business Headquarters Office. The Company deems that Mr. Niiya is a skilled individual that is appropriate for the sustained improvement of the Company's corporate value. Accordingly, the Company proposes the election of Mr. Tatsuro Niiya as a Director.</p>	<p data-bbox="1246 813 1490 902">Attendance at Board of Directors meeting during the fiscal year</p> <p data-bbox="1299 954 1490 1014">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
4	<p data-bbox="295 884 430 907"><Reelection></p> <p data-bbox="260 936 466 992">Masaya Hamamoto (June 20, 1960)</p>	<p data-bbox="496 360 1161 421">Apr. 1985 Joined The Industrial Bank of Japan, Limited. (now Mizuho Bank, Ltd.)</p> <p data-bbox="496 439 1203 533">Apr. 2011 General Manager of Osaka Corporate Banking Division No. 1 of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.)</p> <p data-bbox="496 584 1211 678">Apr. 2014 Executive Officer and General Manager of Corporate Banking Division No. 5 of Mizuho Bank, Ltd. (retired in March 2015)</p> <p data-bbox="496 696 1171 757">Apr. 2015 Executive Officer of IBJ Leasing Company, Limited. (now Mizuho Leasing Company, Limited)</p> <p data-bbox="496 775 1166 869">Jun. 2015 Director, Executive Officer and General Manager of Corporate Planning Department of IBJ Leasing Company, Limited.</p> <p data-bbox="496 887 1198 1016">Apr. 2016 Managing Director, Managing Executive Officer and General Manager of Corporate Planning Department of IBJ Leasing Company, Limited. (Retired in May 2019)</p> <p data-bbox="496 1034 858 1057">Jun. 2019 Joined the Company</p> <p data-bbox="496 1075 1062 1097">Sep. 2019 Senior Corporate Officer of the Company</p> <p data-bbox="496 1115 1155 1176">Mar. 2020 Board Director and Senior Corporate Officer of the Company (to present)</p> <p data-bbox="496 1193 724 1216">[Current responsibility]</p> <p data-bbox="496 1234 1174 1256">In charge of Corporate Functions (Accounting and Risk Management)</p> <hr/> <p data-bbox="496 1283 979 1305">[Reason for nomination as candidate for Director]</p> <p data-bbox="496 1323 1219 1514">Mr. Masaya Hamamoto has extensive experience, achievements, and insight in the finance and accounting field, and makes significant contribution to improved management efficiency and transparency as the person in charge of accounting and risk management. The Company deems that Mr. Hamamoto is a skilled individual that is appropriate for the sustained improvement of the Company's corporate value. Accordingly, the Company proposes the election of Mr. Masaya Hamamoto as a Director.</p>	<p data-bbox="1385 786 1490 842">700 shares (0 shares)</p> <hr/> <p data-bbox="1257 1283 1481 1377">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1299 1429 1490 1485">100% (13 of 13 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
5	<p data-bbox="300 712 427 741"><Reelection></p> <p data-bbox="272 768 454 819">Yukihiro Isogai (October 11, 1963)</p>	<p data-bbox="496 360 938 389">Apr. 1987 Joined Toaboshoku Co., Ltd.</p> <p data-bbox="496 405 863 434">Aug. 2000 Joined YIC Co., Ltd.</p> <p data-bbox="496 450 1034 479">Oct. 2001 Joined Kyowa Hakko Kogyo Co., Ltd.</p> <p data-bbox="496 495 1187 555">Jan. 2016 General Manager of Yokkaichi Research Laboratories, R&D Office of the Company</p> <p data-bbox="496 571 1187 667">Dec. 2017 General Manager of R&D Office (to present) and General Manager of Yokkaichi Research Laboratories, R&D Office of the Company</p> <p data-bbox="496 683 995 712">Jan. 2018 Corporate Officer of the Company</p> <p data-bbox="496 728 1155 788">Mar. 2019 Director and Corporate Officer of the Company (to present)</p> <p data-bbox="496 804 724 833">[Current responsibility]</p> <p data-bbox="496 848 1155 909">General Manager of R&D Office and Head of Innovation Strategies Office</p> <hr/> <p data-bbox="496 925 979 954">[Reason for nomination as candidate for Director]</p> <p data-bbox="496 969 1209 1173">Mr. Yukihiro Isogai has extensive experience, achievements, and insight in the R&D field and promotes open innovation by establishing KH i-Lab and launching joint research with any other companies and universities in his role as General Manager of R&D Office and Head of Innovation Strategies Office. The Company deems that Mr. Isogai is a skilled individual that is appropriate for the sustained improvement of the Company's corporate value. Accordingly, the Company proposes the election of Mr. Yukihiro Isogai as a Director.</p>	<p data-bbox="1369 600 1490 660">2,445 shares (645 shares)</p> <hr/> <p data-bbox="1246 920 1490 1016">Attendance at Board of Directors meeting during the fiscal year</p> <p data-bbox="1299 1077 1490 1137">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
6	<p data-bbox="296 775 427 801"><Reelection></p> <p data-bbox="280 831 443 857">Outside Director</p> <p data-bbox="256 887 467 913">Independent Director</p> <p data-bbox="256 943 467 994">Sayoko Miyairi (November 12, 1956)</p>	<p data-bbox="496 360 852 387">Apr. 1979 Joined Hitachi, Ltd.</p> <p data-bbox="496 405 1145 432">Jul. 1982 Joined Bank of America, N.A., Asia Headquarters</p> <p data-bbox="496 450 1203 510">Mar. 1986 Joined Pasona Inc. and seconded and then transferred to Edu Consult Co., Ltd. (now Scholar Consult Co., Ltd.)</p> <p data-bbox="496 528 1118 555">Apr. 2000 Partner of Scholar Consult Co., Ltd. (to present)</p> <p data-bbox="496 573 1177 633">Apr. 2000 Assistant Professor of Nihonbashi Gakkan University (now Kaichi International University)</p> <p data-bbox="496 651 1011 678">Jan. 2005 Director of Scholar Consult Co., Ltd.</p> <p data-bbox="496 696 1209 757">Apr. 2008 Professor of Nihonbashi Gakkan University (now Kaichi International University) (to present)</p> <p data-bbox="496 775 1102 801">Mar. 2019 Outside Director of the Company (to present)</p> <p data-bbox="496 819 1182 880">Aug. 2020 Outside Director of Toyo Engineering Corporation (to present)</p> <p data-bbox="496 898 1034 925">[Significant concurrent positions outside the Company]</p> <p data-bbox="496 943 1203 1003">Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts</p> <p data-bbox="496 1021 836 1048">Partner of Scholar Consult Co., Ltd.</p> <p data-bbox="496 1066 986 1093">Outside Director of Toyo Engineering Corporation</p>	<p data-bbox="1369 685 1490 712">1,700 shares</p>
		<p data-bbox="496 1066 1193 1126">[Reason for nomination as candidate for Outside Director and overview of expected role]</p> <p data-bbox="496 1144 1219 1413">Ms. Sayoko Miyairi possesses business and management experience gained while working at a consulting company and experience and broad insight as a university professor. As an Outside Director, she provides opinions and recommendations particularly in the areas of human resource development and improving employee engagement. The Company deems that Ms. Miyairi is a skilled individual that can contribute to the sustained improvement of the Company's corporate value through provision of advice to management from an objective standpoint and appropriate supervision of the execution of duties. Accordingly, the Company proposes the election of Ms. Sayoko Miyairi as an Outside Director.</p>	<p data-bbox="1257 1066 1481 1160">Attendance at Board of Directors meetings during the fiscal year</p> <p data-bbox="1299 1267 1490 1328">100% (16 of 16 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
7	<Reelection> Outside Director Independent Director Jun Tsuchiya (October 23, 1952)	<p>Apr. 1981 Joined Argonne National Laboratory, U.S.A.</p> <p>May 1983 Joined Lawrence Berkeley National Laboratory, U.S.A.</p> <p>Feb. 1984 Joined Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation)</p> <p>Jan. 1999 Seconded as President to Verbatim Corporation, U.S.A. subsidiary of Mitsubishi Chemical Limited (now Mitsubishi Chemical Corporation) as a secondment</p> <p>Apr. 2001 General Manager of Corporate Planning Office of Mitsubishi Chemical Industries Limited (now Mitsubishi Chemical Corporation) (retired in January 2002)</p> <p>Feb. 2002 Director of Rohm & Haas Japan K.K. (now Dow Chemical Japan Limited) (retired in December 2006)</p> <p>Jan. 2007 Representative Director and President of Heraeus K.K. (retired in September 2018)</p> <p>Oct. 2018 CEO of Tsuchiya International Consulting Corp (to present)</p> <p>Jun. 2019 Outside Director of Soken Chemical & Engineering Co., Ltd. (to present)</p> <p>Mar. 2020 Outside Director of the Company (to present)</p> <p>[Significant concurrent positions outside the Company] CEO of Tsuchiya International Consulting Corp Outside Director of Soken Chemical & Engineering Co., Ltd.</p> <hr style="border-top: 1px dashed black;"/> <p>[Reason for nomination as candidate for Outside Director and overview of expected role] Mr. Jun Tsuchiya possesses management know-how accumulated at global companies and advanced technological knowledge in the chemical field, and as an Outside Director, he provides opinions and recommendations on the Company's overall business, particularly in relation to the electronics materials field. The Company deems that Mr. Tsuchiya is a skilled individual that can contribute to the sustained improvement of the Company's corporate value through provision of advice to management and appropriate supervision of the execution of duties based on his extensive experience as a manager and advanced technological knowledge. Accordingly, the Company proposes the election of Mr. Jun Tsuchiya as an Outside Director.</p>	<p>100 shares</p> <hr style="border-top: 1px dashed black;"/> <p>Attendance at Board of Directors meetings during the fiscal year</p> <p style="text-align: right;">100% (13 of 13 meetings)</p>

No.	Name (Date of birth)	Career summary, position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned (Of which, the number of shares to be granted under the share-based remuneration plan)
8	<p><Reelection> Outside Director Independent Director</p> <p>Yuji Kikuchi (February 15, 1964)</p>	<p>Apr. 1992 Registered as an attorney at law Entered Sakano, Seo & Hashimoto Law Office (now Tokyo Hatchobori Law Office)</p> <p>Apr. 2002 Partner of Tokyo Hatchobori Law Office</p> <p>Mar. 2003 Joined the Securities and Exchange Surveillance Commission (Coordination and Inspection Division, Executive Bureau)</p> <p>Mar. 2005 Returned to Partner of Tokyo Hatchobori Law Office (to present)</p> <p>Jun. 2010 Outside Corporate Auditor of Inui Warehouse Co., Ltd. (now Inui Global Logistics Co., Ltd.)</p> <p>Jun. 2014 Outside Corporate Auditor of NEC Networks & System Integration Corporation (to present)</p> <p>Mar. 2020 Outside Director of the Company (to present)</p> <p>[Significant concurrent positions outside the Company] Partner and attorney at law of Tokyo Hatchobori Law Office Outside Corporate Auditor of NEC Networks & System Integration Corporation</p>	<p>100 shares</p>
		<p>[Reason for nomination as candidate for Outside Director and overview of expected role]</p> <p>Mr. Yuji Kikuchi possesses broad expertise particularly in the Companies Act and corporate governance as an attorney at law, and as an Outside Director, he provides opinions and recommendations to management on strengthening governance. Although he has not been directly involved in a company's management by means other than serving as an outside corporate auditor, the Company deems that Mr. Kikuchi is a skilled individual that can contribute to the sustained improvement of the Company's corporate value through provision of advice to management and appropriate supervision of the execution of duties. Accordingly, the Company proposes the election of Mr. Yuji Kikuchi as an Outside Director.</p>	<p>Attendance at Board of Directors meetings during the fiscal year</p> <p>100% (13 of 13 meetings)</p>

Notes:

- The number of the Company's shares owned by the respective candidates (excluding candidates for Outside Director) as stated includes the number of shares to be granted subsequent to retirement, pursuant to the performance-linked share-based remuneration plan as stated in parentheses (number of shares equivalent to the points already granted under the performance-linked share-based remuneration plan). Please refer to pages 35 to 39 of the Business Report for an overview of the Company's remuneration plan for Directors.
- Ms. Sayoko Miyairi's name as recorded in her family register is Sayoko Ibaraki.
- There is no special interest between any of the candidates for Director and the Company.
- At the conclusion of this Meeting, Ms. Sayoko Miyairi's term of office as Outside Director will have been two years. At the conclusion of this Meeting, term of office of Messrs. Jun Tsuchiya and Yuji Kikuchi as Outside Directors will have been one year.
- The Company has entered into a liability limitation agreement with Ms. Sayoko Miyairi and Messrs. Jun Tsuchiya and Yuji Kikuchi in accordance with Article 427, paragraph (1) of the Companies Act and the provisions of the Company's Articles of Incorporation to limit the liability for damages as provided for in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under said agreement shall be the amount stipulated by laws and regulations. If this proposal is approved, the Company plans to renew the aforementioned agreement with each of them.

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

Proposal No. 3: Election of One Substitute Audit & Supervisory Board Member

The validity of the resolution relating to the appointment of one current substitute Audit & Supervisory Board Member at the 7th Ordinary General Meeting of Shareholders held on March 24, 2017, , will expire at the commencement of this Meeting. Accordingly, to prepare for a contingency in which the number of Audit & Supervisory Board Members falls below the minimum stipulated by laws and regulations, the Company proposes the election of one substitute Outside Audit & Supervisory Board Member.

Up until the time the elected substitute Audit & Supervisory Board Member assumes the post, the validity of election of the substitute Audit & Supervisory Board Member may be cancelled by a resolution of the Board of Directors with the consent from the Audit & Supervisory Board. The Audit & Supervisory Board has given prior approval for this proposal.

The candidate for substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and position in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
<p>Outside Audit & Supervisory Board Member</p> <p>Independent Audit & Supervisory Board Member</p> <p>Junko Imura (May 7, 1960)</p>	Apr. 1983 Joined National Space Development Agency (now Japan Aerospace Exploration Agency) (retired in May 1988)	0 shares
	Oct. 1990 Joined Asahi Shinwa & Co. (now KPMG AZSA LLC)	
	May 1993 Joined Showa Ota & Co. (now Ernst & Young ShinNihon LLC)	
	Aug. 1994 Registered as certified public accountant	
	May 2005 Partner of Ernst & Young ShinNihon (now Ernst & Young ShinNihon LLC)	
	Jun. 2011 Senior Partner of Ernst & Young ShinNihon LLC (retired in June 2018)	
	Sep. 2015 Visiting Professor of Tama Graduate School of Business (to present)	
	Jul. 2018 Established Imura Certified Public Accountant Office (to present)	
	Jun. 2019 Outside Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd. (to present)	
	Dec. 2019 Outside Audit & Supervisory Board Member of T. HASEGAWA CO., LTD. (to present)	
Jun. 2020 Outside Director (Audit and Supervisory Committee Member) of Mitsubishi UFJ Trust and Banking Corporation (to present)		
<p>[Significant concurrent positions outside the Company]</p> <p>Visiting Professor of Tama Graduate School of Business</p> <p>Certified public accountant of Imura Certified Public Accountant Office</p> <p>Outside Audit & Supervisory Board Member of Mitsui O.S.K. Lines, Ltd.</p> <p>Outside Audit & Supervisory Board Member of T. HASEGAWA CO., LTD.</p> <p>Outside Director (Audit and Supervisory Committee Member) of Mitsubishi UFJ Trust and Banking Corporation</p>		

Name (Date of birth)	Career summary and position in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
	<p>Reason for nomination as candidate for substitute Outside Audit & Supervisory Board Member</p> <p>The Company deems that Ms. Junko Imura is capable of providing advice to management and conducting objective and fair audits pertaining to execution of duties, drawing on her many years of experience and broad knowledge of accounting as a certified public accountant, and her extensive accomplishments that include having assumed responsibility for auditing numerous companies, including listed corporations, although she has not been directly involved in a company's management by means other than serving as an outside corporate officer. Accordingly, the Company proposes the election of Ms. Junko Imura as a substitute Outside Audit & Supervisory Board Member.</p>	

Notes:

1. There is no special interest between Ms. Junko Imura and the Company.
2. Ms. Junko Imura is a candidate for substitute Outside Audit & Supervisory Board Member. If this proposal is approved and adopted and Ms. Junko Imura assumes office as an Audit & Supervisory Board Member, the Company will notify the Tokyo Stock Exchange of the designation of her as an Independent Audit & Supervisory Board Member.
3. If this proposal is approved and adopted and Ms. Junko Imura assumes office as an Audit & Supervisory Board Member, the Company will enter into a limited liability agreement with her in accordance with Article 427, paragraph (1) of the Companies Act and the provisions of the Company's Articles of Incorporation to limit the liability for damages as provided for in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under the said agreement shall be the amount stipulated by laws and regulations.
4. The Company has concluded a Directors and Officers liability insurance agreement with an insurance company in accordance with Article 430-3, paragraph (1) of the Companies Act, and the agreement covers legally required compensation for damages and lawsuit costs borne by the insured person. If this proposal is approved and adopted and Ms. Junko Imura assumes office as an Audit & Supervisory Board Member, she will be included as an insured person under said insurance agreement. The Company plans to renew the aforementioned agreement during the period that her appointment as substitute Outside Audit & Supervisory Board Member under this proposal is valid.
5. The appointment of Junko Imura shall be conditional upon the number of Audit & Supervisory Board Members falling below the minimum stipulated by laws and regulations, and her term of office shall be the remaining term of office of the retired Audit & Supervisory Board Member. The validity of her appointment as substitute Audit & Supervisory Board Member shall, in accordance with the Company's Articles of Incorporation, expire at the commencement of the Ordinary General Meeting of Shareholders for the last business year which ends within four (4) years from the time of her election.

Proposal No. 4: Continuation of Performance-linked Share-based Remuneration Plan for Directors

1. Reasons for the Proposal

At its 8th Ordinary General Meeting of Shareholders held on March 27, 2018, the Company gained approval for introduction, as well as subsequent continuation in periods of three fiscal years, of its performance-linked share-based remuneration plan (hereinafter referred to as the “Plan”) for Directors (excluding Outside Directors; the same shall apply hereinafter throughout this proposal unless otherwise provided), which remains in effect (the resolution of the aforementioned General Meeting of Shareholders hereinafter referred to as the “Original Resolution”). In accordance with the revised Companies Act which comes into effect as of March 1, 2021, regarding performance-linked share-based remuneration for Directors, the Company is required to newly establish a maximum number of points (number of shares) to be granted per fiscal year and other matters, in addition to a maximum amount for monetary remuneration, through resolution at a General Meeting of Shareholders. As such, while this proposal is not change the contents of the Plan from the Original Resolution, the Company hereby requests re-approval to continue the Plan.

As was the same with the Original Resolution, this proposal is a request for approval on the amount and details of remuneration, in order to the Company’s Directors with share –based remuneration, separate from the remuneration amount of Directors (annual amount within ¥200 million, including the amount of Outside Director’s portion but excluding employee’s salary portion for Directors who concurrently serve as employees) approved at the Extraordinary General Meeting of Shareholders held on March 31, 2011. The Company requests that details of this Plan be left to the Board of Directors within the framework provided below in 3.

The number of Directors subject to the Plan is currently five, and the number will be also five if Proposal No. 2 is approved as proposed.

On a related note, beginning with the fiscal year ending December 31, 2021, the Company will extend eligibility for the Plan to Corporate Officers who do not concurrently serve as Directors, in addition to Directors.

2. Reasons for Continuation of the Performance-linked Share-based Remuneration Plan

This proposal is essentially the same as the Original Resolution, such that the purpose of the Plan is to further increase the linkage between remuneration for Directors and corporate performance, and clarify the linkage between remuneration for Directors and the stock value of the Company at the same time, having the Directors share with our shareholders not only the merits of the increase in the stock price, but also the risk of the decrease in the stock price, thereby increasing awareness of the Directors to contribute to the medium-to long-term improvement in the business performance and to the enhancement of corporate value. Moreover, at the Board of Directors meeting held on January 27, 2021, the Company established a policy for determining remuneration for individual Directors, and its outline is given on page 37 of the Business Report. The Plan aligns with such policy, which the Company does not plan to change even if this proposal gains approval. The Company, therefore, considers this proposal to be appropriate.

3. Amount of Remuneration and Specific Details of the Plan

(1) Outline of the Plan

The Plan is a performance-linked share-based remuneration plan under which the Company’s shares are acquired through a trust using funds contributed by the Company (hereinafter the trust established based on the Plan is referred to as the “Trust”). Through the Trust, Directors are provided with the Company’s shares and the money equivalent to the market value of the Company’s shares (hereinafter referred to as the “Company’s Shares, etc.”) according to the position and degree of achievements in performance in accordance with the “Rules for Delivery of Shares to Officers” stipulated by the Company. The Directors

shall receive the Company's Shares, etc. upon their retirement as Directors and Corporate Officers in principle.

(2) Persons eligible to benefit from the Plan

Directors (excluding Outside Directors)

(3) Period and amount of the Trust

The Company introduced the Plan for three fiscal years from the fiscal year ended December 31, 2018 until the fiscal year ended December 31, 2020 (hereinafter, such period of three fiscal years, and respective periods of three fiscal years commencing subsequent to such period of three fiscal years having elapsed, referred to, respectively, as the "Target Period") as well as for the subsequent Target Periods, and this proposal is to continue the Plan. The Company has established the Trust, naming Directors who meet the beneficiary requirements as its beneficiaries and contributing ¥79 million to serve as funds for acquiring shares that are to be granted to the Directors under the Plan for the initial Target Period. For the initial Target Period, the Trust has acquired 31,500 shares of the Company's stock using as the funds the money entrusted by the Company.

After the expiration of the initial Target Period, the Company shall make additional contributions of up to ¥110 million in each Target Period until the termination of the Plan. However, in the event of making the additional contributions, if the Company's shares (excluding the Company's shares equivalent to the number of points that have been granted to Directors, and have not yet been delivered to them) and money (hereinafter referred to as the "Remaining Shares, etc.") remain in the trust assets at the end of the Target Period immediately preceding the Target Period for which such additional contribution is to be made, the total sum of the amount of the Remaining Shares, etc. (for the Company's shares, the book value at the end of the immediately preceding Target Period) and the additional contribution shall be no more than the maximum approved at this Ordinary General Meeting of Shareholders. The Company deems such maximum amount appropriate upon having made its decision comprehensively taking into consideration standards for payment of remuneration for currently serving Directors and other officers, anticipated developments with respect to the number of Directors, and other such factors. During each Target Period, the Company may contribute funds to the Trust multiple times to the extent that the cumulative amount of the contributions does not exceed the aforementioned maximum amount, and shall furthermore make timely and appropriate disclosure upon having made decisions regarding additional contributions.

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

The Trust shall acquire the Company's shares through the stock market or by underwriting the disposition of the Company's treasury shares, using as the funds the money contributed in accordance with (3) above, and new shares shall not be issued.

(5) Maximum number of the Company's Shares, etc. to be provided to the Directors

For each fiscal year, Directors will be granted the number of points determined by taking into consideration the position and degree of achievements in performance in accordance with the "Rules for Delivery of Shares to Officers." The total number of points to be granted to the Directors per fiscal year shall be no more than 35,000 points. The Company deems this appropriate upon having made its decision comprehensively taking into consideration standards for payment of remuneration for currently serving Directors and other officers, anticipated developments with respect to the number of Directors, and other such factors.

Each point granted to Directors shall be converted into one share of the Company's common shares at the time of the provision of the Company Shares, etc. as described in (6) below (provided, however, that if a share split, allotment of shares without contribution, or consolidation of shares, etc. is carried out regarding the Company's shares subsequent to approval of this proposal, then adjustment shall be made

with respect to the maximum number of points and the number of points granted, or otherwise with respect to conversion ratios, in a reasonable manner in proportion to the relevant ratio, etc. for the share split, allotment of shares without contribution, or consolidation of shares, etc.).

Accordingly, the number of shares corresponding to the maximum number of points granted to Directors per fiscal year shall be 35,000 shares (provided, however, that the Company makes the aforementioned adjustments), which amounts to approximately 0.1% of the total number of issued shares as of December 31, 2020 (after deduction of treasury shares).

The number of points for the Directors which become the bases for the provision of the Company's Shares, etc. in (6) below shall be defined, in principle, as the number of the points granted to the Directors by the time of their retirement (hereinafter, points calculated in the manner are referred to as the "Defined Number of Points").

(6) Provision of the Company's Shares, etc.

When Directors retire and meet the requirements for the beneficiary stipulated in the "Rules for Delivery of Shares to Officers," the said Directors may, in principle, receive the number of the Company's shares from the Trust in accordance with the "Defined Number of Points" as determined in (5) above after their retirement by taking the procedures to define the beneficiary stipulated in the said rules. However, if the requirements stipulated in the "Rules for Delivery of Shares to Officers" are fulfilled, the said Directors receive, in respect of a certain portion of the points, an amount of cash equivalent to the market price of the Company's shares in lieu of the provision of Company's shares. The Trust may sell the Company's shares in order to make the monetary provisions.

Note that even if a Director has been granted points, such Director may not be able to obtain the right to receive such benefit in cases such as retiring due to certain illegal conduct while in office or inappropriate conduct that causes damage to the Company while in office.

(7) Exercise of voting rights

Voting rights pertaining to the Company's shares held by the Trust account, at the instruction of the trust administrator, shall not be uniformly exercised. By doing so, the Company intend to ensure the neutrality in the management of the Company with regard to the exercise of voting rights pertaining to the Company's shares held by the Trust account.

(8) Treatment of dividends

Dividends on the Company's shares in the Trust account will be received by the Trust, and mainly used for the acquisition of the Company shares and fees payable to the trustee of the Trust. If the Trust is terminated, the dividends remaining in the Trust will be provided to the Directors incumbent in proportion to the number of points that each of them holds in accordance with the "Rules for Delivery of Shares to Officers."

(9) Treatment upon the termination of the Trust

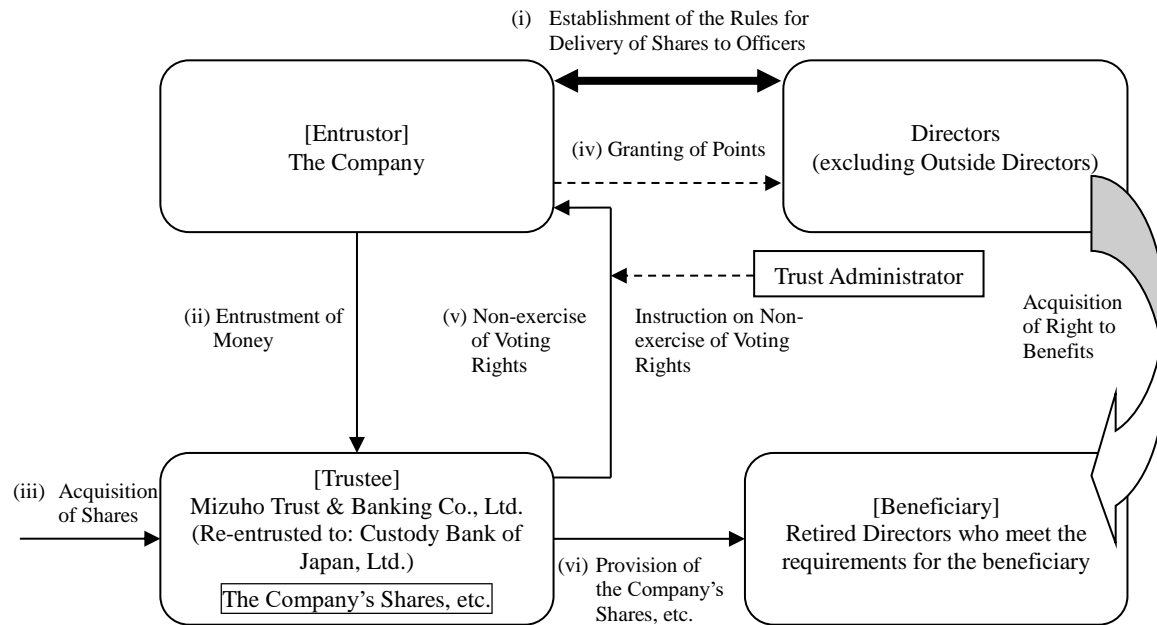
No specific date of termination of the Trust has been set, and the Trust will remain in place as long as the Plan is maintained. The Trust may be terminated for reasons including delisting of the Company's shares or abolition of the "Rules for Delivery of Shares to Officers".

Of the remaining assets of the Trust at the time of the termination of the Trust, all the Company's shares will be acquired by the Company without any compensation and cancelled by a Board of Directors resolution. Of the remaining assets of the Trust at the time of the termination of the Trust, the balance of the cash excluding that provided on a prorated basis in accordance with (8) above shall be provided to the Company.

Note: Beginning with the fiscal year ending December 31, 2021, the Company will extend eligibility for the Plan to corporate officers who do not concurrently serve as Directors (hereinafter simply

referred to as Corporate Officers) in addition to Directors. Accordingly, in a practical sense, the contribution amount for the Corporate Officers' portion shall be added to the amount contributed by the Company to the Trust noted in (3) above, and the shares of the Company to be acquired, as noted in (4) above, shall also include the Corporate Officers' portion of shares. In addition, regarding the treatment of dividends remaining in the Trust if the Trust is terminated noted in (8) above, Corporate Officers in office at such time shall also be included in the aforementioned pro-rata treatment.

<Reference: Structure of the Plan>



- (i) The Company shall stipulate the “Rules for Delivery of Shares to Officers” within the framework approved in this proposal.
- (ii) The Company shall entrust the money within the limit approved in this proposal.
- (iii) The Trust shall acquire the Company’s shares through the stock market or by underwriting the disposition of the Company’s treasury shares, using as the funds the money entrusted in the manner set forth in (ii).
- (iv) The Company shall grant points to the Directors in accordance with the “Rules for Delivery of Shares to Officers.”
- (v) In accordance with the instructions from the trust administrator independent of the Company, the Trust shall not exercise the voting rights pertaining to the Company’s shares under the Trust account.
- (vi) The Trust shall provide the Company’s shares to the retired Directors who meet the requirements stipulated in the “Rules for Delivery of Shares to Officers” (hereinafter referred to as the “Beneficiaries”), in proportion to the points granted to the said Beneficiaries. However, if the Directors meet the requirements stipulated in the “Rules for Delivery of Shares to Officers,” they may receive, in respect of a certain portion of the points, an amount of cash equivalent to the market price of the Company’s shares.

(Document to be provided)

Business Report

(January 1, 2020 to December 31, 2020)

1. Current Status of the Corporate Group

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

(i) Business progress and results

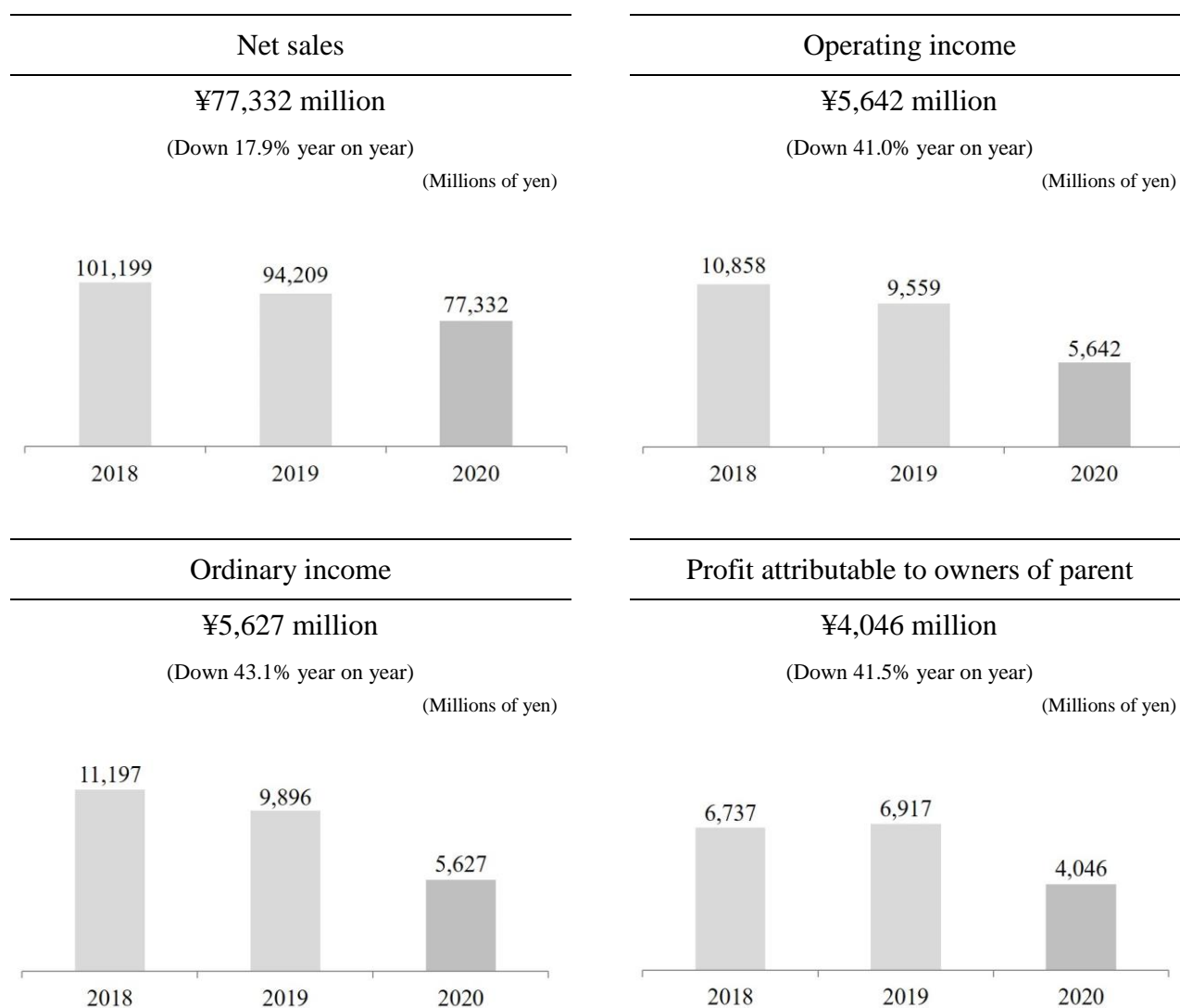
During the fiscal year under review, the worldwide proliferation of the COVID-19 pandemic caused the state of the Japanese economy to deteriorate as companies postponed capital investment, individuals refrained from consumer activities, and exports and industrial production decreased. Moreover, the Company encountered extremely challenging circumstances amid decreasing production and sales of automobiles, etc., in addition to sharply decreasing crude oil prices due to a breakdown in OPEC Plus talks on the prospect of coordinated output cuts associated largely with concerns of waning demand for petroleum products. Since May, economic activity has resumed in Japan and there has been a rebound in exports to China, industrial production centered on automobiles, and personal spending, which has been boosted in part by government measures such as income support. However, although there have been hopes that the worldwide economy will mount a full-fledged recovery as some nations at year-end began administering vaccines that hold promise of preventing transmission of COVID-19, the spread of infection continued to extend unabated.

Under these circumstances, the Group has managed to sustain its business activities at its plant and other operations without disruption, upon having established a task force at the Company to prevent the spread of COVID-19 while also implementing exhaustive infection control measures that include drawing up behavior guidelines for the Company to protect its employees from infection. The Group has furthermore been taking steps to secure earnings. This has involved ensuring production and appropriate inventory aligned with demand by reinforcing coordination with suppliers regarding raw material procurement, while also placing focus on assessing and analyzing demand outlook amid uncertainty when it comes to market trends. This has also involved implementing policies on pricing appropriately geared to crude oil and naphtha price volatility and the balance of product supply and demand. We have also been cutting and otherwise curtailing costs by reviewing expenditures using a zero-based budgeting approach carried out from the perspective of achieving cost-effectiveness.

Moreover, through initiatives pursued under the basic strategies of its 3rd Medium-Term Business Plan, the Group has made steady progress in carrying out various measures. This has involved operating new facilities for refrigeration lubricant raw materials and next generation semiconductor materials, continuing efforts to introduce plant control systems utilizing the latest technologies, engaging in activities for creating new businesses enlisting the KH i-lab open innovation hub established in 2019, and clarifying performance accountability at the managerial level as part of the personnel system reform. The Group has also taken steps to strengthen governance by increasing the number of Independent Outside Directors and drawing up a new Compliance Code as principles of corporate behavior for the entire Group.

In the Group's results for the fiscal year under review, sales volume experienced a large decline compared to the previous fiscal year due to decreased demand in Japan and overseas caused by the spread of COVID-19. Sales prices remained weak due to a sharp drop in the price of crude oil and naphtha and weak demand. Sales volume and profit were strong for electronic materials due to strong telework-related demand, but challenging conditions continued due to the large decline in demand for performance materials. The Group also incurred an increase in fixed manufacturing costs, such as repair expenses associated with large-scale periodic maintenance. As a result, both revenue and profits decreased, with the Group having posted net sales of ¥77,332 million (down 17.9% year on year), Operating income of ¥5,642 million (down 41.0% year on year), Ordinary income of ¥5,627 million (down 43.1% year on year), and profit attributable to owners of parent of ¥4,046 million (down 41.5% year on year).

Note: For the amounts shown in this business report, figures less than one unit of display are rounded down.



(ii) Capital investments

Total capital investments for the Group in the fiscal year under review were ¥5,781 million, and were mainly focused on expanding production facilities at the Yokkaichi Plant for refrigeration lubricant law materials.

(iii) Financing

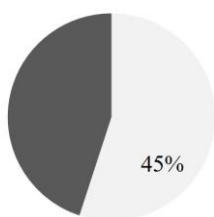
The Group raises funds through loans from financial institutions and issuance of straight bonds.

Results by business field

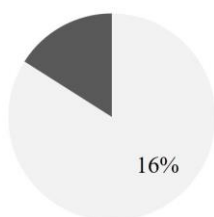
The Group is primarily engaged in the development, manufacture and sale of petrochemical products. As the business of the Group consists of a single segment, the chemical business, segment information is not provided. Furthermore, the overview of details of business and main products are current as of December 31, 2020.

Basic Chemicals

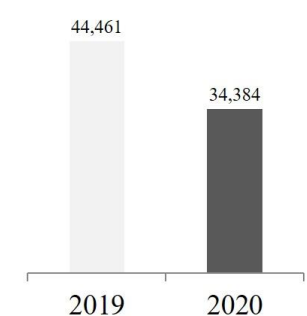
Basic Chemicals
proportion of total net
sales



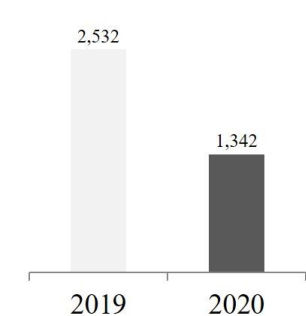
Basic Chemicals
proportion of total
Operating income



Net sales



Operating income



Overview of details of business

These products are manufactured utilizing the Company's core technology, and are sold for use in various applications such as paint, ink, and plasticizer in industrial fields that include automotive, electrical, and housing.

Main products

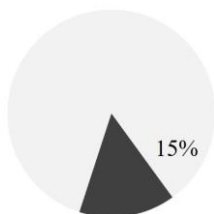
Butyl alcohol
2-ethyl hexyl alcohol
Isononyl alcohol (INA)
Butyl acetate

Key points of results

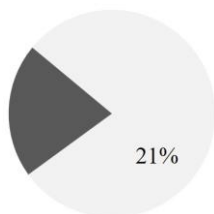
Challenging conditions continued in the second quarter as domestic demand fell in a broad range of fields due to the spread of COVID-19. On the other hand, demand has been mounting a moderate recovery particularly in the automotive-related field since the third quarter. As a result of the overall situation, sales volume, net sales and profits declined year on year, with net sales totaling ¥34,384 million (down 22.7% year on year) and Operating income amounting to ¥1,342 million (down 47.0% year on year).

Electronic Materials

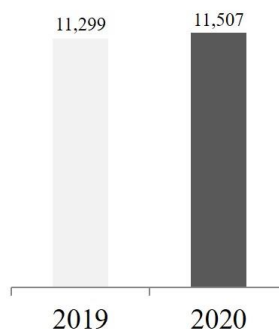
Electronic Materials
proportion of total net
sales



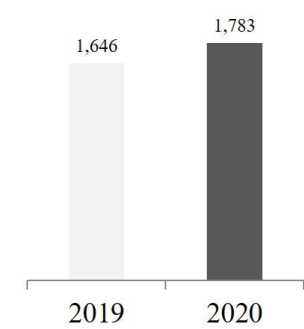
Electronic Materials
proportion of total
Operating income



Net sales



Operating income



Overview of details of business

This section is a fusion between the Company's high-purity technology and its quality control technology, and sells high-purity solvents, etc. for use in production processes for semiconductor and LCD substrates.

Main products

Propylene glycol monomethyl ether-P (PM-P)

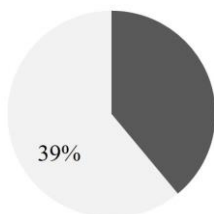
Propylene glycol monomethyl ether acetate-P (PMA-P)

Key points of results

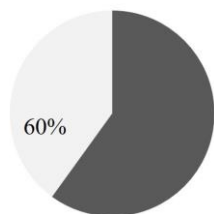
Sales of high purity solvents were up year on year amid strong demand for semiconductors and displays due to trends such as the expansion of teleworking in Japan and overseas and the shift to 5G. As a result, sales volume, net sales and profits increased year on year, with net sales totaling ¥11,507 million (up 1.8% year on year) and Operating income amounting to ¥1,783 million (up 8.3% year on year).

Performance Materials

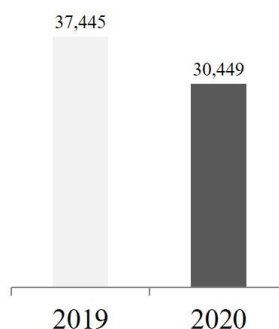
Performance Materials
proportion of total net
sales



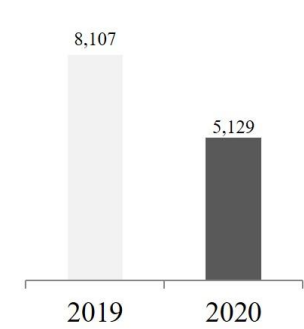
Performance Materials
proportion of total
Operating income



Net sales



Operating income



Overview of details of business

This business field was developed from the synthesis technology cultivated in the Basic Chemicals field, and sells refrigeration lubricant raw materials for air conditioners and refrigerators etc., cosmetic raw materials and so on.

Main products

Isononanoic acid

Tridecanol (tridecyl alcohol)

Diacetone acrylamide (DAAM)

2-ethyl hexanoic acid

1,3-butylene glycol

Key points of results

Demand for refrigeration lubricant raw materials for air conditioners fell sharply in the second quarter due to the spread of COVID-19. It continued to languish until the third quarter partially due to inventory adjustments across supply chains. Meanwhile, demand for cosmetic raw materials remained sluggish amid a downturn in cosmetic sales as a result of people refraining from going out. As a result, sales volume, net sales and profits declined year on year, with net sales totaling ¥30,449 million (down 18.7% year on year) and Operating income amounting to ¥5,129 million (down 36.7% year on year).

Others

Key points of results

In the Other field, net sales was ¥990 million (down 1.2% year on year) and Operating income was ¥216 million (down 31.5% year on year).

Note: When calculating “Operating income” in results by business field, administrative expenses, etc., which are common to the entire company, are not allocated.

(2) Trends in operating results and assets

Item	8th Fiscal Year (Year ended December 31, 2017)	9th Fiscal Year (Year ended December 31, 2018)	10th Fiscal Year (Year ended December 31, 2019)	11th Fiscal Year (Current fiscal year) (Year ended December 31, 2020)
Net sales (Millions of yen)	94,661	101,199	94,209	77,332
Ordinary income (Millions of yen)	11,906	11,197	9,896	5,627
Profit attributable to owners of parent (Millions of yen)	8,167	6,737	6,917	4,046
Basic earnings per share (Yen)	222.12	182.77	187.09	109.12
Total assets (Millions of yen)	95,247	94,035	102,261	95,508
Net assets (Millions of yen)	34,512	38,304	43,522	45,884

Notes: The Group has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting and relevant guidance from the beginning of the 10th fiscal year (fiscal year ended December 31, 2019), and the amount of total assets for the 9th fiscal year (year ended December 31, 2018) represents the amount after the retrospective application of this accounting standard and relevant guidance.

(3) Major parent company and subsidiaries

(i) Parent company

There is no relevant information.

(ii) Major subsidiaries

Company name	Capital	The Company's voting rights ratio	Principal business
Kurogane Kasei Co., Ltd.	¥90 million	70.6%	Manufacture, contracted manufacture and sale of organic synthesis intermediates
Kurogane Fines Inc.	¥10 million	65.0% (55.0%)	Sale of products including raw materials for health foods and pharmaceuticals, and industrial chemical products
KH Neochem Americas, Inc.	US\$870 thousand	100.0%	Import, export and sale of chemicals

Notes:

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

(4) Issues to be addressed

We expect the future of the economy to remain unclear overall due to the global spread of COVID-19. We are currently advancing the three-year Medium-Term Business Plan whose final year is 2021, but the business environment is completely different from that envisioned when the plan was formulated. As such, in 2021, we plan to maintain our medium- to long-term direction that includes limiting global warming, providing specialty chemical materials that contribute to abundant lifestyles, and business expansion in strategic domains (environment, healthcare, electronics), while taking a flexible approach to specific policies. Furthermore, to capture the global trend of preventing global warming, we are enhancing our initiatives to cut greenhouse gas emissions and advancing management with a greater awareness of ESG (environment, social, governance).

Initiatives for 2021

We will work to further increase the operating rate of new facilities for refrigeration lubricant raw materials for environmentally conscious air conditioners which began stable operations in the first half of 2020, and steadily capture growing demand. Furthermore, by taking advantage of the new facilities for next-generation semiconductor materials which began real operations at our Group company Kurogane Kasei Co., Ltd. in the second half of the year, we aim to expand earnings by reliably responding to the increasing technological demands of our customers. We will also ensure and enhance profitability management through a review of appropriate sale prices. To make our business platform even stronger, we are steadily implementing strategic maintenance to prevent trouble at our facilities. Also, for our facility control system that we are proactively introducing, we will prioritize introduction in facilities for which we expect strong productivity improvements and cost reductions. Regarding investment in the expansion of our Performance Materials business, we will make careful and appropriate decisions by reevaluating demand forecasts and properly gauging investment timing. At KH i-Lab, our open innovation center, we plan to establish an “Open Lab” for joint testing with external companies and universities, and to carry out concrete evaluations aimed at creating new businesses in the near term.

As part of our efforts to earn even greater trust from our stakeholders, we will move forward with the creation of an integrated report. Not limited to financial information, we will also ensure the thorough disclosure of non-financial information from the standpoint of ESG and the Sustainable Development Goals (SDGs). Furthermore, as part of the “Compliance Code” established in 2020, by promoting stronger governance, we will realize highly sound and transparent Group management and work to maximize corporate value.

In addition to steadily advancing the above initiatives, we will formulate a new Medium-Term Management Plan commencing from 2022, that will capture the management environment and social issues that surround the Group from a medium- to long-term, from a diverse standpoint. Specifically, by advancing discussions on various management issues such as our growth strategy including expanding environmentally conscious products, the use of digital technology, and human resources and engagement, we will create a path toward sustainable corporate growth.

Measures against the novel coronavirus (COVID-19) infection

The Company is working to prevent the spread of COVID-19 by formulating and implementing various measures including establishing a “COVID-19 Response Office” to collect information on the disease and establishing our “Action Guidelines.” We will continue to implement policies thoroughly to prevent the spread of COVID-19, to focus on the effects of COVID-19 on the Group, to increase our risk sensitivity, and to carry out business operations that respond to changes in the management environment.

The Group continues to aim to be “A Leading Global Specialty Chemical Company” set forth in VISION 2030 by continuing our efforts to resolve social issues, including global environmental issues, and contributing to a better quality of people’s lives. We ask all our shareholders for your continued support.

(5) Principal offices, plants, etc. (As of December 31, 2020)

(i) The Company

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

(ii) Subsidiaries

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

(6) Employees (As of December 31, 2020)

Employees of the corporate group

Number of employees (Year-on-year change)	Average age	Average years of service
829 (Increase of 21)	39.3	15.3 years

Notes:

1. The number of employees includes employees on secondment from outside of the corporate group but does not include employees on secondment to outside of the corporate group.
2. The number of temporary employees such as part-time employees is not included.

(7) Principal lenders (As of December 31, 2020)

(Millions of yen)

Lender	Balance of borrowing
Mizuho Bank, Ltd.	5,225
Mizuho Trust & Banking Co., Ltd.	4,725
Sumitomo Mitsui Trust Bank, Limited	2,710
Resona Bank, Limited	2,210

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

There is no relevant information.

2. Current Status of the Company

(1) Shares (As of December 31, 2020)

- (i) Total number of shares authorized to be issued 136,200,000 shares
- (ii) Total number of issued shares 37,149,400 shares (including 379 treasury shares)
Note: Due to the exercise of stock options during the current fiscal year, the total number of issued shares increased by 120,000 shares.
- (iii) Number of shareholders 4,774
- (iv) Major shareholders

Name of shareholders	Number of shares held	Holding ratio (%)
Custody Bank of Japan, Ltd. (Trust account)	3,405,300	9.17
The Master Trust Bank of Japan, Ltd. (Trust account)	3,370,400	9.07
THE CHASE MANHATTAN BANK 385036	2,019,964	5.44
Tosoh Corporation	1,852,000	4.99
TAIYO FUND, L.P.	1,515,300	4.08
STATE STREET BANK AND TRUST COMPANY 505103	1,093,980	2.94
Custody Bank of Japan, Ltd. (Trust account 9)	1,018,100	2.74
NORTHERN TRUST CO.(AVFC) RE UKDU UCITS CLIENTS NON LENDING 10 PCT TREATY ACCOUNT	967,800	2.61
STATE STREET BANK AND TRUST COMPANY 505227	947,500	2.55
TAIYO HANEI FUND, L.P.	870,900	2.34

Notes:

1. Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. on July 27, 2020 and changed its trade name to Custody Bank of Japan, Ltd.
2. The holding ratio is calculated based on the number of shares issued, from which treasury shares have been subtracted, and with fractions less than one unit of display rounded to the nearest unit.

(2) Share acquisition rights, etc.

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

(3) Directors and Audit & Supervisory Board Members

(i) Directors and Audit & Supervisory Board Members (As of December 31, 2020)

Position in the Company	Name	Responsibility in the Company and significant concurrent positions outside the Company
President and Representative Director, President and Chief Corporate Officer	Michio Takahashi	
Board Director and Senior Corporate Officer	Toshihiro Matsuoka	General Manager of Production & Technology Office
Board Director and Senior Corporate Officer	Tatsuro Niiya	General Manager of Business Headquarters Office
Board Director and Senior Corporate Officer	Masaya Hamamoto	In charge of Corporate Functions (Accounting and Risk Management)
Director and Corporate Officer	Yukihiro Isogai	General Manager of R&D Office and Head of Innovation Strategies Office
Outside Director (Independent Director)	Sayoko Miyairi	Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation
Outside Director (Independent Director)	Jun Tsuchiya	CEO of Tsuchiya International Consulting Corp Outside Director of Soken Chemical & Engineering Co., Ltd.
Outside Director (Independent Director)	Yuji Kikuchi	Partner and attorney at law of Tokyo Hatchobori Law Office Outside Corporate Auditor of NEC Networks & System Integration Corporation
Full-time Audit & Supervisory Board Member	Tokuo Oodo	
Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Kazuhiro Kawai	Outside Corporate Auditor of Kiraboshi Bank, Ltd. Corporate Auditor of Japan Management Systems, Inc.
Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Keiko Tamura	Partner attorney at law of Asahi Law Offices Outside Director (Audit and Supervisory Committee Member) of ODELIC CO., LTD. Outside Audit & Supervisory Board Member of The Norinchukin Trust & Banking Co., Ltd.

Notes:

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

3. Changes of Directors and Audit & Supervisory Board Members at the 10th Ordinary General Meeting of Shareholders held on March 26, 2020 were as follows.

Type of change	Position in the Company	Name
Assumption of office	Director	Masaya Hamamoto
Assumption of office	Outside Director (Independent Director)	Jun Tsuchiya
Assumption of office	Outside Director (Independent Director)	Yuji Kikuchi
Assumption of office	Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Kazuhiro Kawai
Assumption of office	Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Keiko Tamura
Retirement	Managing Director	Kenichi Hirai
Retirement	Outside Director (Independent Director)	Manabu Fujise
Retirement	Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Atsuo Inagaki
Retirement	Outside Audit & Supervisory Board Member (Independent Audit & Supervisory Board Member)	Kenji Ito

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

Name	Before changes	After changes	Date of changes
Michio Takahashi	Representative Director, President and Chief Executive Officer	Representative Director President & Chief Executive Officer	March 26, 2020
Toshihiro Matsuoka	Managing Director and Corporate Officer General Manager of Production & Technology Office	Director Senior Corporate Officer General Manager of Production & Technology Office	March 26, 2020
Tatsuro Niiya	Managing Director and Corporate Officer General Manager of Business Headquarters Office	Director Senior Corporate Officer General Manager of Business Headquarters Office	March 26, 2020
Masaya Hamamoto	Senior Corporate Officer In charge of Corporate Functions	Director Senior Corporate Officer In charge of Corporate Functions (Accounting and Risk Management)	March 26, 2020
Sayoko Miyairi	Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts Partner of Scholar Consult Co., Ltd.	Professor of Kaichi International University, The Faculty of International Liberal Arts, Department of International Liberal Arts Partner of Scholar Consult Co., Ltd. Outside Director of Toyo Engineering Corporation	August 1, 2020

5. Messrs. Tokuo Oodo, Kazuhiro Kawai, and Ms. Keiko Tamura possess considerable knowledge of finance and accounting as Audit & Supervisory Board Members of the Company as described below.
- (i) Mr. Tokuo Oodo had been serving in the Accounting Division of the Company for many years, and has experience of accounting and financial operations.
 - (ii) Mr. Kazuhiro Kawai has many years of work experience and experience as an audit & supervisory board member mainly at financial institutions.
 - (iii) Ms. Keiko Tamura possesses broad expertise in the financial field and corporate legal affairs as an attorney at law, and experience as an audit & supervisory board member mainly at financial institutions.

6. Overview of content of limited liability agreement

Under Article 427, paragraph (1) of the Companies Act and the provisions of the Company's Articles of Incorporation, the Company has entered into agreements with three Outside Directors and three Audit & Supervisory Board Members to limit their liability for damages as provided for in Article 423, paragraph (1) of the Companies Act.

The maximum amount of liability for damages under the said agreement shall be the amount stipulated by laws and regulations.

7. Overview of Directors and Officers liability insurance

The Company has concluded Directors and Officers liability insurance agreements that covers all Directors, Audit & Supervisory Board Members and others (including those of subsidiaries) as the insured persons.

The Company bears the premiums for the said insurance, and the insured Directors, Audit & Supervisory Board Members and others (including those of subsidiaries) do not bear them. The insurance covers legally required compensation for damages and lawsuit costs.

8. The Company has submitted notification to Tokyo Stock Exchange, Inc. that Ms. Sayoko Miyairi, Messrs. Jun Tsuchiya, Yuji Kikuchi, Kazuhiro Kawai and Ms. Keiko Tamura have been designated as Independent Directors and Audit & Supervisory Board Members as provided for by the aforementioned stock exchange.

(Reference) Expertise and experience of Directors and Audit & Supervisory Board Members (Skill matrix)

	Name	Corporate management	Industry insight	Manufacturing /R&D /innovation	Finance /accounting	Sales /marketing	Governance /compliance /risk management	Human resource development /diversity
Director	Michio Takahashi	✓	✓		✓	✓	✓	
	Toshihiro Matsuoka	✓	✓	✓				
	Tatsuro Niiya	✓	✓			✓		
	Masaya Hamamoto	✓			✓		✓	
	Yukihiro Isogai	✓	✓	✓				
	Sayoko Miyairi	✓						✓
	Jun Tsuchiya	✓	✓	✓		✓		
	Yuji Kikuchi						✓	
Audit & Supervisory Board Member	Tokuo Oodo				✓		✓	
	Kazuhiro Kawai	✓			✓		✓	
	Keiko Tamura						✓	

(Reference) Corporate Officers (As of December 31, 2020)

Position in the Company	Name	Responsibility in the Company
Corporate Officer	Seiji Saito	Deputy General Manager of Production & Technology Office
Corporate Officer	Toshiaki Ogata	Seconded to Kurogane Kasei Co., Ltd. (President & Chief Executive Officer)
Corporate Officer	Akio Nakahashi	General Manager of Chiba Plant
Corporate Officer	Yoshiaki Kondo	General Manager of Yokkaichi Plant
Corporate Officer	Hideki Shimizu	In charge of Corporate Functions (Strategic Planning and Purchasing)
Corporate Officer	Isao Takahashi	In charge of Corporate Functions (HR, Legal, General Affairs, and IT) General Manager of Corporate Administration Division
Corporate Officer	Akira Kamimura	In charge of Corporate Functions (Finance, Public Relations, and Investor Relations) General Manager of Finance Division

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

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

	Number of Directors and Audit & Supervisory Board Members	Total amount of remuneration, etc. by type (Millions of yen)			Total amount of remuneration, etc. (Millions of yen)
		Monetary remuneration		Share-based remuneration	
		Fixed remuneration	Performance-linked remuneration	Performance-linked remuneration	
Director	10	109	37	9	156
(of which, Outside Director)	(4)	(21)	(-)	(-)	(21)
Audit & Supervisory Board Member	5	33	-	-	33
(of which, Outside Audit & Supervisory Board Member)	(4)	(13)	(-)	(-)	(13)
Total	15	143	37	9	190
(of which, Outside Director and Outside Audit & Supervisory Board Member)	(8)	(35)	(-)	(-)	(35)

Notes

- Remunerations, etc. for Directors do not include the employee salaries paid to the Directors who concurrently serve as employees.
- The share-based remuneration shows the amount recorded as expenses during the fiscal year under review in accordance with the Board Benefit Trust (BBT) performance-linked share-based remuneration plan, which was introduced by resolution at the 8th Ordinary General Meeting of Shareholders held on March 27, 2018.

a. Matters concerning performance-linked remuneration, etc.

• Performance indicators and reasons for their section

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

- Method for calculating performance-based remuneration amounts and, quantitative values.

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

For share-based remuneration as performance-based remuneration, based on a resolution at the 8th Ordinary General Meeting of Shareholder held on March 27, 2018, the Company introduced a Board Benefit Trust (“BBB”) as our performance-based share remuneration system. The purpose of this Plan is to further increase the linkage with corporate performance, and clarify the linkage between remuneration for Directors and the stock value of the Company at the same time, having the Directors share with our shareholders not only the merits of the increase in the stock price, but also the risk of the decrease in the stock price, thereby increasing awareness of the Directors to contribute to the medium- to long-term improvement in the business performance and to the enhancement of corporate value. Under the Plan, upon retirement those eligible receive payment of remuneration, etc. equivalent to points they have accumulated under the Plan. Calculated using the percentage of progress made toward achieving the yearly budget with respect to consolidated EBITDA, points are granted every March on the condition that the Company has generated a positive consolidated Operating income. As for payment, the Company provides the Company’s shares on a “one point per one share” basis with respect to 70% of points accumulated, and pays a monetary amount calculated by multiplying the market value of the shares on the date of retirement with respect to 30% of the points accumulated.

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

- Results in relation to the performance indicators

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

	5th Fiscal Year– 9th Fiscal Year average value (Year ended December 31, 2014 to Year ended December 31, 2018)	10th Fiscal Year (Year ended December 31, 2019)	11th Fiscal Year (fiscal year under review) (Year ended December 31, 2020)
Consolidated EBITDA (Millions of yen)	11,783	12,890	9,514

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

The performance-linked share-based remuneration plan introduced by the Company has been described under the heading “method for calculating performance-based remuneration amounts and quantitative values.” The total number of the points above to be granted to the Directors (excluding Outside Directors) as remuneration, etc. for the fiscal year under review is 4,786. Furthermore, in the fiscal year under review, the Company granted 1,200 of the Company’s shares to one Director who retired in March 2020.

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

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

Eligible persons	Type of remuneration, etc.	Maximum amount	Resolution at the General Meeting of Shareholders	No. of eligible persons upon conclusion of meeting
Directors (including Outside Directors)	Monetary remuneration	¥200 million per year (not including the employee of salaries of Directors who concurrently serve as employees)	Extraordinary General Meeting of Shareholders on March 31, 2011	8
Director (excluding Outside Director)	Share-based remuneration	Contribute monies to the trust, up to ¥110 million every three fiscal years	8th Ordinary General Meeting of Shareholders held on March 27, 2018	5
Audit & Supervisory Board Member	Monetary remuneration	¥50 million per year	Extraordinary General Meeting of Shareholders on March 31, 2011	3

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

- Method of determining policy for decisions

The Company's Board of Directors is to consult with the Company's voluntary Nomination and Remuneration Committee, which has consisted of all Outside Directors and the Representative Director, President & Chief Executive Officer since fiscal 2019, requesting the Committee to prepare a draft for review of remuneration, etc. of the Company's Directors. Accordingly, The Board of Directors adopted a resolution on policy regarding making decisions on remuneration, etc. for individual Directors (hereinafter referred to as the "Decision-making Policy") at its meeting held on January 27, 2021, in view of the reports received from the Nomination and Remuneration Committee.

- Overview of the Decision-making Policy

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

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

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

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

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

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

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

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

f. Matters concerning third-party delegation

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

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

When it comes to making decisions on remuneration, etc. for individual Directors, the Nomination and Remuneration Committee comprehensively examines the draft thereof, including its consistency with the Decision-

making Policy, and the Board of Directors respects the report from the Committee and deems the decisions align with the Decision-making Policy.

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

The Representative Director, President & Chief Executive Officer has made decisions on monetary remuneration for Directors during the current year under review, per resolution on delegating to the Representative Director, President & Chief Executive Officer Michio Takahashi the task of making specific decisions regarding individual remuneration, etc. for Directors, approved at the Board of Directors meeting held on March 26, 2020.

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

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

Major activities during the current fiscal year

Name	Position	Attendance	Status of main statements made
Sayoko Miyairi	Outside Director	Board of Directors meetings: 16 of 16 meetings	Provided opinions and recommendations on human resource development and improving employee engagement.
Jun Tsuchiya	Outside Director	Board of Directors meetings: 13 of 13 meetings	Provided opinions and recommendations on the Company's overall business, particularly in relation to the electronics materials field.
Yuji Kikuchi	Outside Director	Board of Directors meetings: 13 of 13 meetings	Provided opinions and recommendations on strengthening governance based on his expertise as an attorney at law.
Kazuhiro Kawai	Outside Audit & Supervisory Board Member	Board of Directors meetings: 13 of 13 meetings Audit & Supervisory Board meetings: 10 of 10 meetings	Provided opinions based on his many years of business experience at financial institutions, etc. his experience as an audit & supervisory board member and his broad insight.
Keiko Tamura	Outside Audit & Supervisory Board Member	Board of Directors meetings: 13 of 13 meetings Audit & Supervisory Board meetings: 10 of 10 meetings	Provided opinions based on her expertise as an attorney at law and experience and broad insight as an audit & supervisory board member.

Note: Outside Directors Messers. Jun Tsuchiya and Yuji Kikuchi, and Outside Audit & Supervisory Board Members Messers. Kazuhiro Kawai and Ms. Keiko Tamura were newly elected at the 10th Ordinary General Meeting of Shareholders held on March 26, 2020, and as such the numbers shown for attendance indicate their attendance to the Board of Directors meetings and the Audit & Supervisory Board meetings that were held after their assumption of office.

(4) Accounting Auditor

(i) Name Deloitte Touche Tohmatsu LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc.
Amount of remuneration, etc. to Accounting Auditor for the current fiscal year	¥35 million
Total amount of money and other financial interests to be paid by the Company and its subsidiaries	¥35 million

Notes:

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

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

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

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

3. System to Ensure Appropriateness of Operations and Operational Status of Said System

The Company, pursuant to the Companies Act and the Regulation for Enforcement of the Companies Act, has established, by a resolution of the Board of Directors, its policy regarding the establishment of a system to ensure the appropriateness of operations (so-called “internal control system”).

A summary of the content and operational status of said system is as follows.

- (1) System to ensure that the Directors and employees perform their duties in conformance with relevant laws and regulations and the Articles of Incorporation
 - (i) Believing compliance with laws and regulations and the Articles of Incorporation to be fundamental to management, the Company shall strive for thorough compliance in all business activities and implements programs including corporate ethics education and compliance awareness activities.
 - (ii) The Company shall strive to prevent acts in violation of laws, regulations and internal rules in advance by establishing a whistleblowing system and an audit body.

[Operational Status]

- We consider compliance to be the foundation of all our positions and actions in our corporate activities. We have established and released a “Compliance Code” as shared principles of action for the Group and are building a system to ensure compliance that includes our subsidiaries.
 - We strive to ensure compliance by establishing various compliance “Policies” offering greater clarity to supplement the “Compliance Code,” and shall implement such principles of corporate behavior.
 - We have assigned an Officer in charge of compliance to the task of promptly addressing instances of non-compliance with a certain degree of independence.
 - We discuss Company-wide compliance issues and measures for improvement twice a year in our Compliance Committee, whose membership includes Corporate Officers and General Managers. We furthermore strive to educate and enlighten employees by embracing such initiatives at the workplace level.
 - To ensure awareness among our employees of relevant laws and regulations and internal and external rules, etc., in addition to various types of training, we established Compliance Week as a period to strengthen compliance and focus on implementing policies, working to increase awareness of compliance.
 - In order to raise awareness of compliance issues, we have prescribed a “5C Credo,” and distributed “Credo Cards” (including compliance cards) to both Officers and employees, in order to ensure that it is widely known.
 - Internal controls related to financial reporting are evaluated, and reports confirming their effectiveness were submitted.
 - We have established various hotlines including external hotlines as a whistleblowing system, and in addition to preventing problems before they occur, we take a strict response to violations and make improvements as necessary. In addition, we have made the existence of the whistleblowing system widely known through providing various types of training, displaying information on posters and the intranet, and other means.
 - The Audit Department draws up the audit plan from an independent viewpoint, and performs internal audits based on that plan. Moreover, we work to maintain and operate an effective internal audit system, such as by establishing a cycle whereby each department must submit an improvements report promptly in response to issues raised by the Audit Department.
- (2) System concerning preservation and management of information relating to execution of duties by Directors

In regard to the preservation and management of information relating to execution of duties by Directors, the Company shall clarify the information that is to be managed and the management organization, and shall carry out appropriate preservation and management in accordance with the provisions of regulations, etc.

[Operational Status]

- Information related to the execution of duties is preserved and managed appropriately, based on various regulations such as the “Information Security Policy,” “Information Security Management Rules” and “Personal Information Handling Rules.”

- We discuss Company-wide measures for improvement of information security once a year in our Information Security Committee, whose membership includes Corporate Officers and General Managers. We furthermore strive to educate and enlighten employees by embracing such initiatives at the workplace level.
- Regarding material non-public information, in our “Insider Trading Prevention Rules,” we have established a code of conduct for the control system of that information and for the trading of shares by officers and employees. In addition to properly handling information, we will take a strict response in the event of violations.

(3) Rules and other systems for managing risk of loss

- (i) In regard to the management of risk of loss, the Board of Directors shall identify and assess the overall potential business risks of the Company.
- (ii) Each department shall identify, analyze, assess and respond to the risks that it is with jurisdiction.

[Operational Status]

- For pension assets, we, as an asset owner, have monitored stewardship activities of organizations entrusted with asset management.
- For the cross-shareholding of listed shares, the division in charge of trading and the division in charge of finance make reports to the Board of Directors based not only on an evaluation of financial and compliance conditions, but also based on a comparison of capital costs from a quantitative perspective and the benefits of continued holding as well as ownership history from a qualitative perspective, and the Board of Directors discusses and evaluates the report twice yearly.
- We have established “Risk Management Rules” and collect, analyze, and evaluate risks associated with the operations of each division, updating our risk register annually. In addition, we work to reduce risks and prevent the materialization of such risks by taking appropriate measures.
- Departments with jurisdiction for risks for the Company conduct monitoring of the risks listed in the risk register, and report risks that exceed a certain level to the Board of Directors once a year.
- In order to minimize damage and strive for business continuity and recovery in the event of an emergency situation, we have set basic policies for business continuity management (BCM), and each business place has put in place a business continuity plan (BCP) based on these policies.
- In the current fiscal year, to respond to the spread of COVID-19, we established the COVID-19 Response Office composed of relevant divisions managed by Directors, and in addition to enacting appropriate policies to combat spread and ensuring business continuity, the office reports to the Board of Directors regarding the status of the Company as needed. We also confirmed the effects of COVID-19 on our business and implemented the necessary policies at meetings of the Board of Directors.

(4) System to ensure the efficient execution of Directors’ duties

- (i) The Company shall set business goals with clear assignment of authority of duties and implements various measures to ensure that the Directors efficiently execute their duties.
- (ii) The Company shall regularly carry out reviews on their progress status and results.

[Operational Status]

- Having established VISION 2030 and the Medium-Term Business Plan, we implement various measures and have the Board of Directors monitor execution of duties performed by Directors in relation to such measures.
- The yearly budget and progress of measures are reported and considered from multiple angles at the Board of Directors meetings held every month in principle, and any necessary measures are adopted.
- Resolutions and authority of the Board of Directors are determined through “Board of Directors Rules,” “Management Meeting Rules” and “Rules on Request for Decisions” etc., and operations are conducted in accordance with these rules. Furthermore, in the fiscal year under review, to streamline the duties of Directors, we reviewed the authority of the Board of Directors and amended our “Rules on Request for Decisions.”
- In order to improve the effectiveness of the Board of Directors, the Members of the Board conduct analysis, discussion and evaluation using a third-party organization, and specific measures for improvement undertaken.

- (5) System to ensure the appropriateness of operations by the corporate group comprised of the Company and its subsidiaries

To ensure the appropriateness of business operations in the corporate group, the Company shall formulate internal rules for the management of subsidiaries and associates, and shall set forth in regulations the responsibilities and authority of business execution. In addition, auditing shall be conducted by the Internal Audit Department.

[Operational Status]

- “Subsidiary and Associate Management Rules” have been drawn up, the role of the departments with jurisdiction over subsidiaries has been clarified, and we work to achieve a suitable understanding of the management situation through reporting in a timely manner from subsidiaries.
- Rules for important subsidiaries are maintained and revised as necessary in accordance with the enactment and revision of laws and regulations.
- Through our Compliance Committee and monthly subsidiary reports, we share information on compliance violations among group companies, discuss improvement measures, and respond appropriately.
- The Company cooperates with key subsidiaries to hold compliance workshops to increase awareness of compliance.
- Appropriate management and administration of the corporate group is promoted by the dispatch or secondment of executives or employees to important subsidiaries as officers, in roles such as President & Chief Executive Officer, to facilitate the provision of suitable guidance and supervision, in addition to which the Audit Department conducts internal audits.

- (6) System regarding employees to assist duties of Audit & Supervisory Board Members when the Audit & Supervisory Board Members request to assign such employees, and matters regarding the independence of such employees from the Directors

When the Audit & Supervisory Board Members require support personnel to fulfill their duties, a small number of employees of the Company shall be assigned to perform a role of supporting the Audit & Supervisory Board Members’ duties. If such personnel are required, the individual who directs and supervises those personnel’s performance of duties shall be the relevant Audit & Supervisory Board Member and not a Director.

[Operational Status]

- In the event of a request from an Audit & Supervisory Board Member to assign employees to assist with their duties, the request shall be complied with promptly.

- (7) System that enables Directors and employees of the Company and its subsidiaries to report to Audit & Supervisory Board Members, and other systems related to reporting to Audit & Supervisory Board Members

The Directors and employees of the Company and its subsidiaries shall carry out the necessary reporting and information provision as requested by the Audit & Supervisory Board Members. In particular, they shall report to the Audit & Supervisory Board Members without delay about any discovery of actions that violate laws and regulations or the Articles of Incorporation, facts with the potential to cause significant loss to the Company, or the risk of the aforementioned occurring.

[Operational Status]

- Information on agenda items and on matters to be reported at the Board of Directors meetings is provided and explained to Audit & Supervisory Board Members beforehand.
- Full-time Audit & Supervisory Board Members attend the Compliance Committee and the Information Security Committee.
- Directors and employees of the Company and its subsidiaries collect information of subsidiaries over which they have jurisdiction and provide appropriate and necessary information to the Full-time Audit & Supervisory Board Members.
- Full-time Audit & Supervisory Board Members appropriately share necessary information with Outside Audit & Supervisory Board Members.

- (8) System to ensure that persons reporting to Audit & Supervisory Board Members, as outlined above in (7), are not subject to disadvantageous treatment due to having reported

Regarding the reports given to the Audit & Supervisory Board Members from Directors and employees of the Company and its subsidiaries, the Company shall keep the details of the reports as confidential information in accordance with laws and regulations, and shall prohibit any disadvantageous treatment of persons making such reports.

[Operational Status]

- A “Full-time Auditor hotline” has been established as a whistleblowing system. Also, in addition to making it and other contact points known, the Company is working on a thorough policy whereby confidentiality will be strictly maintained and that unfair treatment will be forbidden during the course of responses to whistleblowing.

- (9) Matters regarding the policy for handling expenses and debts incurred by the execution of duties by Audit & Supervisory Board Members

Regarding expenses that the Audit & Supervisory Board Members recognize as necessary for the execution of their duties, when payment in advance or reimbursements or the like are requested, the Company shall swiftly handle the relevant expenses or debts.

[Operational Status]

- When an Audit & Supervisory Board Member requests payment in advance or reimbursement or the like, the Company swiftly handles the relevant expenses or debts.

- (10) Other systems to ensure effective auditing by Audit & Supervisory Board Members

- (i) To ensure that the auditing of Audit & Supervisory Board Members is conducted effectively, Audit & Supervisory Board Members may conduct audits jointly with internal audit organizations, etc.
- (ii) Directors and employees shall provide Audit & Supervisory Board Members with information as necessary to comply with requests from Audit & Supervisory Board Members.

[Operational Status]

- Audit & Supervisory Board Members and the Audit Department hold a communications meeting every month, with information provided on such matters as audit activity plans and retrospective analysis of audit activity. In addition, in order to achieve more effective audits, Audit & Supervisory Board Members, as necessary, cooperate with the Audit Department and the Accounting Division to conduct audits.
- Reports on the result of internal audit were submitted by the Audit Department to Audit & Supervisory Board Members.
- Directors and employees shall, in response to requests from Audit & Supervisory Board Members, work to provide appropriate and necessary information.

Consolidated balance sheet
(As of December 31, 2020)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets	43,938	Current liabilities	35,206
Cash and deposits	9,066	Notes and accounts payable - trade	14,263
Notes and accounts receivable - trade	22,058	Short-term loans payable	10,550
Merchandise and finished goods	8,278	Current portion of long-term loans payable	2,400
Work in process	309	Lease obligations	4
Raw materials and supplies	2,133	Accounts payable - other	6,215
Other	2,098	Income taxes payable	650
Allowance for doubtful accounts	(6)	Provision for repairs	528
Non-current assets	51,570	Other	594
Property, plant and equipment	39,037	Non-current liabilities	14,418
Buildings and structures	6,339	Bonds payable	5,000
Machinery, equipment and vehicles	12,324	Long-term loans payable	3,250
Land	17,549	Lease obligations	259
Leased assets	215	Deferred tax liabilities	2,422
Construction in progress	848	Net defined benefit liability	2,568
Other	1,760	Provision for repairs	659
Intangible assets	1,913	Other	258
Goodwill	1,378	Total liabilities	49,624
Other	535	Net assets	
Investments and other assets	10,620	Shareholders' equity	42,305
Investment securities	8,292	Capital stock	8,855
Net defined benefit asset	1,523	Capital surplus	6,140
Deferred tax assets	109	Retained earnings	27,379
Others	696	Treasury shares	(69)
Allowance for doubtful accounts	(1)	Accumulated other comprehensive income	1,074
		Valuation difference on available-for-sale securities	1,162
		Deferred gains or losses on hedges	0
		Foreign currency translation adjustment	70
		Remeasurements of defined benefit plans	(158)
		Non-controlling interests	2,504
		Total net assets	45,884
Total assets	95,508	Total liabilities and net asset	95,508

Note: For the amounts shown, fractional numbers are rounded down to the whole unit.

Consolidated statement of income
(January 1, 2020 to December 31, 2020)

(Millions of yen)

Description	Amount	
Net sales		77,332
Cost of sales		61,187
Gross profit		16,144
Selling, general and administrative expenses		10,501
Operating income		5,642
Non-operating income		
Interest and dividend income	168	
Share of profit of entities accounted for using equity method	132	
Compensation income	143	
Reversal of provision for environmental measures	94	
Other	257	795
Non-operating expenses		
Interest expenses	80	
Loss on disposal of non-current assets	534	
Extra retirement payments	106	
Other	90	811
Ordinary income		5,627
Profit before income taxes		5,627
Income taxes - current	1,074	
Income taxes - deferred	406	1,481
Profit		4,145
Profit attributable to non-controlling interests		99
Profit attributable to owners of parent		4,046

Note: For the amounts shown, fractional numbers are rounded down to the whole unit.

Balance sheet
(As of December 31, 2020)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets	40,877	Current liabilities	35,716
Cash and deposits	7,763	Accounts payable - trade	13,340
Accounts receivable - trade	21,801	Short-term loans payable	12,350
Merchandise and finished goods	7,104	Current portion of long-term loans payable	2,400
Work in process	248	Lease obligations	4
Raw materials and supplies	1,926	Accounts payable - other	6,022
Accounts receivable - other	1,938	Income taxes payable	566
Other	94	Deposits received	305
Non-current assets	49,185	Provision for repairs	528
Property, plant and equipment	34,160	Other	198
Buildings	1,524	Non-current liabilities	13,805
Structures	2,697	Bonds payable	5,000
Machinery and equipment	10,710	Long-term loans payable	3,250
Vehicles	1	Lease obligations	259
Tools, furniture and fixtures	416	Deferred tax liabilities	2,507
Land	16,628	Provision for retirement benefits	2,009
Leased assets	215	Provision for repairs	659
Construction in progress	838	Asset retirement obligations	50
Other	1,127	Other	68
Intangible assets	1,877	Total liabilities	49,521
Goodwill	1,378	Net assets	
Software	495	Shareholders' equity	39,378
Other	3	Capital stock	8,855
Investments and other assets	13,146	Capital surplus	5,355
Investment securities	6,834	Legal capital surplus	5,355
Shares of subsidiaries and associates	4,321	Retained earnings	25,237
Prepaid pension cost	1,556	Other retained earnings	25,237
Other	434	Retained earnings brought forward	25,237
		Treasury shares	(69)
		Valuation and translation adjustments	1,162
		Valuation difference on available-for-sale securities	1,162
		Deferred gains or losses on hedges	0
		Total net assets	40,541
Total assets	90,062	Total liabilities and net asset	90,062

Note: For the amounts shown, fractional numbers are rounded down to the whole unit.

Statement of income
(January 1, 2020 to December 31, 2020)

(Millions of yen)

Description	Amount	
Net sales		70,845
Cost of sales		56,283
Gross profit		14,561
Selling, general and administrative expenses		9,422
Operating income		5,138
Non-operating income		
Interest and dividend income	535	
Compensation income	143	
Reversal of provision for environmental measures	94	
Other	188	961
Non-operating expenses		
Interest expenses	82	
Loss on disposal of non-current assets	527	
Extra retirement payments	106	
Other	84	801
Ordinary income		5,298
Profit before income taxes		5,298
Income taxes - current	875	
Income taxes - deferred	415	1,290
Profit		4,007

Note: For the amounts shown, fractional numbers are rounded down to the whole unit.

**Independent Auditor's Audit Report concerning Consolidated Financial Statements
(TRANSLATION)**

INDEPENDENT AUDITOR'S REPORT

February 9, 2021

To the Board of Directors of KH Neochem Co., Ltd.

Deloitte Touche Tohmatsu LLC
Tokyo office
Yoshiki Okutsu [Seal]
Designated Unlimited Liability Partner
Engagement Partner
Certified Public Accountant
Kenji Uta [Seal]
Designated Unlimited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of KH Neochem Co., Ltd. ("the Company") for the fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group comprised of KH Neochem Co., Ltd. and its consolidated subsidiaries, applicable to the fiscal year ended December 31, 2019, in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design, implementation and maintenance of the Group's financial reporting process.

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

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements 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 economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the consolidated financial statements to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

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

Interest

Our firm and the engagement partners do not have any interest in the Group for which disclosure is required under the provisions of the Certified Public Accountants Act.

Independent Auditor's Audit Report concerning Financial Statements (Non-consolidated)
(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 9, 2021

To the Board of Directors of KH Neochem Co., Ltd.

Deloitte Touche Tohmatsu LLC
Tokyo office
Yoshiki Okutsu [Seal]
Designated Unlimited Liability Partner
Engagement Partner
Certified Public Accountant
Kenji Uta [Seal]
Designated Unlimited Liability Partner
Engagement Partner
Certified Public Accountant

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the financial statements, namely, the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the accompanying supplemental schedules (collectively, “non-consolidated financial statements, etc.”) of KH Neochem Co., Ltd. (“the Company”) for the 11th fiscal year from January 1, 2020 through December 31, 2020.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position of the Company and the results of its operations for the fiscal year ended December 31, 2020 in conformity with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements, Etc.

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

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of the Company's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. 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 economic decisions of users taken on the basis of these non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and

maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the non-consolidated financial statements to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated 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.
- Evaluate whether the overall presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, etc., including the notes thereto, and whether the non-consolidated financial statements, etc. represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

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

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Audit Report of the Audit & Supervisory Board
(TRANSLATION)

AUDIT REPORT

In respect of the execution of duties of the Directors during the 11th fiscal year from January 1, 2020 through December 31, 2020, the Audit & Supervisory Board (hereinafter “we”), following the discussion among us, has prepared this audit report based on the audit report prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

1. Methods and details of audits by Audit & Supervisory Board Members and the Audit & Supervisory Board
 - (1) We have formulated an audit policy, assignment of duties among Audit & Supervisory Board Members, and other audit-related items. We have received reports from each Audit & Supervisory Board Member on the implementation and results of audits, and received reports from the Directors, etc. of KH Neochem Co., Ltd., the Accounting Auditor on their execution of duties, and requested explanations from them when necessary.
 - (2) In conformity with the auditing standards stipulated by the Audit & Supervisory Board, and in accordance with the audit policy and the assignment of duties, all Audit & Supervisory Board Members strived to achieve effective communication with the Directors, the Audit Department and other employees, worked to collect information and to improve the audit environment, while conducting the audit by the following methods.
 - i) All Audit & Supervisory Board Members attended the meetings of the Board of Directors and other important meetings, received reports from Directors and employees about the status of the performance of their duties, obtained explanations as necessary, reviewed important approval documents, and conducted investigations on the status of the business operations and assets of the Company at its head office and other principal business offices. Furthermore, the Audit & Supervisory Board Members also worked to facilitate communication and information exchange with the directors, the audit & supervisory board members and others of the subsidiaries of the Company, and received reports on the business conditions of subsidiaries as necessary.
 - ii) The Audit & Supervisory Board Members received reports periodically from the Directors and employees on the construction and status of operation of the internal control system, i.e. a system developed based on resolutions made by the Board of Directors concerning systems prescribed in Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act as necessary for ensuring that the performance of duties by the Directors conforms with laws and regulations and the Company’s Articles of Incorporation and for ensuring proper business conduct by the corporate group comprised of a stock company and its subsidiaries, as described in the Company’s business report. As necessary, Audit & Supervisory Board Members also asked for explanations from Directors and employees and expressed opinions.
 - iii) We monitored and verified whether the Accounting Auditor made appropriate audits while maintaining their independence. We received reports from the Accounting Auditor on their operations, and requested them for explanations when necessary. The Accounting Auditor notified us and we requested their explanations when necessary, concerning their establishment of a “System for Ensuring the Appropriate Execution of Duties” (matters set forth in items of Article 131 of the Regulation on Accounting of Companies) in accordance with the “Quality Control Standards for Audits” (issued by the Business Accounting Council on October 28, 2005).

Through these methods, we reviewed the business report and the accompanying supplemental schedules, financial statements (balance sheet, statement of income, statement of changes in equity and notes to the financial statements) and the accompanying supplemental schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements) for the current fiscal year.

2. Results of the Audit:

(1) Results of the audit for the business report

- (i) We have found that the business report and the accompanying supplementary schedules present fairly the current financial position of KH Neochem Co., Ltd. in conformity with applicable laws and regulations and the Articles of Incorporation.
- (ii) With respect to the execution of duties of the Directors, we have found neither improper conduct nor any material breach of applicable laws and regulations and the Articles of Incorporation.
- (iii) We have found that the resolutions of the Board of Directors regarding the internal control system are proper and correct. We have found nothing that needs to be pointed out concerning the content of the business report and the Directors' performance of their duties.

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

We have found that the auditing methods employed by Deloitte Touche Tohmatsu LLC, Accounting Auditor, and the results thereof are appropriate and sufficient.

(3) Results of the audit of the consolidated financial statements

We have found that the auditing methods employed by Deloitte Touche Tohmatsu LLC, Accounting Auditor, and the results thereof are appropriate and sufficient.

February 10, 2021

The Audit & Supervisory Board,
KH Neochem Co., Ltd.

Full-time Audit & Supervisory Board Member

Tokuo Oodo [Seal]

Outside Audit & Supervisory Board Member

Kazuhiro Kawai [Seal]

Outside Audit & Supervisory Board Member

Keiko Tamura [Seal]