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# **NOTICE OF THE 121ST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**VALQUA, LTD.**

Securities code: 7995

# Corporate Image we aim to become in the coming 100th anniversary

## A Challenging Company that Challenges the Future and the Unknown

- To contribute to the richness of human race and global environment -

1. Endless pursuit and monitoring of growth strategy
2. Strengthening management foundation that will solidify company growth
3. Active engagement in “environment, society, and corporate governance” in becoming a better global citizen

### Corporate Philosophy

THE VALQUA WAY



## Greetings

We thank our shareholders for their continuous patronage. Although the calamity of the novel coronavirus disease (COVID-19) remains, the Company has decided to hold the 121st Annual General Meeting of Shareholders on Wednesday, June 16, 2021. You are cordially invited to attend the meeting.

In the current fiscal year, the diversification of social value became prominent. It was a year when we needed to rethink how society and common sense should be more than ever.

We view that the trend of these changes will accelerate and characterize “a new normal” after COVID-19.

Under such an environment, to realize sound and sustainable growth beyond the 100th anniversary in 2027, the Group launched a new medium-term management plan, “New Frontier 2022” (NF2022) in the current fiscal year, and has been making a group-wide effort to restructure the business foundation under “THE VALQUA WAY.” We will continue striving to become “a challenging company that challenges the future and the unknown” when we commemorate the centennial anniversary.

We would like to ask our shareholders for further support.

May 2021

Toshikazu Takisawa

Representative Director, Chairman and CEO

Yoshihiro Hombo

Representative Director, President and COO

May 31, 2021

To our shareholders:

Yoshihiro Hombo  
 Representative Director and President  
**VALQUA, LTD.**  
 1-1, Osaki 2-chome, Shinagawa-ku,  
 Tokyo

## Notice of the 121st Annual General Meeting of Shareholders

We hereby notify you that the 121st Annual General Meeting of Shareholders of VALQUA, LTD. (the “Company”) will be held as indicated below.

**Institutional investors can utilize the electronic voting platform operated by ICJ, Inc.**

<b>1. Date and time</b>	Wednesday, June 16, 2021, at 10:00 a.m. (JST)
<b>2. Venue</b>	Large Conference Room, Head Office of VALQUA, LTD. 24th Floor, ThinkPark Tower, 1-1, Osaki 2-chome, Shinagawa-ku, Tokyo
<b>3. Purpose of the meeting</b>	<p><b>Matters to be reported</b></p> <ol style="list-style-type: none"> <li>The Business Report and the Consolidated Financial Statements for the 121st fiscal year (from April 1, 2020 to March 31, 2021), and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Board of Corporate Auditors</li> <li>The Non-consolidated Financial Statements for the 121st fiscal year (from April 1, 2020 to March 31, 2021)</li> </ol> <p><b>Matters to be resolved</b></p> <p>Proposal No. 1: Appropriation of Surplus          Proposal No. 2: Election of Seven Directors</p>
<b>4. Matters regarding the exercise of voting rights</b>	<ol style="list-style-type: none"> <li>In the event that the exercise of voting rights document does not indicate approval or disapproval of the proposals, it shall be treated as indicating the intention to approve the proposals.</li> <li>In the event that voting rights are exercised in duplicate, in writing and via the internet, etc., the vote via the internet, etc. shall be treated as valid.</li> <li>In the event that voting rights are exercised multiple times via the internet, etc. only the last vote exercised shall be treated as valid.</li> <li>In the event that voting rights are exercised by proxy on the appointed date, they may be delegated to one other shareholder who possesses voting rights. In such a case, please submit documentation which certifies the proxy rights.</li> </ol>

<b>5. Guide to internet-based disclosure</b>	<p>(1) This notice is also posted on the Company's website (<a href="http://www.valqua.co.jp">http://www.valqua.co.jp</a>).</p> <p>(2) Regarding the documents which should be attached to this notice, the "Consolidated Statement of Changes in Net Assets" and "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements as well as the "Non-consolidated Statement of Changes in Net Assets" and "Notes to the Non-consolidated Financial Statements" of the Non-consolidated Financial Statements are posted on the Company's website (<a href="http://www.valqua.co.jp">http://www.valqua.co.jp</a>) as stipulated by the laws and regulations and the provisions of Article 16 of the Company's Articles of Incorporation, so they are not listed in the attached documents of this notice. Accordingly, the documents attached to this notice are part of the Consolidated Financial Statements and the Non-consolidated Financial Statements that were audited by the Auditors and the Financial Auditors when preparing the audit report.</p> <p>(3) In the event that corrections are made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Non-consolidated Financial Statements, and the Consolidated Financial Statements, the edited corrections shall be posted on the Company's website (<a href="http://www.valqua.co.jp">http://www.valqua.co.jp</a>).</p>
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[Attached document]

## Business Report (from April 1, 2020 to March 31, 2021)

### 1. Status of the corporate group

#### (1) Progress and results of operations

##### 1) Business overview

In the fiscal year under review, the Japanese economy was significantly affected by the spread of novel coronavirus disease (COVID-19) during the entire period, which kept the level of private consumption, corporate production activities and capital investment low. But in the latter half, there was a sign of recovery in part of the manufacturing industry. Meanwhile, there have been many uncertainties for the future regarding economic conditions abroad, such as unpredictable trends of COVID-19 and the worsening trade friction between the United States and China. However, in the latter half, some countries demonstrated a recovery in the employment situation and corporate production activities.

Under such a business environment, the Group tried to minimize the impact of COVID-19 on our business activities and implemented measures to accelerate recovery. At the same time, the Group promoted the strategy for further expansion in the future under the three-year medium-term management plan, “New Frontier 2022” (NF2022), which started in the fiscal year ended March 31, 2021

As a consequence, the Group reports the following consolidated results for the fiscal year under review: net sales of ¥44,717 million (7.2% decrease year on year), operating profit of ¥3,475 million (17.5% decrease year on year), ordinary profit of ¥3,673 million (13.7% decrease year on year), and profit attributable to owners of parent of ¥3,090 million (5.9% increase year on year).

Profit attributable to owners of parent includes ¥916 million of gain on sale of investment securities, which was recorded as extraordinary income.

The impact of COVID-19 on our business in the fiscal year under review was reflected mainly by the consolidated financial results for the first six months and started easing in those for the third quarter onwards.

##### 2) Overview of business by segment

Net sales by segment of the Group were as follows:

Category	Net sales			
	Current fiscal year	Previous fiscal year	Changes	Changes (%)
	Millions of yen	Millions of yen	Millions of yen	%
Seal Products Business	31,349	32,071	(721)	(2.3)
High Performance Plastics Products Business	10,742	13,089	(2,346)	(17.9)
Silicon Wafer Reclaim and Other Businesses	2,625	3,051	(426)	(14.0)
Total	44,717	48,212	(3,494)	(7.2)

(Note) Figures are rounded down to the nearest million.

##### (2) Capital expenditures

Capital expenditures during the fiscal year ended March 31, 2021 reached ¥3,500 million based on completed construction work. The Group primarily invested in enhancing production capacity, streamlining, doing research and development and renewing a new ERP system.

(3) Financing activities

During the fiscal year ended March 31, 2021, the Group raised ¥1,467 million from long-term borrowings from a financial institution.

In addition, the Company entered into a commitment line agreement for a total amount of ¥3.0 billion with the main bank to efficiently and stably acquire operating funds.

(4) Business transfers, absorption-type company split, or incorporation-type company split

Most of the shares of VALQUA ELASTOMER, LTD. were transferred to ONTechnology Co., Ltd.

(5) Transfer of business from other companies

Not applicable.

(6) Succession of rights and obligations regarding the business of another corporation, etc. due to absorption-type merger or absorption-type company split

Not applicable.

(7) Acquisition or disposal of another company's shares or other equity or share acquisition rights, etc.

Not applicable.

(8) Issues to be addressed

For the Company's environment in the next fiscal year, we expect to see a recovery in corporate production activities and capital investment. However, there are uncertainties that could affect the recovery trend of the world economy such as the COVID-19 situation, the trend of the U.S.-China relationship and geopolitical risk in the world.

Under such business circumstances, the Company set out the major policy, "Aiming for reconstructing our bold and dynamic business foundation in a group-wide effort under the 'THE VALQUA WAY' in order to realize sounder and more sustainable growth in the next era beyond our centennial" in the medium-term management plan, "NF2022," which is entering the second year. Following the five basic policies stated below, we will steadily execute measures to assure a recovery and swiftly and boldly promote strategies to expand further.

1. Expanding revenue in existing business areas through selection, focus and acquiring new business areas.
2. Executing open innovation aggressively (accelerating partnership, M&A, etc.).
3. Accelerating bold investment (R&D and human resource development).
4. Enhancing efficiency in all departments and pursuing customer services through the thorough use of IT.
5. Implementing dynamic measures leading to active global human resources.

<Business deployment>

With respect to the Seal Products Business, we will work to enhance profitability based on the selection and focus of our existing core areas while strengthening cooperation between manufacturing, sales, and engineering in new areas, improve QCDS (Quality, Cost, Delivery and Service) from a customer perspective, and provide the Company's original seal engineering services. In the advanced industries market, which the Company expects continued growth in the future, the Company plans to expand dramatically by working diligently to enhance a global development and manufacturing organization for high-performance seal products.

With respect to the High Performance Plastics Business, the Company plans to increase both the scale and the speed of the business and enhance profitability by actively implementing selection and focus for the portfolio.

With respect to the Silicon Wafer Reclaim and Other Businesses, we will promote the assessment of businesses and functions based on "select and focus" and "executing open innovation aggressively," two of the basic policies of NF2022, and steadily execute investment tied to growth and improving earning capacity.

Moreover, we will apply the “core technologies” cultivated to date in new product development and existing businesses, and boldly take on challenges of developing new markets, expanding into entirely new applications, etc.

With respect to the deployment of business overseas, we will expand business by executing a differentiation strategy centered on the H&S Business and implementing reforms in the value chain in addition to further expand of the risk management system.

<Global CSR promotion and the strengthening of human resource development>

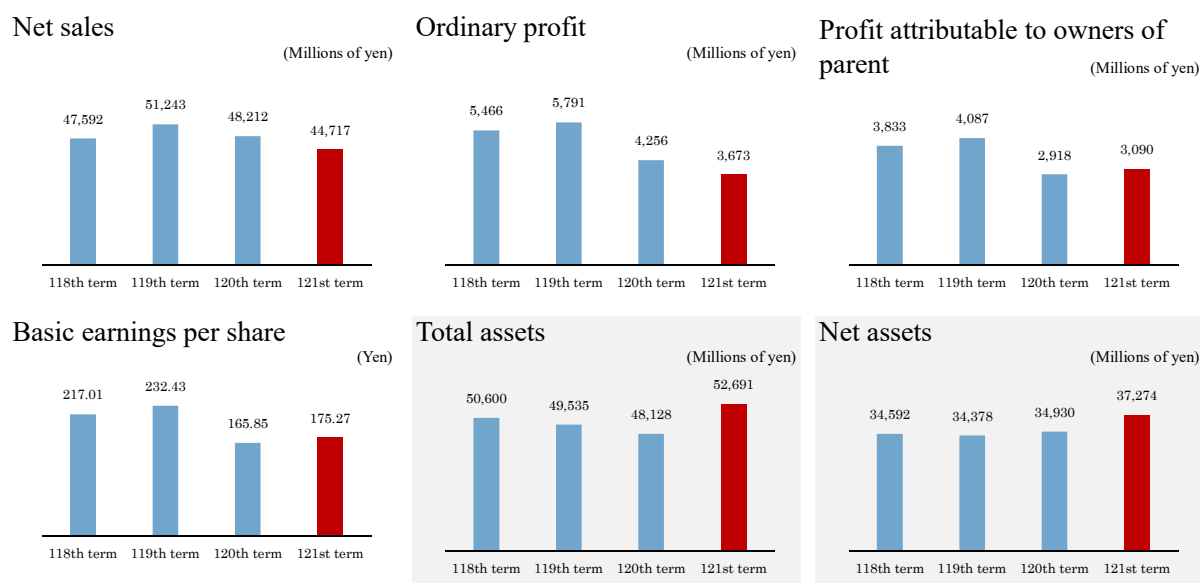
CSR within the Group consists of the very business activities which embody the corporate philosophy known as “THE VALQUA WAY,” and it promotes CSR activities based on the original concept of living up to the various expectations of society. Under NF2022, the Group will also continue to raise CSR awareness from a global perspective and deploy activities which can contribute to stakeholders around the world.

Regarding human resource development, we will actively work to acquire and develop human resources that represent the next generation. We will also encourage employees to be independent and grow to be able to work while seeking issues to improve, reform to a vigorous corporate culture, and proactively revitalize global human resources.

In conjunction with the promotion of NF2022, the entire Group will boldly take on the challenge of successfully executing the strategy together while flexibly adapting to dramatic social changes in addition to strengthening the creation of a Group system for risk management and adhering to compliance.



## (9) Summary of assets and profit or loss



Category		118th term (Fiscal year ended March 31, 2018)	119th term (Fiscal year ended March 31, 2019)	120th term (Fiscal year ended March 31, 2020)	Current fiscal year (Fiscal year ended March 31, 2021)
Net sales	(Millions of yen)	47,592	51,243	48,212	44,717
Ordinary profit	(Millions of yen)	5,466	5,791	4,256	3,673
Profit attributable to owners of parent	(Millions of yen)	3,833	4,087	2,918	3,090
Basic earnings per share	(Yen)	217.01	232.43	165.85	175.27
Total assets	(Millions of yen)	50,600	49,535	48,128	52,691
Net assets	(Millions of yen)	34,592	34,378	34,930	37,274
Net assets per share	(Yen)	1,870.47	1,867.57	1,893.45	2,019.94

- (Notes)
- Figures are rounded down to the nearest million.
  - Basic earnings per share are calculated based on the average total number of issued shares, excluding treasury shares, during the term.
  - Net assets per share are calculated based on the total number of issued shares excluding treasury shares at the end of the term.
  - In the 119th term, revenue and profit both increased as a result of promptly promoting business strategies including a transition to an H&S company, and also steadily developing the corporate foundation, in addition to executing the strategy described in the “New Valqua Stage Eight” (NV·S8) eighth medium-term management plan.
  - In the 120th term, our corporate production activities were significantly affected by the global spread of COVID-19. However, the Group worked to develop and reinforce the corporate foundation to realize “sound and sustainable growth” by executing the strategies described in the “New Valqua Stage Eight” (NV·S8) eighth medium-term management plan.
  - The situation in the current fiscal year is as described in “Progress and results of operations” in section (1) above.

(10) Parent company and major subsidiaries

1) Relationship with the parent company

Not applicable.

2) Major subsidiaries

Company name	Share capital	Company's shareholding ratio	Major businesses
VALQUA TECHNO CO., LTD.	¥30 million	100%	Product sales within each business
VALQUA SES CO., LTD.	¥30 million	100%	Product sales within each business
VALQUA SEAL SOLUTIONS CO., LTD.	¥90 million	100%	Manufacturing of seal products
KYUSHU VALQUA CO., LTD.	¥30 million	100%	Manufacturing of seal products, and solar power generation business
VALQUA FFT INC.	¥472 million	83.6%	Silicon wafer reclaiming and sales
VALQUA METAL TECHNOLOGY CO., LTD.	¥33 million	67.0%	Manufacturing of seal products and high performance plastic products
VALQUA NGC, INC.	US\$2,437 thousand	100%	Manufacturing and sales of high performance plastic products
VALQUA AMERICA, INC.	US\$1,260 thousand	100%	Product sales within each business
VALQUA SEAL PRODUCTS (SHANGHAI) CO., LTD.	¥1,150 million	100%	Manufacturing of seal products and high performance plastic products and product sales within each business
VALQUA (SHANGHAI) TRADING CO., LTD.	RMB1,655 thousand	100%	Product sales within each business
SHANGHAI VALQUA FLUOROCARBON PRODUCTS CO., LTD.	RMB65,550 thousand	70.0%	Manufacturing and sales of high performance plastic products
VALQUA KOREA CO., LTD.	KRW10,859 million	100%	Manufacturing of seal products and product sales within each business
TAIWAN VALQUA ENGINEERING INTERNATIONAL, LTD.	NT\$100 million	100%	Manufacturing of seal products and high performance plastic products and product sales within each business
VALQUA VIETNAM CO., LTD.	US\$3,000 thousand	100%	Manufacturing of seal products and product sales within each business
VALQUA INDUSTRIES (THAILAND), LTD.	126 million of Thai Baht	95.3%	Manufacturing of seal products and product sales within each business
VALQUA INDUSTRIES SINGAPORE PTE. LTD.	US\$2,500 thousand	100%	Product sales within each business

(Notes) 1. As of March 31, 2021, the Company has 19 consolidated subsidiaries including the companies listed above.

2. VALQUA ELASTOMER, LTD. was removed from the list of major subsidiaries because the Company transferred most of the shares of VALQUA ELASTOMER, LTD.

(11) Major businesses (as of March 31, 2021)

Business division	Main products and businesses
Seal Products Business	Plant, equipment, and piping gaskets Equipment gland packing Various rubber products (O-rings, etc.) for industrial and transportation equipment Rubber molded products for semiconductor manufacturing equipment Automobile parts
High Performance Plastics Products Business	Fluorocarbon materials (sheets, rods, etc.) Fluorocarbon molded products Fluorocarbon film and tape products Fluorocarbon lining products and related services
Silicon Wafer Reclaim and Other Businesses	Silicon wafer reclaiming LED lighting Solar power generation H&S Business

(12) Major sales office and plants (as of March 31, 2021)

Domestic

Company name	Name	Location
VALQUA, LTD.	Head office MRT Center Osaka Sales Office Nagoya Sales Office Kitakyusyu Sales Office	Shinagawa-ku, Tokyo Machida-shi, Tokyo Osaka-shi, Osaka Nagoya-shi, Aichi Kitakyushu-shi, Fukuoka
VALQUA TECHNO CO., LTD.	Head office	Shinagawa-ku, Tokyo
VALQUA SES CO., LTD.	Head office	Ichihara-shi, Chiba
VALQUA SEAL SOLUTIONS CO., LTD.	Head office	Gojo-shi, Nara
KYUSHU VALQUA CO., LTD.	Head office	Iizuka-shi, Fukuoka
VALQUA FFT INC.	Head office	Shinagawa-ku, Tokyo
VALQUA METAL TECHNOLOGY CO., LTD.	Head office	Shinshiro-shi, Aichi

(Note) VALQUA ELASTOMER, LTD. was removed from the list of major subsidiaries because the Company transferred most of the shares of VALQUA ELASTOMER, LTD.

Overseas

Company name	Country name	Location
VALQUA NGC, INC.	United States	Houston, Texas
VALQUA AMERICA, INC.	United States	Sunnyvale, California
VALQUA SEAL PRODUCTS (SHANGHAI) CO., LTD.	China	Shanghai
VALQUA (SHANGHAI) TRADING CO., LTD.	China	Shanghai
SHANGHAI VALQUA FLUOROCARBON PRODUCTS CO., LTD.	China	Shanghai
VALQUA KOREA CO., LTD.	South Korea	Seoul
TAIWAN VALQUA ENGINEERING INTERNATIONAL, LTD.	Taiwan	Kaohsiung
VALQUA VIETNAM CO., LTD.	Vietnam	Hai Duong Province
VALQUA INDUSTRIES (THAILAND), LTD.	Thailand	Samut Prakan
VALQUA INDUSTRIES SINGAPORE PTE. LTD.	Singapore	Singapore

(13) Employees (as of March 31, 2021)

1) Employees of the Group

Number of employees	Change from the end of previous fiscal year
1,800 (161)	Decrease of 76 (decrease of 43)

(Note) The number of employees excludes employees transferred from a Group company to an outside Group company, and includes employees transferred from an outside Group company to a Group company, and the number of temporary employees is indicated in parentheses as the average number of employed persons during the year.

2) Employees of the Company

Number of employees	Change from the end of previous fiscal year	Average age	Average length of service
433 (105)	Decrease of 5 (increase of 9)	46.7 years old	18.0 years

(Note) The number of employees excludes employees transferred from the Company to an outside company, and includes employees transferred from an outside company to the Company, and the number of temporary employees is indicated in parentheses as the average number of employed persons during the year.

(14) Major lenders (as of March 31, 2021)

Lender	Outstanding borrowings
	Millions of yen
Sumitomo Mitsui Banking Corporation	2,318
Mizuho Bank, Ltd.	682
Sumitomo Mitsui Trust Bank, Limited	546
Sumitomo Mitsui Banking Corporation (China) Limited	312

(Notes) 1. Figures are rounded down to the nearest million.  
2. The Company entered into a commitment line agreement for a total amount of ¥3.0 billion with the main bank to efficiently and stably acquire operating funds.

## 2. Shares of the Company (as of March 31, 2021)

- (1) Total number of authorized shares: 68,000,000 shares  
 (2) Total number of issued shares: 18,688,733 shares  
 (3) Number of shareholders: 18,068  
 (4) Major shareholders (top 10)

Shareholder name	Number of shares held	Ratio of shares held
	Thousands of shares	%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,410	7.99
Custody Bank of Japan, Ltd. (Trust Account)	841	4.77
JPMorgan Chase Bank, N.A. 385174	750	4.25
Sumitomo Mitsui Banking Corporation	537	3.05
Valqua Tokyo Kyoeikai	494	2.80
The Sumitomo Mitsui Trust Bank, Limited	400	2.27
Toshikazu Takisawa	366	2.07
Daikin Industries, Ltd.	285	1.62
Government of Norway	267	1.51
Custody Bank of Japan, Ltd. (Trust Account 5)	248	1.41

(Note) The Company holds 1,035 thousand treasury shares but is not included in the list of major shareholders shown above.

The ratio of shares held is calculated by deducting treasury shares.

- (5) Status of the shares granted to the Company's officers as consideration for the execution of duties during the fiscal year ended March 31, 2021

	Number of shares held	Number of grantees
Directors (excluding outside Directors)	24,900 shares	4
Outside Directors	0 shares	0
Auditors	0 shares	0

(Note) The content of share-based remuneration of the Company is described in "4. (4) Remuneration, etc. for Directors and Auditors."

## 3. Share acquisition rights, etc. of the Company

Not applicable.

## 4. Officers

### (1) Directors and Auditors (as of March 31, 2021)

Position in the Company	Name	Responsibility in the Company and significant concurrent positions outside the Company
Representative Director and Chairman	Toshikazu Takisawa	CEO
Representative Director and President	Yoshihiro Hombo	COO Outside Director of Tosoh Corporation
Director	Kiyotaka Kurokawa	Senior Managing Executive Officer CCO
Director	Mutsuo Aoki	Managing Executive Officer CTO, CQO
Director	Tadayuki Seki	Advisory Member of ITOCHU Corporation Director of PARCO CO., LTD. Outside Director of JSR Corporation Outside Auditor of Asahi Mutual Life Insurance Company Outside Director of J. FRONT RETAILING Co., Ltd.
Director	Midori Miki	President and Representative Director, Miki & Co., Ltd. Director, Miki Archives Incorporated
Director	Chikako Sekine	Representative Director of B-mind Co., Ltd. Outside Director of TAKARA & COMPANY LTD.
Standing Auditor	Akio Ko	
Auditor	Takahiko Hachinohe	Attorney at law Senior Partner of Hachinohe Law Office
Auditor	Hidenori Takahashi	Certified Public Accountant Outside Director of PENTA-OCEAN CONSTRUCTION CO., LTD.

- (Notes)
1. Directors Tadayuki Seki, Midori Miki, and Chikako Sekine are outside Directors. Moreover, Auditors Takahiko Hachinohe and Hidenori Takahashi are outside Auditors.
  2. Auditor Akio Ko was previously involved in the operations of the Company's finance division for many years and possesses considerable knowledge about corporate finance and accounting.
  3. Auditor Takahiko Hachinohe is a licensed attorney at law and possesses considerable knowledge about corporate legal affairs.
  4. Auditor Hidenori Takahashi is a licensed Certified Public Accountant and possesses considerable knowledge about corporate finance and accounting.
  5. The Company has submitted notification to the Tokyo Stock Exchange that Directors Tadayuki Seki, Midori Miki, and Chikako Sekine as well as Auditors Takahiko Hachinohe and Hidenori Takahashi have been designated as independent officers as provided for by the aforementioned exchange.
  6. Representative Director and President Yoshihiro Hombo assumed the office of outside Director at Tosoh Corporation on June 25, 2020.
  7. Director Chikako Sekine resigned the office of outside Director at FamilyMart Co., Ltd. on February 28, 2021. She is scheduled to assume the office of outside Director at TOLI Corporation on June 23, 2021.

<Reference> Executive Officers (excluding Executive Officers who also serve as Directors) (as of April 1, 2021)

Position in the Company	Name	Responsibility in the Company
Managing Executive Officer	Kenichi Kobayashi	Director of Overseas Business Group, Recycle Wafer Business, Alliances and Procurement Group, International Business Support Center
Managing Executive Officer	Gota Nakazawa	CDO, H&S Business
Managing Executive Officer	Shinya Sakurai	Director of High Performance Seals Group
Senior Executive Officer	Nobutoshi Morita	Deputy Director of Overseas Business Group, Head of China Business, President of VALQUA (SHANGHAI) TRADING CO., LTD.
Senior Executive Officer	Yoshiaki Tsubakiyama	Director of H&S Sales Group
Senior Executive Officer	Toshiharu Takisawa	Director of High Performance Plastic Group
Senior Executive Officer	Tadashi Ogawa	Chairman Secretary
Senior Executive Officer	Mamiko Yatabe	CCO, General Manager of Compliance Supervisory Division, Legal Division, Environmental Management Division
Executive Officer	Hiroshi Tatsuta	General Manager of Corporate Planning Group, IT Strategy Division
Executive Officer	Satoshi Ueki	General Manager of Finance Group, Investor Relations Division
Executive Officer	Atsushi Nobe	General Manager of General Affairs and Human Resources Group, Human Resources Development Center
Executive Officer	Katsutoshi Fuseya	Director of Production Group, Safety Management
Executive Officer	Masahiro Imai	Deputy Director of H&S Sales Group
Executive Officer	Tomoko Goto	Director of Alliances and Procurement Group
Executive Officer	Daisuke Kanda	Deputy Director of High Performance Plastic Group

CEO: Chief Executive Officer  
COO: Chief Operating Officer  
CTO: Chief Technology Officer  
CQO: Chief Quality Officer  
CDO: Chief Digital Officer  
CCO: Chief Compliance Officer

(2) Summary of details of limited liability agreements

Outside Directors Tadayuki Seki, Midori Miki, and Chikako Sekine as well as outside Auditors Takahiko Hachinohe and Hidenori Takahashi have entered into limited liability agreements with the Company under Article 427, Paragraph (1) of the Companies Act, and the maximum amount of liability for damages under these agreements is the minimum liability amount provided for under laws and regulations.

(3) Summary of directors and officers liability insurance policy

The Company and an insurance company have entered into a directors and officers liability insurance policy under Article 430-3, Paragraph (1) of the Companies Act, appointing as the insured persons Directors, Auditors and Executive Officers (including those who are in the position during the fiscal year ended March 31, 2021) of the Company and its subsidiaries listed in “1. (10) Parent company and major subsidiaries,” and the Company bears the total amount of premium.

The summary of the insurance policy is as follows. Based on it, the insurance company compensates for any damage that may be incurred while the insureds bear liability related to the execution of their duties or receive a claim pursuing such liability, and the policy is renewed every year. The Company plans to maintain the policy at the next time of renewal.

(4) Remuneration, etc. for Directors and Auditors

1) Total amount of remuneration, etc. for the fiscal year ended March 31, 2021

Category	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)			Number of applicable officers
		Fixed remuneration	Performance-based remuneration, etc.	Non-monetary remuneration, etc.	
Directors (included outside Directors)	408 (35)	330 (35)	31 (-)	47 (-)	7 (3)
Auditors (included outside Auditors)	42 (23)	42 (23)	-	-	5 (3)
Total (included outside officers)	451 (59)	372 (59)	31 (-)	47 (-)	12 (6)

- (Notes)
- The table above includes two Auditors (including one outside Auditor) who resigned at the end of the 120th Annual General Meeting of Shareholders held on June 18, 2020.
  - The total amount of remuneration, etc. for Directors does not include the employee salaries for employees who also serve as Director.
  - Performance-based remuneration etc. for Directors should motivate Directors to perform their duties fully. To evaluate company performance comprehensively and adequately, we consider important management indicators related to performance, including operating profit, profit and ROE. The actual results are described in “1 (9) Summary of assets and profit or loss,” “Consolidated Financial Statements,” “Non-consolidated Financial Statements,” etc.
  - Non-monetary remuneration, etc. for Directors is the Company’s shares. The conditions, etc. of the allotment are stated in “4. (4) 2) Policy for decisions on the content of remuneration, etc. for officers.” The allotment status of the fiscal year ended March 31, 2021 is listed in “2. (5) Status of the shares granted to the Company’s officers as consideration for the execution of duties during the fiscal year ended March 31, 2021.”
  - At the 118th Annual General Meeting of Shareholders held on June 20, 2018, it was resolved that the amount of remuneration, etc. for Directors will be ¥500 million or less per year (for outside Directors: ¥60 million or less per year). (The employee salaries for employees who also serve as Directors are not included.) There were six Directors (including three outside Directors) at the end of the Annual General Meeting of Shareholders.  
In addition, at the 119th Annual General Meeting of Shareholders held on June 20, 2019, it was resolved that the total number of restricted shares allotted in each fiscal year would be 30,000 shares or less within the maximum amount of remuneration per year stated above as remuneration, etc. related to restricted shares for Directors (excluding outside Directors). There were four Directors (excluding outside Directors) at the end of the Annual General Meeting of Shareholders.
  - At the 118th Annual General Meeting of Shareholders held on June 20, 2018, the amount of remuneration, etc. for Auditors was resolved to be ¥100 million or less per year. There were four Auditors at the end of the Annual General Meeting of Shareholders (which includes three outside Auditors).
  - The Board of Directors entrusts the determination of the concrete amount of fixed remuneration (fixed amount remuneration) and performance-based remuneration (bonus for officers) for each Director to the Representative Director, Chairman and CEO, Toshikazu Takisawa. The reason for the entrustment is that the Company judged that it is adequate to assign the duty to evaluate each Director while taking into account the Company’s overall performance, etc. to the Representative Director, Chairman and CEO.
  - As for individual remuneration, etc. for Directors in the fiscal year ended March 31, 2021, Representative Director, Chairman and CEO, who is entrusted by the Board of Directors, decided the details of fixed remuneration (fixed amount remuneration) and performance-based remuneration (bonus for officers) within the maximum amount of remuneration approved at the Annual General Meeting of Shareholders. Non-monetary remuneration (remuneration related to restricted shares) was determined based on the resolution of the Board of Directors meeting. Since individual remuneration, etc. for Directors are decided with the procedure, the Board of Directors assesses that the content is in line with the policy.



2) Policy for decisions on the content of remuneration, etc. for officers

At the Board of Director meeting held on February 24, 2021, the Company resolved the policy for deciding remuneration, etc. for Directors.

The policy for decisions on the content of individual remuneration, etc. for Directors is as follows:

a) Basic policy

The Company considers that the role of the officers is to improve its corporate value based on the group-wide management policy and strategies. We position the remuneration for Directors as an incentive, and offer a level of remuneration which is adequate for the role, responsibilities and performance of Director as the basic policy. To be more specific, it consists of fixed remuneration (remuneration of determined amount), performance-based remuneration (officer's bonus) and non-monetary remuneration (remuneration related to restricted shares). However, to outside Directors, we provide only fixed remuneration (remuneration of determined amount) based on consideration of their duties.

b) Policy for fixed remuneration (fixed amount remuneration) (including the policy for the timing of provision and conditions)

Fixed remuneration (fixed amount remuneration) for Directors shall be monthly remuneration, consisting of monthly basic remuneration and fixed-amount remuneration determined based on whether a Director has representation rights or not, their position (Chairman or President), and whether they are full-time or part-time personnel. (Moreover, when a Director concurrently serves as Executive Officer, the fixed remuneration is determined separately from remuneration for officers.) This is decided based on their position and basic amount for the group considering the years of service, contribution, experience, specialties, etc.

c) Policy for performance-based remuneration (bonus for officers) (including the policy for the timing of provision and conditions)

Performance-based remuneration (bonus for officers) should motivate Directors to perform their duties fully and is provided at fixed times of the year. To be more specific, we consider important business-related management indicators, including operating profit, profit and ROE, to evaluate corporate performance comprehensively and appropriately. As for individual performance-based remuneration (bonus for officers), after calculating a base amount which has the ratio of fixed remuneration (fixed amount remuneration) and performance-based remuneration (bonus for officers) as specified e) below, we shall decide the payment amount to be within the range of 0 to 150% of the base amount based on the performance level and the status of each director's execution of priority measures, etc. in the fiscal year ended March 31, 2021.

d) Policy for non-monetary remuneration (remuneration related to restricted shares) (including the policy for the timing of provision and conditions)

Non-monetary remuneration for Directors (remuneration related to restricted shares) is designed to have our Directors share the merits and risks of fluctuations in the stock price with shareholders, and improve their motivation to contribute to stock price increases and the improvement of corporate value. We calculate the number of allotted shares having a fixed remuneration (fixed amount remuneration) (for employees who also serve as Directors, the employee salaries shall be included) as a base amount after giving consideration to job position. In accordance with the regulations for the remuneration related to restricted shares, the number of allotted shares shall be determined at the Board of Directors meeting, and provided at fixed times of the year. In addition, when the transfer restriction of a share allotment agreement with restriction on transfer has not been lifted until the maturity of transfer restriction period (the period which should 30 years or over and defined by the Board of Directors) or a person who resigned from the post of the Company's Director, employee, etc. or left the Company prior to the first Annual General Meeting of Shareholders after the start of the transfer restriction period, the Company is entitled to receive restricted shares free of charge.

e) Policy for the ratio of remuneration, etc.

The ratio of remuneration for Directors other than outside Directors by type shall be set in a way that functions as a sound incentive for the Company's sustainable growth. To be more specific, the Company uses the standard ratio of fixed remuneration (fixed amount remuneration), performance-

based remuneration (bonus for officers) and non-monetary remuneration (remuneration related to restricted shares) of 7:2:1 as a guide, and determines the actual amount while taking into account the job position and level of remuneration.

f) Matters related to the entrustment of decisions on remuneration, etc.

Among the components of individual remuneration, etc. for Directors, as for fixed remuneration (fixed amount remuneration) and performance-based remuneration (bonus for officers), the Company entrusts the determination of concrete details to the Representative Director and Chairman based on the resolution of the Board of Directors meeting. The scope of such authority is determination of the concrete allotment to each Director, based on the assumption that it should be within the maximum amount of remuneration approved at the Annual General Meeting of Shareholders and comply with the policy stated above and the regulations for remuneration for officers. As for non-monetary remuneration (remuneration related to restricted shares) of individual remuneration, etc. for Directors, the amount shall be determined at the Board of Directors meeting within the maximum amount of remuneration approved at the Annual General Meeting of Shareholders based on the regulations for the remuneration related to restricted shares.

(5) Matters regarding outside officers

1) Significant concurrent positions and relationship with the Company of outside officers

Director Tadayuki Seki concurrently serves as an Advisory Member of ITOCHU Corporation, a Director of PARCO CO., LTD., an outside Director of JSR Corporation, an outside Auditor of Asahi Mutual Life Insurance Company, and an outside Director of J. FRONT RETAILING Co., Ltd. There are no matters of particular note between the Company and ITOCHU Corporation or JSR Corporation. Moreover, the Company has no business relations with PARCO CO., LTD., Asahi Mutual Life Insurance Company, or J. FRONT RETAILING Co., Ltd.

Director Midori Miki concurrently serves as President and Representative Director, Miki & Co., Ltd. and Director, Miki Archives Incorporated. The Company has no business relations with Miki & Co., Ltd. or Miki Archives Incorporated.

Director Chikako Sekine concurrently serves as Representative Director of B-mind Co., Ltd. and outside Director of TAKARA & COMPANY LTD. In addition, she concurrently served as outside Director of FamilyMart Co., Ltd. until she resigned on February 28, 2021. There are no matters of particular note between the Company and B-mind Co., Ltd. Moreover, the Company has no business relations with TAKARA & COMPANY LTD or FamilyMart Co., Ltd.

Auditor Takahiko Hachinohe is an attorney at law and the Senior Partner of Hachinohe Law Office. The Company has no business relations with Hachinohe Law Office.

Auditor Hidenori Takahashi is a Certified Public Accountant and an outside Director of PENTA-OCEAN CONSTRUCTION CO., LTD. The Company has no business relations with PENTA-OCEAN CONSTRUCTION CO., LTD.

2) Major activities in the fiscal year ended March 31, 2021

Category	Name	Activities
Outside Director	Tadayuki Seki	He attended all 14 of Board of Directors meetings, made appropriate remarks required for the deliberation of proposals from the viewpoint of business judgment-related supervision and advice as an expert of management, and served to secure the validity and adequateness of decision-making properly.
Outside Director	Midori Miki	She attended 11 out of the 14 Board of Directors meetings, made appropriate remarks required for the deliberation of proposals from the viewpoint of business judgment-related supervision and advice as an expert of management, and served to secure the validity and adequateness of decision-making properly.
Outside Director	Chikako Sekine	She attended all 14 of Board of Directors meetings, made appropriate remarks required for the deliberation of proposals from the viewpoint of business judgment-related supervision and advice as an expert of management, and served to secure the validity and adequateness of decision-making properly.
Outside Auditor	Takahiko Hachinohe	He attended all 14 of Board of Directors meetings and all 16 of the Board of Corporate Auditors, and he made appropriate remarks required for the deliberation of proposals primarily from his expert viewpoint as an attorney at law.
Outside Auditor	Hidenori Takahashi	He attended all 14 of Board of Directors meetings and all 16 of Board of Corporate Auditors, and he made appropriate remarks required for the deliberation of proposals primarily from his expert viewpoint as a Certified Public Accountant.

## 5. Financial Auditor

- (1) Name of Financial Auditor: Ernst & Young ShinNihon LLC
- (2) Audit fees, etc. for Financial Auditor for the fiscal year ended March 31, 2021
  - 1) Audit fees for Financial Auditor for the fiscal year ended March 31, 2021: ¥52 million
  - 2) Total amount of cash and other compensation payable by the Company and its subsidiaries: ¥57 million

- (Notes)
- 1. The amount of audit fees for audit services under the Companies Act and audit services under the Financial Instruments and Exchange Act are not clearly segregated in the auditing agreement between the Company and the Financial Auditor. As it is impracticable to segregate them, the audit fee amount for the fiscal year under review indicates the total amount.
  - 2. The Board of Corporate Auditors agreed on the amount of the audit fees for the Financial Auditor etc. after performing the required verification of the details of the Financial Auditor's audit plan and whether or not the Financial Auditor's performance and the basis of calculation for the audit fee estimate were appropriate.
  - 3. Certain consolidated subsidiaries of the Company are audited by Certified Public Accountants (or auditing firms) other than the Company's Financial Auditor.

### (3) Description of non-auditing services

The Company commissions the Financial Auditor to perform services, etc. related to advice and guidance on the application of new revenue recognition standards as non-auditing services outside the scope of services stipulated in Article 2, Paragraph (1) of the Certified Public Accountants Act.

### (4) Policy for decisions on dismissal and non-reappointment of Financial Auditor

In the event that there is an impediment to the execution of a Financial Auditor's duties and it is deemed necessary to do so, the Board of Corporate Auditors shall decide on the details of a proposal to dismiss or non-reappointment the Financial Auditor to be submitted to the General Meeting of Shareholders. Moreover, if the Board of Corporate Auditors determines that the Financial Auditor is subject to any of the items under Article 340, Paragraph (1) of the Companies Act, the Financial Auditor shall be dismissed based on the consent of all Auditors.

## 6. Company systems and policies

### (1) System for ensuring the appropriateness of operations

The “Basic Approach to the Internal Control System” resolved by Board of Directors as a system for the Company to ensure the appropriateness of operations is as follows. (Final revision: April 22, 2015)

### 1) System for ensuring that the performance of duties by Directors and employees conforms to the laws and regulations as well as the Articles of Incorporation

The Company considers adhering with compliance as the universally most important issue and declares the principle of “fair and square” which should be followed within “THE VALQUA WAY” basic policy as the additional conduct guideline of “adherence with compliance and conscientious conduct” which all Group employees are thoroughly being made aware of.

Enact and distribute a Compliance Manual while establishing a group compliance system centered around the Compliance Committee to develop rules corresponding to the various laws and regulations, provide training, and practice compliance under the system.

Specifically, the position of Chief Compliance Officer (CCO) was established on January 1, 2007, as an officer who presides over compliance related matters, and the CCO reports on the compliance situation for the entire Group to the Compliance Committee on a regular basis.

In order to make the establishment of the compliance system effective, strengthen the audit system within the Group and have the Auditors audit the performance of duties by the Directors and employees based on the auditing standard of the Auditors and set up an Internal Audit Division which is independent of other divisions as an internal audit division. Moreover, establish a whistleblowing system within the Group to receive compliance-related consultations and reports

Regarding the elimination of antisocial forces, the Company declares in the Compliance Manual that it shall “confront antisocial forces” based on a law-abiding spirit and a firm sense of ethics, exclude all relationships with antisocial forces with a resolute attitude, and devote itself to fair and transparent corporate activities.

### 2) System for storing and managing information pertaining to the performance of duties by Directors

Regarding the internal creation, storage, and preservation, etc. of documents, in principle such tasks shall be carried out based on the document management regulations. In particular, Board of Directors meeting minutes, Managing Director meeting minutes, and other various committee meeting minutes pertaining to the performance of duties by Directors, shall be appropriately preserved according to the procedures, etc. stipulated by each department in charge, and a management system shall be implemented. Moreover, documents requesting managerial decisions, various application documents, and other documents which record the performance of duties shall also be preserved according to these procedures, and a management system shall be constructed.

### 3) Regulations and other systems for managing exposure to loss

The Company shall strive to construct a global risk management system for the entire Group. In particular, enact and develop rules and manuals, etc. for risks pertaining to disasters, the environment, quality, and export controls, etc. within each department in charge and prevent the manifestation of risks while also adopting measures in advance to minimize losses in the unlikely event that risks manifest. Moreover, establish basic handling procedures and measures in advance to continue and recover operations in an emergency situation while also developing a system to promptly report the corresponding situation to higher officials and interested parties.

### 4) System for ensuring the efficient performance of duties by Directors

Position Board of Directors as a supervisory authority of business execution carried out through decision making and the Executive Officers to improve the corporate value of the entire Group, and the Executive Officers shall adopt an executive officer system to execute business in accordance with the management policies and strategies decided by Board of Directors. The Directors shall attend important Executive Officer meetings, etc. to counsel and supervise the business execution of the Executive Officers. Clearly define the segregation of duties and authority of Directors, Executive Officers, and employees in the basic management regulations, regulations for official authority,

segregation of business regulations, and other internal regulations while also striving for efficiency at all times based on those regulations.

- 5) System for ensuring the appropriateness of operations within the business group composed of the Company and subsidiaries

Fundamentally, items 1) through 4) above shall be applied to each Group company, and the effectiveness of the control increased through the strengthening of information exchange within the Group, personnel exchange, and other collaboration systems. Moreover, establish an audit system within the Group to implement compliance and risk management in a unified and efficient manner. In addition, establish a system so that transactions within the Group was processed appropriately in accordance with laws and regulations, internal rules, etc.

- A. System for reporting to the Company about matters pertaining to the performance of duties by subsidiary Directors, etc.

Based on the enacted subsidiary management regulations for the purpose of achieving sound and efficient execution and operation of Group-wide operations, subsidiaries shall report to the Company regarding the details of periodically convened meetings of Board of Directors and executive meetings, and establish a system for such reporting through the Company's approval procedure as needed.

- B. Regulations and other systems for managing subsidiary exposure to loss

Based on the regulations and manuals, etc. relating to risk management developed according to the Group risk management system, the subsidiaries shall prevent the manifestation of risks while also adopting measures in advance to minimize losses in the unlikely event that risks manifest. Moreover, the subsidiaries shall establish basic handling procedures and measures in advance to continue and recover operations in an emergency situation, promptly report to the Company in the event that such a situation occurs, and create a system to immediately take measures.

- C. System for ensuring the efficient performance of duties by Directors, etc. of subsidiaries

The Company shall establish the Group medium-term management plan, and each Group company as well as its Officers and employees shall establish an efficient and sound system of execution to perform duties based on that plan. Moreover, funds shall be managed in a centralized and unified manner on the financial side for the optimization of Group finance.

- D. System for ensuring that the performance of duties by Directors, etc. and employees of subsidiaries conforms to the laws and regulations as well as the Articles of Incorporation

The Company shall construct a Group compliance system as described in 1), and the subsidiaries shall observe the compliance related regulations including the compliance manuals based on said system. Moreover, the Company shall implement Group compliance training and practice, etc. as needed for the subsidiaries as part of said system.

- 6) Matters concerning the relevant employee and the employee's independence from the Directors as well as matters with respect to ensuring the effectiveness of instructions from the Auditors to the relevant employee in the event that the Auditors request that an employee be placed to assist in those duties

In the event that the Auditors request that an employee be placed to assist in the performance of duties, an assisting employee shall be placed after consultations between the Directors and Auditors. In order to ensure the relevant employee's independence from the Directors in such a case, the Auditors shall directly issue work instructions to the relevant employee, and the consent of the Auditors shall be required for deciding changes and other matters involving authority over personnel matters.

- 7) System for Directors and employees to report to the Auditors as well as a system to ensure that the reporting party does not receive unfavorable treatment as a result of submitting the relevant report, and a system for providing other reports to the Auditors.

In addition to attending Board of Directors meeting, Managing Director meeting, Executive Officer meeting, etc., the Auditors shall audit the execution of duties by the Directors and Executive Officers by inspecting, etc. important approval documents, etc. while also periodically convening the Board of Corporate Auditors and engaging in a mutual exchange of information. Moreover, a system shall be constructed for the Directors, Executive Officers, and employees to provide timely and necessary

information to the Auditors. Furthermore, in order to make the provision of said information effective, the Group whistleblowing system shall be clearly defined the systemic prohibition of unfavorable treatment of those who are reporting the information.

- 8) System to allow for Directors, Auditors, and employees, etc. of subsidiary or parties who receive a report from such persons to report to the Company Auditors as well as a system to ensure that the reporting party does not receive unfavorable treatment as a result of submitting the relevant report

Establish a system to report to the Auditors the details of Board of Directors and executive meetings of subsidiary and the results of internal Group audits performed by the Company's internal audit division. Moreover, a system shall be constructed for the subsidiary's Officers and employees to provide timely and necessary information to the Auditors. Furthermore, the Group whistleblowing system which covers part of said system shall cover all Group employees and a prohibition on unfavorable treatment of persons reporting information shall be similarly applied to all Group employees.

- 9) Pre-payment of expenses which occur in conjunction with the execution of Auditor duties, expenses occurring due to reimbursement procedures and the execution of other relevant duties, or matters concerning policies pertaining to debt processing

Expenses required by the Auditors for the execution of duties shall be included in the budget in advance. Moreover, the provision that the expenditure of emergency or extraordinary expenses may be later claimed for reimbursement is established within the auditing standard of the Auditors and a system for appropriate management of such claims shall be constructed.

- 10) Other systems for ensuring the efficient performance of audits by the Auditors

In addition to attending Board of Directors meetings, the Auditors shall exchange opinions with the Representative Director as needed while also engaging in regular exchanges of opinions with the Financial Auditors as well as the Internal Audit Division. Moreover, the Auditors shall ensure opportunities to interview to the Company's Directors, Executive Officers, and employees as well as the subsidiary's Officers and employees.

- 11) System for ensuring the appropriateness of financial reports

Internal controls pertaining to financial reports shall be constructed based on the Financial Instruments and Exchange Act, evaluations and reporting shall be conducted in the appropriate manner, and system to ensure the credibility and appropriateness of financial reports shall be developed and operated.

- (2) Overview of the operational status of systems for ensuring the appropriateness of operations

An overview of the operational status of systems for ensuring the appropriateness of operations during the fiscal year under review is as follows.

- 1) Compliance related initiatives

Regular compliance training and training on other topics were conducted for the Group's employees to raise their awareness of compliance issues. In addition, during the fiscal year ended March 31, 2021, to promote the utilization of the Compliance Manual, the Company newly issued the "Compliance Handbook" and "Handbook for Conduct to Avoid Harassment" by adding specific case studies and explanations and distributed in Japan first. With respect to the Group whistleblowing system, the Group's employees are continuously being made aware that there is a compliance-consultation and whistleblowing-reporting desk and that persons who provide information shall not receive unfavorable treatment. Furthermore, the CCO reports to the Compliance Committee headed by the Representative Director, Chairman and CEO regarding compliance initiatives for the entire Group.

- 2) Initiative concerning the preservation and management of information

The Group engages in preservation management within the departments in charge of meeting minutes for Board of Directors and other important meetings, documents requesting managerial decisions,

various application documents, and other documents concerning the execution of duties according to the document management regulations and other related regulations.

3) Initiative concerning the management of exposure to loss

The Group practices risk management based on the crisis management regulations. During the fiscal year ended March 31, 2021, we reviewed the crisis management regulations and newly developed the “Business Continuity Plan (BCP) Manual” and “Product Supply BCP Manual” as manuals on actions to take in the event of a crisis. Regarding the operation of an emergency contact system in a crisis situation, periodic exercises are carried out to verify the effectiveness of the system. Moreover, the progress including measures to deal with risks is also tracked in the Risk Management Committee.

4) Initiative concerning the appropriateness and efficiency of the execution of duties

The Group decides the management policies and strategies through Board of Directors, and the Executive Officers follow those decisions to execute duties in an appropriate and efficient manner. The Directors involved in the execution of duties verify the execution status through monthly Executive Officer meetings and regularly convened reviews by strategy and region to provide counseling and supervision. Moreover, regarding the individual execution of duties, the necessary approvals are received, and the procedural appropriateness is ensured based on Board of Directors regulations, Managing Director regulations, Subsidiary Management regulations, etc. Moreover, cash management services are used on the financial side to manage the optimization of the Group finance.

5) Initiative concerning the execution of duties by Auditors

In addition to attending Board of Directors and other important meetings, Auditors receive reports about the results of internal Group audits by the Company’s internal audit division, order additional audits, and receive those results, etc. Moreover, Auditors periodically exchange opinions with the Financial Auditors and the Internal Audit Division as well as the Representative Director, Chairman and CEO and Representative Director, President and COO when necessary. In addition, Standing Auditors appropriately interview Directors, Executive Officers, and important employees of the Group and receive reports as necessary.

6) Initiative to ensure the appropriateness of financial reports

Regarding the appropriateness of financial reports, the Group obtains reports from the Internal Audit Division about the results of internal control evaluations, receives result explanations, and verifies that the appropriateness and credibility of financial reports is being ensured.



# Consolidated Financial Statements

Consolidated balance sheet (as of March 31, 2021)

(Millions of yen)

Item	Amount
<b>Assets</b>	<b>52,691</b>
<b>Current assets</b>	<b>29,698</b>
Cash and deposits	8,099
Notes and accounts receivable - trade	12,086
Electronically recorded monetary claims - operating	2,272
Merchandise and finished goods	3,384
Work in process	612
Raw materials and supplies	1,214
Accounts receivable - other	1,532
Other	510
Allowance for doubtful accounts	(14)
<b>Non-current assets</b>	<b>22,993</b>
<b>Property, plant and equipment</b>	<b>16,494</b>
Buildings and structures	5,834
Machinery, equipment and vehicles	3,894
Tools, furniture and fixtures	1,387
Land	4,002
Leased assets	534
Construction in progress	842
<b>Intangible assets</b>	<b>1,425</b>
Software	1,235
Other	190
<b>Investments and other assets</b>	<b>5,072</b>
Investment securities	3,204
Deferred tax assets	264
Retirement benefit asset	652
Other	951
Allowance for doubtful accounts	(0)
<b>Total assets</b>	<b>52,691</b>

Item	Amount
<b>Liabilities</b>	<b>15,417</b>
<b>Current liabilities</b>	<b>10,764</b>
Notes and accounts payable - trade	5,423
Short-term borrowings	1,538
Current portion of long-term borrowings	109
Lease obligations	162
Accounts payable - other	836
Income taxes payable	660
Accrued consumption taxes	166
Provision for bonuses	397
Provision for bonuses for directors (and other officers)	31
Other	1,437
<b>Non-current liabilities</b>	<b>4,653</b>
Long-term borrowings	2,506
Lease obligations	368
Deferred tax liabilities	1,013
Retirement benefit liability	483
Other	281
<b>Net assets</b>	<b>37,274</b>
<b>Shareholders' equity</b>	<b>34,335</b>
Share capital	13,957
Capital surplus	3,980
Retained earnings	17,968
Treasury shares	(1,571)
<b>Accumulated other comprehensive income</b>	<b>1,311</b>
Valuation difference on available-for-sale securities	1,583
Foreign currency translation adjustment	(321)
Remeasurements of defined benefit plans	49
<b>Non-controlling interests</b>	<b>1,627</b>
<b>Total liabilities and net assets</b>	<b>52,691</b>

Consolidated statement of income (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>44,717</b>
<b>Cost of sales</b>		<b>27,199</b>
<b>Gross profit</b>		<b>17,517</b>
<b>Selling, general and administrative expenses</b>		<b>14,041</b>
<b>Operating profit</b>		<b>3,475</b>
<b>Non-operating income</b>		
Interest and dividend income	47	
Rental income from facilities	359	
Share of profit of entities accounted for using equity method	13	
Foreign exchange gains	19	
Other	189	629
<b>Non-operating expenses</b>		
Interest expenses	68	
Loss on sale of notes receivable - trade	13	
Rental expenses on facilities	310	
Other	39	431
<b>Ordinary profit</b>		<b>3,673</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	5	
Gain on sale of investment securities	916	
Gain on sale of equity interest in subsidiaries and associates	98	1,021
<b>Extraordinary losses</b>		
Loss on abandonment of non-current assets	34	
Impairment losses	54	
Loss on sale of investment securities	46	
Compensation for asbestos-related health damages	54	188
<b>Profit before income taxes</b>		<b>4,506</b>
Income taxes - current	1,310	
Income taxes - deferred	46	1,356
<b>Profit</b>		<b>3,150</b>
Profit attributable to non-controlling interests		59
<b>Profit attributable to owners of parent</b>		<b>3,090</b>

## Non-consolidated Financial Statements

Non-consolidated balance sheet (as of March 31, 2021)

(Millions of yen)

Item	Amount
<b>Assets</b>	<b>40,249</b>
<b>Current assets</b>	<b>20,589</b>
Cash and deposits	5,987
Notes receivable - trade	2,000
Electronically recorded monetary claims - operating	2,104
Accounts receivable - trade	6,352
Merchandise	1,673
Supplies	3
Prepaid expenses	327
Short-term loans receivable	322
Accounts receivable - other	1,813
Other	4
Allowance for doubtful accounts	(1)
<b>Non-current assets</b>	<b>19,659</b>
<b>Property, plant and equipment</b>	<b>6,629</b>
Buildings	2,098
Structures	70
Machinery and equipment	447
Vehicles	1
Tools, furniture and fixtures	641
Land	3,363
Construction in progress	8
<b>Intangible assets</b>	<b>1,100</b>
Software	1,079
Telephone subscription right	14
Technology-based intangible assets	6
<b>Investments and other assets</b>	<b>11,929</b>
Investment securities	3,046
Shares of subsidiaries and associates	4,509
Investments in capital of subsidiaries and associates	2,196
Long-term loans receivable	1,179
Leasehold and guarantee deposits	317
Prepaid pension costs	546
Other	147
Allowance for doubtful accounts	(13)
<b>Total assets</b>	<b>40,249</b>

Item	Amount
<b>Liabilities</b>	<b>12,655</b>
<b>Current liabilities</b>	<b>9,667</b>
Notes payable - trade	383
Accounts payable - trade	4,187
Short-term borrowings	606
Accounts payable - other	806
Income taxes payable	195
Accrued consumption taxes	53
Accrued expenses	58
Deposits received	3,085
Provision for bonuses	216
Provision for bonuses for directors (and other officers)	31
Other	41
<b>Non-current liabilities</b>	<b>2,988</b>
Long-term borrowings	1,910
Long-term accounts payable - other	64
Deferred tax liabilities	792
Provision for retirement benefits	48
Asset retirement obligations	137
Other	35
<b>Net assets</b>	<b>27,593</b>
<b>Shareholders' equity</b>	<b>26,016</b>
<b>Share capital</b>	<b>13,957</b>
<b>Capital surplus</b>	<b>4,241</b>
Legal capital surplus	4,197
Other capital surplus	43
<b>Retained earnings</b>	<b>9,381</b>
Other retained earnings	9,381
Retained earnings brought forward	9,381
<b>Treasury shares</b>	<b>(1,563)</b>
<b>Valuation and translation adjustments</b>	<b>1,576</b>
<b>Valuation difference on available-for-sale securities</b>	<b>1,576</b>
<b>Total liabilities and net assets</b>	<b>40,249</b>

Non-consolidated statement of income (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>29,012</b>
<b>Cost of sales</b>		<b>19,894</b>
<b>Gross profit</b>		<b>9,117</b>
<b>Selling, general and administrative expenses</b>		<b>10,525</b>
<b>Operating loss</b>		<b>1,408</b>
<b>Non-operating income</b>		
Interest and dividend income	2,602	
Other	608	3,210
<b>Non-operating expenses</b>		
Interest expenses	63	
Other	418	481
<b>Ordinary profit</b>		<b>1,320</b>
<b>Extraordinary income</b>		
Gain on sale of investment securities	916	
Gain on sale of shares of subsidiaries and associates	113	1,029
<b>Extraordinary losses</b>		
Loss on abandonment of non-current assets	10	
Impairment losses	2	
Loss on sale of investment securities	46	
Compensation for asbestos-related health damages	54	112
<b>Profit before income taxes</b>		<b>2,237</b>
Income taxes - current	20	
Income taxes - deferred	22	43
<b>Profit</b>		<b>2,194</b>

## Audit Reports

### Audit Report on the Consolidated Financial Statements

#### Translation

#### Independent Auditor's Report

May 12, 2021

The Board of Directors  
VALQUA, LTD.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

Tomohisa Yura (Seal)  
Designated Engagement Partner  
Certified Public Accountant

Shinichi Masuda (Seal)  
Designated Engagement Partner  
Certified Public Accountant

#### Opinion

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

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

#### Basis for Opinion

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

#### Responsibilities of Management, Corporate Auditor and Board of Corporate Auditors for the Consolidated Financial Statements

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

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

Corporate Auditor and Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

### **Conflicts of Interest**

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

### **Note to Readers of Independent Auditor's Report**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the convenience of readers.



## Audit Report on the Non-consolidated Financial Statements

### Translation

### Independent Auditor's Report

May 12, 2021

The Board of Directors  
VALQUA, LTD.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

Tomohisa Yura (Seal)  
Designated Engagement Partner  
Certified Public Accountant

Shinichi Masuda (Seal)  
Designated Engagement Partner  
Certified Public Accountant

#### Opinion

Pursuant to Article 436, Paragraph (2), Item (i) of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, notes to the non-consolidated financial statements, and their supplementary schedules (hereinafter referred to as “non-consolidated financial statements”) of VALQUA, LTD. (the “Company”) applicable to the fiscal year from April 1, 2020 to March 31, 2021.

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

#### Basis for 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 section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management, Corporate Auditor and Board of Corporate Auditors for the Non-Consolidated Financial Statements

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

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

Corporate Auditor and Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

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

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

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

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

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

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

#### **Conflicts of Interest**

We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

#### **Note to Readers of Independent Auditor's Report**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the convenience of readers.

## Audit Report of Board of Corporate Auditors

### Audit Report

Regarding the performance of duties by the Directors for the 121st fiscal year from April 1, 2020 to March 31, 2021, the Board of Corporate Auditors has prepared this Audit Report upon deliberation based on the audit reports prepared by each Auditor and hereby reports as follows:

1. Auditing Methods Employed by the Auditors and the Board of Corporate Auditors and Details of Such Audit
  - (1) We established auditing policies, allocation of duties and other relevant matters, and received reports from each Auditor regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Financial Auditor regarding performance of their duties, and sought explanations as necessary.
  - (2) Each Auditor complied with the auditing standards of Auditors established by the Board of Corporate Auditors, followed the auditing policies, allocation of duties, and other relevant matters, communicated with Directors, Internal Audit Division and other employees, made efforts to establish the environment for collecting information and auditing, and conducted the audit by the following methods.
    - 1) Each Auditor participated in the meetings of the Board of Directors and other important meetings, received reports from Directors, employees and others regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial position at the headquarters and principal offices. With respect to subsidiaries, we communicated and exchanged information with Directors and Auditors of subsidiaries, and received business reports from subsidiaries as necessary.
    - 2) We periodically received reports from Directors, employees and others, requested explanations as necessary, and expressed opinions, regarding the resolution of the Board of Directors on the establishment of following systems (Internal Control System) and the status of operation of the organized system based on such resolution, both of which are described in the Business Report;
      - i) the system for ensuring that the performance of duties by the Directors conforms to the applicable laws and regulations and Articles of Incorporation, and
      - ii) the system stipulated in Article 100, Paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act, which are necessary for ensuring the appropriateness of operations within the business group composed of the Company and its subsidiaries.As for internal controls over financial reporting, reports made by Directors, etc. and Ernst & Young ShinNihon LLC about the status of assessment and audit of said internal controls were provided to Auditors, who asked for explanations as necessary.
    - 3) We monitored and verified whether the Financial Auditor maintained their independence and implemented appropriate audits, and we received reports from the Financial Auditor regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the Financial Auditor that “System for ensuring that duties are performed appropriately” (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting) is organized in accordance with the “Quality Control Standard for Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and its supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and their supplementary schedules as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and notes to the consolidated financial statements) applicable to the fiscal year.

2. Audit Results

(1) Results of Audit of Business Report, etc.

- 1) The Board of Corporate Auditors confirms that the Business Report and its supplementary schedules conformed to the applicable laws and regulations, and the Articles of Incorporation, and that they accurately present the situation of the Company.
- 2) With respect to the performance of duties by Directors, the Board of Corporate Auditors found no improper acts or important violation of applicable laws and regulations or the Articles of Incorporation.
- 3) We confirm that the content of the resolution of the Board of Directors regarding the Internal Control System is proper. In addition, we have found no matters on which to remark in regard to the description of the Business Report and the execution of duties by the Directors regarding the Internal Control System, including internal controls over financial reporting.

(2) Results of Audit of the Non-consolidated Financial Statements and their Supplementary Schedules

The Board of Corporate Auditors confirms that the methods used and results achieved by the Financial Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

(3) Results of Audit of the Consolidated Financial Statements

The Board of Corporate Auditors confirms that the methods used and results achieved by the Financial Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

May 13, 2021

Board of Corporate Auditors of  
VALQUA, LTD.

Standing Auditor Akio Ko (Seal)

Outside Auditor Takahiko Hachinohe (Seal)

Outside Auditor Hidenori Takahashi (Seal)

## Reference Documents for General Meeting of Shareholders

### Proposals and Reference Information

#### Proposal No. 1      Appropriation of Surplus

The Company has given consideration to matters including the business performance of the fiscal year and future business development, and it proposes to pay year-end dividends as follows.

(1) Type of dividend property

To be paid in cash.

(2) Allotment of dividend property to shareholders and their aggregate amount

¥50 per common share of the Company

Total: ¥882,660,850

(Note) As the Company has already paid an interim dividend of ¥45 per share, the annual dividend for the fiscal year will be ¥95 per share.

(3) Effective date of dividends of surplus


June 17, 2021


## Proposal No. 2 Election of Seven Directors

The terms of office of the current seven Directors will expire at the conclusion of this annual general meeting of shareholders. Accordingly, the Company proposes the election of seven Directors.


The candidates for Directors are as follows:


Candidate No.	Name	Current position in the Company	Attendance of Board of Directors meetings
1	Toshikazu Takisawa <span>Reelection</span>	Representative Director and Chairman CEO	14/14 times (100%)
2	Yoshihiro Hombo <span>Reelection</span>	Representative Director and President COO	14/14 times (100%)
3	Mutsuo Aoki <span>Reelection</span>	Director Managing Executive Officer CTO, CQO	14/14 times (100%)
4	Gota Nakazawa <span>New election</span>	Managing Executive Officer CDO	—
5	Tadayuki Seki <span>Reelection</span> <span>Outside</span> <span>Independent</span>	Outside Director	14/14 times (100%)
6	Chikako Sekine <span>Reelection</span> <span>Outside</span> <span>Independent</span>	Outside Director	14/14 times (100%)
7	Mikiko Saito <span>New election</span> <span>Outside</span> <span>Independent</span>	—	—


Candidate No.	Name (Date of birth)	Career summary, position, responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's common shares owned
<div>Reelection</div> <div>1</div>	 <p>Toshikazu Takisawa (October 24, 1960)</p> <p>Tenure as Director: 26 years</p> <p>Number of Board of Directors meetings attended: 14/14 times (100%)</p>	<p>Apr. 1984      Joined Taisei Corporation</p> <p>Apr. 1987      Joined the Company</p> <p>Apr. 1991      Seconded to ITOCHU Corporation</p> <p>June 1995      Director of the Company</p> <p>June 1996      Managing Director</p> <p>Oct. 1996      Representative Director and Vice President</p> <p>Nov. 1996      Representative Director and President</p> <p>June 2003      Representative Director, President and CEO</p> <p><b>June 2019      Representative Director, Chairman and CEO (current position)</b></p>	366,068
<p><b>Reasons for nomination as candidate for Director</b></p> <p>The Company proposes the election of Toshikazu Takisawa as Director based on his excellent management skills demonstrated as the Company's Representative Director, Chairman and CEO, and the determination that he can keep providing appropriate supervision of our overall business as Director and contribute to the sustainable improvement of corporate value.</p>			


Candidate No.	Name (Date of birth)	Career summary, position, responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's common shares owned
<div>Reelection</div> <div>2</div>	 <p>Yoshihiro Hombo (March 19, 1957)</p> <p>Tenure as Director: 2 years</p> <p>Number of Board of Directors meetings attended: 14/14 times (100%)</p>	<p>Apr. 1979      Joined MITSUI &amp; CO., LTD.</p> <p>Apr. 2010      Managing Officer, Chief Operating Officer of Basic Chemicals Business Unit</p> <p>Apr. 2012      Executive Managing Officer, General Manager of Investment Administration Division</p> <p>Apr. 2014      Senior Executive Managing Officer</p> <p>June 2014      Representative Director and Senior Executive Managing Officer</p> <p>Apr. 2017      Representative Director and Executive Vice President</p> <p>Apr. 2018      Director</p> <p>Apr. 2019      Executive Vice President of the Company</p> <p><b>June 2019      Representative Director, President and COO (current position)</b></p> <p>June 2020      Outside Director of Tosoh Corporation (current position)</p>	22,900
<p><b>Reasons for nomination as candidate for Director</b></p> <p>The Company proposes the election of Yoshihiro Hombo as Director based on his excellent management skills, which have been demonstrated as the Company's Representative Director, President and COO, drawing on his abundant business experience and deep insight into business administration acquired serving as Representative Director of a major general trading company, and the determination that he can keep providing appropriate supervision of our overall business as Director and contribute to the sustainable improvement of corporate value.</p>			




Candidate No.	Name (Date of birth)	Career summary, position, responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's common shares owned
<div>Reelection</div> <div>3</div>	 <p>Mutsuo Aoki (August 23, 1955)</p> <p>Tenure as Director: 2 years</p> <p>Number of Board of Directors meetings attended: 14/14 times (100%)</p>	<p>Apr. 1981      Joined Toa Nenryo Kogyo K.K. (currently ENEOS Corporation)</p> <p>May 1999      General Manager of Automobile Plastic Outer Panel Business Global Division of General Electric International Inc.</p> <p>May 2005      General Manager of Asia Regional Business Division of BASF Coatings</p> <p>Sept. 2010     Representative Director and President of Methanex Japan Limited</p> <p>June 2011      Representative Director and President of PerkinElmer Japan Co., Ltd.</p> <p>May 2015      Adviser of the Company</p> <p>June 2015      Senior Executive Officer</p> <p>Apr. 2019      Managing Executive Officer</p> <p><b>June 2019      Director, Managing Executive Officer, CTO and CQO (current position)</b></p>	6,300
<p><b>Reasons for nomination as candidate for Director</b></p> <p>The Company proposes the election of Mutsuo Aoki as Director based on his abundant experience in research and development and deep insight into business administration, his current engagement in a wide range of our operations including research and development and quality assurance divisions, and the determination that he can contribute to the sustainable improvement of corporate value.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's common shares owned
<div>New election</div> <div>4</div>	 <p>Gota Nakazawa (August 11, 1980)</p>	<p>Apr. 2004      Joined Ministry of Finance</p> <p>Jan. 2006      Chief of Tax Bureau</p> <p>July 2011      Deputy Senior Director of Office for Preparing Annual Meetings of IMF/WBG, Secretarial Division, Minister's Secretariat</p> <p>Dec. 2012      Joined Dream Incubator Inc.</p> <p>Mar. 2015      Project Manager</p> <p>Apr. 2015      Executive Secretary to the Minister of Economy, Trade and Industry</p> <p>Dec. 2016      Chief Strategy Officer of TORANOTEC Ltd.</p> <p>Apr. 2018      Director, Chief Strategy Officer</p> <p>Mar. 2021      Director of TORANOTEC Ltd. (current position) Adviser of the Company</p> <p><b>Apr. 2021      Managing Executive Officer and CDO (current position)</b></p>	0
<p><b>Reasons for nomination as candidate for Director</b></p> <p>The Company proposes the election of Gota Nakazawa as Director based on his deep insight into financial and industrial policies, etc. acquired through his experience at the Ministry of Finance, etc., his remarkable capabilities for the creation of new business, etc. accumulated through his experience at a consulting company and an investment advisory company, and the determination that he can contribute to the sustainable improvement of corporate value as Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's common shares owned
<div> <div>Reelection</div> <div>Outside</div> <div>Independent</div> <div>5</div> </div>	 <p>Tadayuki Seki (December 7, 1949)</p> <p>Tenure as Outside Director: 5 years</p> <p>Number of Board of Directors meetings attended: 14/14 times (100%)</p>	<p>June 2009 Representative Director and Managing Director of ITOCHU Corporation</p> <p>Apr. 2014 Representative Director, Executive Vice President, Executive Advisory Officer, CFO and CAO</p> <p>May 2016 Director of PARCO CO., LTD. (current position)</p> <p><b>June 2016 Outside Director of the Company (current position)</b></p> <p>Mar. 2017 Advisory Member of ITOCHU Corporation (current position)</p> <p>June 2017 Outside Director of JSR Corporation (current position)</p> <p>July 2017 Outside Auditor of Asahi Mutual Life Insurance Company (current position)</p> <p>May 2020 Outside Director of J. FRONT RETAILING Co., Ltd. (current position)</p>	2,000
<p><b>[Reasons for nomination as candidate for outside Director and expected role]</b></p> <p>The Company proposes the election of Tadayuki Seki as outside Director based on his abundant business experience and deep insight into business administration, and the determination that he can keep providing appropriate advice utilizing his insight.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's common shares owned
<div> <div>Reelection</div> <div>Outside</div> <div>Independent</div> </div> <div>6</div>	 <p>Chikako Sekine (December 16, 1953)</p> <p>Tenure as Outside Director: 3 years</p> <p>Number of Board of Directors meetings attended: 14/14 times (100%)</p>	<p>Apr. 1972      Joined Shiseido Yamagata Sales Co., Ltd.</p> <p>Apr. 2006      General Manager of Osaka Branch of Shiseido Sales Co., Ltd. (currently Shiseido Japan Co., Ltd.)</p> <p>Apr. 2008      Seconded to the Head Office of d'icila Co., Ltd., General Manager of Japan Sales Division</p> <p>Oct. 2009      General Manager of Beauty Consultation Planning Group, International Marketing Department of Shiseido Company, Limited</p> <p>Apr. 2012      Corporate Officer</p> <p>Apr. 2014      Corporate Executive Officer</p> <p>Jan. 2016      Advisor</p> <p>Feb. 2016      Outside Director of E-SUPPORTLINK, Ltd.</p> <p>Feb. 2018      Representative Director of B-mind Co., Ltd. (current position)</p> <p><b>June 2018      Outside Director of the Company (current position)</b></p> <p>May 2019      Outside Director of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)</p> <p>Aug. 2019      Outside Director of Takara Printing Co., Ltd. (currently TAKARA &amp; COMPANY LTD.) (current position)</p>	2,300
<p><b>[Reasons for nomination as candidate for outside Director and expected role]</b></p> <p>The Company proposes the election of Chikako Sekine as outside Director based on her abundant business experience acquired serving as Corporate Officer of a major cosmetic company, and the determination that she can keep providing appropriate advice for our overall management from multilateral viewpoints.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's common shares owned
<div>New election</div> <div>Outside</div> <div>Independent</div> <div>7</div>	 <div>Mikiko Saito (August 10, 1975)</div>	<div>Apr. 1998      Joined DENTSU INC.</div> <div>Mar. 2005      Representative Director and CEO of Saito &amp; Co. (currently SMO Inc.) (current position)</div>	0
<div><b>[Reasons for nomination as candidate for outside Director and expected role]</b></div> <div>The Company proposes the election of Mikiko Saito as outside Director based on her abundant business experience acquired serving as CEO of a brand consulting company, and the determination that she can provide appropriate advice for our overall management from multilateral viewpoints.</div>			

- (Notes)
- There are no special interests between the Director candidates and the Company.
  - Tadayuki Seki, Chikako Sekine, and Mikiko Saito are candidates for outside Director. The reasons for nominating each candidate for outside Director and expected roles, and reasons for determining that they are capable of appropriately fulfilling their duties are described under “Reasons for nomination as candidate for outside Director and expected role” above.
  - The Company has submitted notification to the Tokyo Stock Exchange that Tadayuki Seki and Chikako Sekine have been designated as independent officers as provided for by the aforementioned exchange. If the reelection of each candidate is approved, they will remain independent officers. Moreover, if the election of Mikiko Saito is approved, the Company plans to submit notification to the Tokyo Stock Exchange that she has been designated as an independent officer as provided for by the aforementioned exchange.
  - The Company has entered into limited liability agreements with outside Director candidates Tadayuki Seki and Chikako Sekine. The maximum amount of liability for damages under the relevant agreements is the minimum liability amount provided for under laws and regulations. If their reelection is approved, the Company plans to enter into the relevant agreements once again. If the election of Mikiko Saito, a candidate for outside Director, is approved, the Company plans to enter into a limited liability agreement having the minimum liability amount provided for under laws and regulations as the maximum amount of liability, with her.
  - The Company and an insurance company have entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph (1) of the Companies Act, and a summary of the policy is described in “4. (3) Summary of directors and officers liability insurance policy” A candidate for Director is included in the insured persons of the insurance policy once the election is approved. The Company plans to maintain the insurance policy at the next time of renewal.
  - FamilyMart Co., Ltd., an organization where Chikako Sekine had been serving as outside Director, received an administrative order based on the Act against Unjustifiable Premiums and Misleading Representations from the Consumer Affairs Agency during her term of office on March 30, 2020. She was not aware of the breach before. However, she has fulfilled her duties duly by constantly making remarks to reinforce compliance with laws and regulations at the Board of Directors meetings, etc. before the incident, and giving advice and opinions for the investigation of the cause, recurrence-prevention measures, etc. after the violation was revealed.
  - There are no matters to be entered other than those described above.