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(Securities code: 4028)

June 7, 2021

To Those Shareholders with Voting Rights

Kenichi Tanaka

Executive Director, President

ISHIHARA SANGYO KAISHA, LTD.

3-15, Edobori 1-chome, Nishi-ku, Osaka

NOTICE OF THE 98th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Firstly, we would like to extend our sincere thanks for your ongoing support.

We are pleased to inform you that the 98th Ordinary General Meeting of Shareholders will be held as follows.

To prevent the spread of the new coronavirus (COVID-19) and ensure the safety of all shareholders, we request shareholders to exercise their voting rights in advance, in writing or via the Internet, etc., and to refrain, wherever possible, from attending the General Meeting of Shareholders in person.

Please exercise your voting rights in writing or via the Internet, etc. by 5:30 p.m. on Thursday, June 24, 2021, after reading the attached REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS.

1. **Date and Time:** 10:00 a.m., Friday, June 25, 2021 (Reception opens: 9:00 a.m.)
2. **Venue:** Hall on the 5th floor of Shin-Ishihara Building, at 3-15, Edobori 1-chome, Nishi-ku, Osaka
(Shin-Ishihara Building: Please use Exit 5-B of Higobashi Station, Osaka Metro Yotsubashi Line.)
3. **Objectives of the Meeting**
Reports:
 1. The Business Report, the Consolidated Financial Statements for the 98th Fiscal Term (from April 1, 2020 to March 31, 2021), and the Audit Reports thereof prepared by the Accounting Auditor and the Audit & Supervisory Board
 2. The Non-consolidated Financial Statements for the 98th Fiscal Term (from April 1, 2020 to March 31, 2021)

Matters to Be Resolved

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Nine (9) Directors

Proposal No. 3: Election of One (1) Audit & Supervisory Board Member

Proposal No. 4: Election of One (1) Substitute Audit & Supervisory Board Member

4. How to Exercise Your Voting Rights

If you are attending the General Meeting of Shareholders

Please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.

Date & Time: **10:00 a.m., Friday, June 25, 2021**

(Reception opens: 9:00 a.m.)

If you are exercising your voting rights in writing

Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith, and return it to us.

Deadline: **The form should arrive by 5:30 p.m., Thursday, June 24, 2021.**

If you are exercising your voting rights via the Internet, etc.

Please first read the attached Guidance on the Exercise of Voting Rights via the Internet, etc. (p. 3) and indicate your approval or disapproval.

Deadline: **Entry should be accepted by 5:30 p.m., Thursday, June 24, 2021.**

- If you have exercised your voting rights both in writing and via the Internet, etc., the votes cast via the Internet, etc. shall be deemed valid. If you have exercised your voting rights via the Internet, etc. multiple times, the votes cast last shall be deemed valid.
- The costs incurred for access to the website for the exercise of voting rights via the Internet (such as Internet connection fees, phone charges, etc.) shall be borne by the shareholders.
- In some circumstances, you may not be able to use the website to exercise your voting rights via the Internet due to your Internet environment, ISP service, or device model.

5. Disclosure via the Internet

The items listed below are made available on our website on the Internet (URL below) in accordance with laws and ordinances, as well as the provisions of Article 19 of our Articles of Incorporation, and are therefore not included in the reference documents attached hereto.

- (1) Notes to Consolidated Financial Statements
- (2) Notes to Non-consolidated Financial Statements

Thus, the reference documents attached hereto constitute part of the subjects audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing their Audit Reports.

Our website (<https://www.iskweb.co.jp/ir/stockholders.html>)

If any situation arises that requires amendment to the REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS, the Business Report, the Consolidated Financial Statements, or the Non-consolidated Financial Statements, such amendment will be posted on the Company's website (<https://www.iskweb.co.jp>).

Guidance on the Exercise of Voting Rights via the Internet, etc.

How to scan the QR code “Smart Voting”

You can log in to the voting rights exercise website without entering a “voting rights exercise code” and a “password.”

- ❶ Please use your smartphone to scan the “voting rights exercise website login QR code” on the bottom right of the voting rights exercise form.
- ❷ Please enter your vote for each proposal by following the instructions on the screen.

Voting rights can be exercised only once using “Smart Voting.”

If you want to change your vote after exercising your voting rights, please enter the “voting rights exercise code” and “password” on the voting rights exercise form to log in to the voting rights exercise website by following the instructions under “How to enter a voting rights exercise code and a password” on the right hand side, and exercise your voting rights again.

* You can access the voting rights exercise website on the right hand side by scanning the QR code again.

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

How to enter a voting rights exercise code and a password

The voting rights exercise website:

<https://www.web54.net>

- ❶ Please access the voting rights exercise website.
- ❷ Please enter the “voting rights exercise code” on the bottom left of the reverse side of the voting rights exercise form.
- ❸ Please enter the “password” on the bottom left of the reverse side of the voting rights exercise form.
- ❹ Please enter your vote for each proposal by following the instructions on the screen.

Please call the number on the right hand side, if you have any questions relating to the exercise of voting rights via the Internet.

Transfer Agency Web Support
Hotline, Sumitomo Mitsui Trust Bank



0120-652-031

Business hours: 9:00 a.m. to 9:00 p.m.

To institutional investors

In addition to the exercise of voting rights via the Internet as stated above, you may use the electronic voting platform operated by ICJ, Inc. only if you apply for its use in advance.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and References

Proposal No. 1

Appropriation of Surplus

One of the most important management policies of the Company is to enhance corporate value while returning profits to our shareholders.

Our basic principle for dividends is to continue to implement stable dividend distribution according to our business performance, taking into comprehensive consideration the business trends, financial condition, and need to enhance our internal reserve for business expansion into the future.

Based on this policy, we have decided to pay a year-end dividend of 18 yen per share, as summarized below.

- 1. Type of dividend property**
Cash
- 2. Matters concerning the allocation of dividend property to shareholders and the total amount thereof**
18 yen per share of common stock of the Company
Total: 719,218,890 yen
- 3. Date on which the dividend of surplus takes effect**
June 28, 2021

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposal No. 2

Election of Nine (9) Directors

The terms of office of the current nine (9) Directors will expire at the conclusion of this General Meeting of Shareholders.

We therefore propose that nine (9) Directors (three (3) of which are Outside Directors) be elected.

The candidates for Directors are as follows:

Candidate No.	Full name	Posts and responsibilities held at the Company	Term of office as Director	Corporate strategy	Personnel and General affairs	Legal and Risk management	Marketing	Production and R&D	Financial accounting	Overseas work experience
1	Kenichi Tanaka	Reappointment	Executive Director, President & Chief Executive Officer, Chief Compliance Officer (CCO), and Chairman of Compliance Committee	7 years	●	●	●			
2	Hideo Takahashi	Reappointment	Director, Managing Executive Officer, and Director of Yokkaichi Plant	2 years	●		●	●		
3	Kiyomitsu Yoshida	Reappointment	Director, Managing Executive Officer, and Director of Biosciences Business Headquarters	3 years	●		●	●		●
4	Yasunobu Kawazoe	Reappointment	Director, Managing Executive Officer, and Director of Finance & Accounting Headquarters	2 years	●		●		●	
5	Masaki Shimojo	Reappointment	Director, Managing Executive Officer, Director of Inorganic Chemicals Sales & Marketing, and Director of R&D Strategy Headquarters	1 year	●		●	●		●
6	Hisashi Takenaka	New appointment	Managing Executive Officer, Deputy Director of Yokkaichi Plant	-				●		●
7	Hiroshi Katsumata	Reappointment	Director [Outside] [Independent]	4 years	●	●		●		●
8	Tatsuo Hanazawa	Reappointment	Director [Outside] [Independent]	2 years	●	●				●
9	Satoshi Ando	Reappointment	Director [Outside] [Independent]	1 year	●	●	●		●	

Reappointment Candidate for reappointment
 New appointment Candidate for new Director
 [Outside] Outside Officer
 [Independent] Independent Officer

Notes:

- The posts and responsibilities held at the Company of the above candidates for Directors are as of before this General Meeting of Shareholders.
- Nomination of the candidates for Directors is decided at the Board of Directors after consulting with the Personnel Committee, consisting of independent Outside Directors and Outside Audit & Supervisory Board Members. The Board of Directors nominates the persons who are deemed appropriate as candidates for Directors after comprehensive examination of their personalities, knowledge, abilities, etc. based on the perspective of prompt and proper decision making.
- The Company has concluded a directors and officers liability insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act, with all Directors as the insured. The insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to incorrect actions (including errors of omission) committed by the insured in his/her capacity as such. The Company is fully responsible for paying the insurance premium. The Company intends to include all candidates for Directors, if appointed, in the insured under this insurance contract. The Company intends to renew this insurance contract under the same terms when it comes due for renewal.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

1

Kenichi Tanaka (Born on January 18, 1954)

Reappointment

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held	
Number of the Company's shares held 20,400 shares	April 1976 Joined the Company
Term of office as Director 7 years (at the conclusion of this General Meeting of Shareholders)	April 2009 Executive Officer, and Acting Director of General Affairs Headquarters
Attendance at Board of Directors meetings 14 times / 14 meetings (100%)	June 2011 Executive Officer, and Director of General Affairs Headquarters
	June 2012 Managing Executive Officer, and Director of General Affairs Headquarters
	June 2014 Director, Managing Executive Officer, and Director of General Affairs Headquarters
	June 2015 Executive Director, President & Chief Executive Officer, Chief Compliance Officer (CCO), Chairman of Compliance Committee, Director of Business Strategy Office, and Director of General Affairs Headquarters
	February 2016 Executive Director, President & Chief Executive Officer, Chief Compliance Officer (CCO), Chairman of Compliance Committee, and Director of General Affairs & Human Resources Headquarters
	June 2017 Executive Director, President & Chief Executive Officer, Chief Compliance Officer (CCO), and Chairman of Compliance Committee (to date)
Major other offices concurrently held Director and Chairman at ISK AMERICAS INCORPORATED	

◆ Reason for nomination as a candidate for Director

Mr. Kenichi Tanaka was appointed President and Chief Executive Officer in June 2015. Since assuming office, he has accurately and efficiently engaged in the management and administration of the entire Group.

He also formulated the Mid-Term Management Plan, indicating the direction of the management strategy that the Company should pursue, based on the Group's external environment, and promoted the reform of corporate governance.

He is also demonstrating strong leadership in taking command of management to achieve the goals of the Company's long-term vision for the year 2030, Vision 2030, and the new Mid-Term Management Plan commencing from fiscal 2021. Expectations of his contribution to sustainably improving the corporate value of the Company resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Kenichi Tanaka.

Candidate No.

2

Hideo Takahashi (Born on December 4, 1956)

Reappointment

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

Number of the Company's shares held 9,400 shares	April 1980	Joined the Company
Term of office as Director 2 years (at the conclusion of this General Meeting of Shareholders)	June 2013	Executive Officer, and Deputy Director of R&D Strategy Headquarters
Attendance at Board of Directors meetings 14 times / 14 meetings (100%)	June 2014	Executive Officer, and Acting Director of R&D Strategy Headquarters
	June 2015	Executive Officer, and Director of R&D Strategy Headquarters
	October 2015	Executive Officer, Director of R&D Strategy Headquarters and Battery & Power Generation Materials Development Promotion Headquarters
	June 2018	Managing Executive Officer, and Director of R&D Strategy Headquarters
	June 2019	Director, Managing Executive Officer, and Director of Yokkaichi Plant (to date)

◆ Reason for nomination as a candidate for Director

Mr. Hideo Takahashi has been engaged in research, product development, sales mainly in the inorganic chemicals department, and has been engaged in plant operations, etc. He has built his career in many fields including Director of R&D Strategy Headquarters and Factory Director and has properly made decisions and conducted supervision on important business performance and management based on his abundant experience and achievements.

We expect that Mr. Takahashi will lead management of the entire Group and contribute to sustainably improving its corporate value of the Group through his leadership, based on his experience and achievements. This resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Hideo Takahashi.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

3

Kiyomitsu Yoshida (Born on May 19, 1958)

Reappointment

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held	
Number of the Company's shares held 7,900 shares	April 1981 June 2014
Term of office as Director 3 years (at the conclusion of this General Meeting of Shareholders)	Joined the Company Executive Officer, and Acting Director of Central Research Institute
Attendance at Board of Directors meetings 14 times / 14 meetings (100%)	May 2016 June 2016 June 2017 June 2018 January 2019 February 2019 June 2019
	Executive Officer, Acting Director of Central Research Institute, and Director of Animal Health Headquarters Executive Officer, Director of Central Research Institute, and Director of Animal Health Headquarters Managing Executive Officer, Director of Central Research Institute, and Director of Animal Health Headquarters Director, Managing Executive Officer, Deputy Director of Biosciences Sales & Marketing, and Director of Animal Health Headquarters Director, Managing Executive Officer, Director of Biosciences Sales & Marketing, and Director of Animal Health Headquarters Director, Managing Executive Officer, Director of Biosciences Business Headquarters, and Director of Animal Health Headquarters Director, Managing Executive Officer, and Director of Biosciences Business Headquarters (to date)
Major other offices concurrently held Director and Chairman at ISK BIOSCIENCES CORPORATION Director and Chairman at ISK BIOSCIENCES EUROPE N.V.	

◆ Reason for nomination as a candidate for Director

Mr. Kiyomitsu Yoshida has been engaged in sales, research & development, operation of a research institute, etc. mainly in the organic chemicals department, and has properly made decisions and conducted supervision on important business performance and management based on his abundant experience and achievements.

We expect that Mr. Yoshida will contribute to sustainably improving the corporate value of the Group by utilizing his experience and knowledge for the Board of Directors in planning and examining, or supervising the execution of, management strategies. This resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Kiyomitsu Yoshida.

Candidate No.

4

Yasunobu Kawazoe (Born on August 5, 1958)

Reappointment

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held		
Number of the Company's shares held 16,200 shares	April 1982	Joined Long-Term Credit Bank of Japan, Limited (currently Shinsei Bank, Limited)
Term of office as Director 2 years (at the conclusion of this General Meeting of Shareholders)	April 2012	Executive Officer, and General Manager of Institutional Credit Management Division, Shinsei Bank, Limited
Attendance at Board of Directors meetings 14 times / 14 meetings (100%)	April 2015	Managing Executive Officer, Chief Risk Officer, and Head of Risk Management Group, Shinsei Bank, Limited
	April 2016	Managing Executive Officer, and Head of Credit Risk Management, Shinsei Bank, Limited
	December 2016	Retired from Shinsei Bank, Limited
	January 2017	Advisor to Ishihara Sangyo Kaisha, Ltd.
	June 2017	Managing Executive Officer, and Director of Finance & Accounting Headquarters
	June 2019	Director, Managing Executive Officer, and Director of Finance & Accounting Headquarters (to date)

◆ Reason for nomination as a candidate for Director

Mr. Yasunobu Kawazoe has properly performed his duties by making effective use of his abundant experience and expertise related to finance and accounting that he had cultivated at a financial institution, and has properly made decisions and conducted supervision on important business performance and management based on his abundant experience and achievements. We expect that Mr. Kawazoe will contribute to sustainably improving the corporate value of the Group by utilizing his experience and knowledge for the Board of Directors in planning and examining, or supervising the execution of, management strategies. This resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Yasunobu Kawazoe.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

5

Masaki Shimojo (Born on April 14, 1960)

Reappointment

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held	
Number of the Company's shares held 6,200 shares	April 1983 Joined the Company
Term of office as Director 1 year (at the conclusion of this General Meeting of Shareholders)	October 2016 Executive Officer, and Director of Inorganic Chemicals Sales & Marketing
Attendance at Board of Directors meetings 9 times / 9 meetings (100%)	June 2019 Managing Executive Officer, Director of Inorganic Chemicals Sales & Marketing, and Director of R&D Strategy Headquarters
	June 2020 Director, Managing Executive Officer, Director of Inorganic Chemicals Sales & Marketing, and Director of R&D Strategy Headquarters (to date)
Major other offices concurrently held Director and Chairman at ISHIHARA CORPORATION (U.S.A.) Chairman at ISK TAIWAN CO., LTD.	

◆ Reason for nomination as a candidate for Director

Mr. Masaki Shimojo has been engaged in sales, research, product development, and production, etc. mainly in the inorganic chemicals department. He has properly performed his duties, made decisions and conducted supervision on important business performance and management based on his abundant experience and achievements.

We expect that Mr. Shimojo will contribute to sustainably improving the corporate value of the Group by utilizing his experience and knowledge for the Board of Directors in planning and examining, or supervising the execution of, management strategies. This resulted in our decision to re-appoint him as a candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Masaki Shimojo.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

6 Hisashi Takenaka (Born on November 24, 1956)

New appointment

	A brief summary of his career, posts and responsibilities held, and other major offices concurrently held	
Number of the Company's shares held 6,800 shares	April 1981	Joined the Company
Term of office as Outside Director -	June 2016	Executive Officer, Deputy Director of Yokkaichi Plant, and General Manager of Planning & Administration Division at Yokkaichi Plant
Attendance at Board of Directors meetings -	June 2020	Managing Executive Officer, and Deputy Director of Yokkaichi Plant (to date)

◆ Reason for nomination as a candidate for Director

Mr. Hisashi Takenaka has been engaged in production and engineering, environment, safety and health, and management divisions at a plant. He was appointed Executive Office in 2016, and is engaged in plant operations.

His abundant operational knowledge and experience have enabled him to properly execute his duties. We expect that Mr. Takenaka will contribute to sustainably improving the corporate value of the Group. This resulted in our decision to appoint him as a new candidate for our Director.

Note: No special-interest relationships exist between the Company and Mr. Hisashi Takenaka.

Candidate No.

7

Hiroshi Katsumata (Born on April 1, 1952)

Reappointment

Outside Officer

Independent Officer

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

Number of the Company's shares held
5,600 shares

Term of office as Outside Director
4 years (at the conclusion of this General Meeting of Shareholders)

Attendance at Board of Directors meetings
14 times / 14 meetings (100%)

April 1977	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
February 1995	General Manager of Natural Resources Department, Chubu Bureau of Trade and Industry
June 1997	Deputy Director-General of Planning Department, New Energy and Industrial Technology Development Organization
July 1999	Manager of Environmental Research and Technology Division, Planning and Coordination Bureau, Environment Agency (currently Ministry of the Environment)
December 2000	Manager of Vienna Center, Japan External Trade Organization
June 2003	Managing Director, Plastic Waste Management Institute
June 2006	Executive Officer, and Deputy General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2009	Senior Executive Officer, and Deputy General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2011	Senior Executive Officer, and General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2012	Managing Director, and General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2014	Senior Managing Director, and General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2015	Director Senior Managing Executive Officer, and General Manager of Technological Affairs Division, Taiyo Nippon Sanso Corporation
June 2017	Director, TM Air Co., Ltd.
June 2017	Outside Director of the Company (to date)
June 2018	Advisor to TM Air Co., Ltd.
June 2019	Part-time Consultant for TM Air Co., Ltd.

◆ Reason for nomination as a candidate for Outside Director and summary of expected roles

Mr. Hiroshi Katsumata, currently serving as Outside Director of the Company, has diverse experience and specialized insight in public administration, as well as advanced knowledge of corporate management as a company manager of an industrial gas business operator. These qualities enable him to provide appropriate advice and supervision of the Company's management from an objective standpoint. In addition, he also serves as Chairman of the Personnel Committee and a member of the Compensation Committee and Evaluation Committee, voluntary advisory committees of the Company, actively expressing his opinions. For these reasons, he is expected to perform his duties as Outside Director adequately from an independent standpoint. This resulted in our decision to re-appoint him as a candidate for our Outside Director.

Notes:

1. No special-interest relationships exist between the Company and Mr. Hiroshi Katsumata.
2. Mr. Hiroshi Katsumata is a candidate for Outside Director.
3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Director that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The Company has entered into an agreement on limitation of liability (the larger of an amount determined in advance or an amount ordered by decree, either of which shall be equal to or more than 10 million yen) with Mr. Hiroshi Katsumata, and will renew the current agreement with him upon the approval of his re-election at this General Meeting of Shareholders.
4. Mr. Hiroshi Katsumata meets the requirements of the "Criteria for the Independence of Outside Officers at the Company" and the requirements for Independent Officer set by the Tokyo Stock Exchange (TSE). The Company has notified the TSE of his election as an Independent Officer as required by the TSE. If his re-election is approved at this General Meeting of Shareholders, the Company will continue to appoint him as an Independent Officer.

Candidate No.

8

Tatsuo Hanazawa (Born on April 30, 1951)

Reappointment

Outside Officer

Independent Officer

Number of the Company's shares held
1,500 shares

Term of office as Outside Director
2 years (at the conclusion of this General Meeting of Shareholders)

Attendance at Board of Directors meetings
14 times / 14 meetings (100%)

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held

April 1975	Joined Ministry of Agriculture and Forestry (currently Ministry of Agriculture, Forestry and Fisheries)
August 1990	Research Administrator of Administration Division, Food and Marketing Bureau
May 1992	Counselor, Embassy of Japan in the People's Republic of China
July 1995	Councilor, Cabinet Councilors' Office in Internal Affairs, Cabinet Secretariat
July 1997	Manager of Mountainous and Snowy Regions Development Division, National Land Agency
July 1999	Manager of Upland Crop Division, Agricultural Production Bureau
April 2000	Deputy Director-General of Hokuriku Regional Agricultural Administration Office
July 2001	Director-General of Kinki Chugoku Regional Forest Office
July 2002	Assistant Vice-Minister, Minister's Secretariat and Land and Water Bureau, Ministry of Land, Infrastructure, Transport and Tourism
January 2004	Director of Selection and Evaluation Committee, Bio-Oriented Technology Research Advancement Institution, National Agriculture and Food Research Organization
October 2005	Executive Director of Japan Food Industry Center (currently Japan Food Industry Association)
April 2006	Executive Director of Japan Food Industry Center and Japan Food Safety Management System Assessment & Registration Senior Manager
April 2013	Executive Director of Japan Food Industry Association
June 2019	Outside Director of the Company (to date)

◆ Reason for nomination as a candidate for Outside Director and summary of expected roles

Mr. Tatsuo Hanazawa, currently serving as Outside Director of the Company, has diverse experience and knowledge of public administration, especially of agricultural policies both inside and outside Japan, and provides appropriate advice and supervision of the management of the Company from an independent standpoint, using his extensive experience and professional knowledge. In addition, he also serves as Chairman of the Compensation Committee and a member of the Personnel Committee and Evaluation Committee, voluntary advisory committees of the Company, actively expressing his opinions. Mr. Hanazawa has never in the past been involved in the management of a company except as an Outside Director. However, for these reasons, he is expected to perform his duties as Outside Director adequately from an independent standpoint. This resulted in our decision to re-appoint him as a candidate for our Director.

Notes:

1. No special-interest relationships exist between the Company and Mr. Tatsuo Hanazawa.
2. Mr. Tatsuo Hanazawa is a candidate for Outside Director.
3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Director that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The Company has entered into an agreement on limitation of liability (the larger of an amount determined in advance or an amount ordered by decree, either of which shall be equal to or more than 10 million yen) with Mr. Tatsuo Hanazawa, and will renew the current agreement with him upon the approval of his re-election at this General Meeting of Shareholders.
4. Mr. Tatsuo Hanazawa meets the requirements of the “Criteria for the Independence of Outside Officers at the Company” and the requirements for Independent Officer set by the TSE. The Company has notified the TSE of his election as an Independent Officer as required by the TSE. If his re-election is approved at this General Meeting of Shareholders, the Company will continue to appoint him as an Independent Officer.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Candidate No.

9

Satoshi Ando (Born on April 27, 1974)

Reappointment

Outside Officer

Independent Officer

A brief summary of his career, posts and responsibilities held, and other major offices concurrently held	
Number of the Company's shares held 500 shares	October 2001 Admitted to the bar (Dai-Ichi Tokyo Bar Association)
Term of office as Outside Director 1 year (at the conclusion of this General Meeting of Shareholders)	October 2001 Joined Onishi Shoichiro Law Office May 2015 Senior Partner of Onishi Shoichiro Law Office (to date)
Attendance at Board of Directors meetings 9 times / 9 meetings (100%)	May 2016 Outside Director (Audit & Supervisory Committee Member) of TOHO CO., LTD. (to date) June 2020 Outside Director of the Company (to date)
Major other offices concurrently held Attorney-at-law Outside Director (Audit & Supervisory Committee Member) of TOHO CO., LTD.	

◆ Reason for nomination as a candidate for Outside Director and summary of expected roles

Mr. Satoshi Ando, currently serving as Outside Director of the Company, has advanced professional expertise as an attorney-at-law, as well as extensive experience and broad insight in corporate legal work. He provides appropriate advice and supervision of the management of the Company from an independent and legal standpoint. In addition, he also serves as a member of the Compensation Committee, Personnel Committee and Evaluation Committee, voluntary advisory committees of the Company, actively expressing his opinions. Mr. Ando has never in the past been involved in the management of a company except as an Outside Director. However, for these reasons, he is expected to perform his duties as Outside Director adequately from an independent standpoint. This resulted in our decision to re-appoint him as a candidate for our Director.

Notes:

1. No special-interest relationships exist between the Company and Mr. Satoshi Ando.
2. Mr. Satoshi Ando is a candidate for Outside Director.
3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Director that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The Company has entered into an agreement on limitation of liability (the larger of an amount determined in advance or an amount ordered by decree, either of which shall be equal to or more than 10 million yen) with Mr. Satoshi Ando, and will renew the current agreement with him upon the approval of his re-election at this General Meeting of Shareholders.
4. Mr. Satoshi Ando meets the requirements of the "Criteria for the Independence of Outside Officers at the Company" and the requirements for Independent Officer set by the TSE. The Company has notified the TSE of his election as an Independent Officer as required by the TSE. If his re-election is approved at this General Meeting of Shareholders, the Company will continue to appoint him as an Independent Officer.

Election of One (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Michiyoshi Arata will retire at the conclusion of this General Meeting of Shareholders. We propose to appoint one (1) Audit & Supervisory Board Member as a substitute.

The term of office of the Audit & Supervisory Board Member elected by this General Meeting of Shareholders will terminate at the conclusion of the retiring Audit & Supervisory Board Member's current term of office, in accordance with the provisions of the Company's Articles of Incorporation. This proposal has obtained the consent of the Audit & Supervisory Board.

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

Yoshihito Akiyama (Born on June 15, 1958)

New appointment

Number of the Company's shares held 3,682 shares	A brief summary of his career and posts held, and other major offices concurrently held	
	April 1982	Joined TOHO TITANIUM CO., LTD.
	April 1991	Joined KEYENCE CORPORATION
	November 2004	Joined the Company
	March 2008	Deputy General Manager of Corporate Planning & Administration Division, Corporate Administration & Planning Headquarters, Auditor of ISK KOREA CORPORATION, and Auditor of ISK BIOSCIENCES KOREA LTD.
	April 2009	Deputy General Manager of Corporate Planning & Administration Division, Corporate Administration & Planning Headquarters, and Part-time Auditor of FUJI TITANIUM INDUSTRY CO., LTD.
	June 2012	General Manager of Corporate Planning & Administration Division, Corporate Administration & Planning Headquarters, and Director (Part-time) of ISHIHARA TECHNO CORPORATION
	July 2018	Associate Director, General Manager of Third Party Relations & Sales Administration Division, Biosciences Business Headquarters of the Company
	December 2018	Associate Director, General Manager of Third Party Relations & Sales Administration Division, Biosciences Business Headquarters (to date), and Director of ISK BIOSCIENCES EUROPE N.V. (to date)
		(retirement planned in June 2021)

◆ Reason for nomination as a candidate for Audit & Supervisory Board Member

Mr. Yoshihito Akiyama has served in the Company's management and sales divisions, and possesses achievements including experience as Director and Auditor of affiliates in Japan and overseas. We have nominated him as a candidate for Audit & Supervisory Board Member in the expectation that he will utilize this experience and knowledge in the Company's audit activities.

Notes:

1. No special-interest relationships exist between the Company and Mr. Yoshihito Akiyama.
2. The Company has concluded a directors and officers liability insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act, with all Audit & Supervisory Board Members as the insured. The insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to incorrect actions (including errors of omission) committed by the insured in his/her capacity as such. The Company is fully responsible for paying the insurance premium. If the appointment of Mr. Yoshihito Akiyama is approved at this General Meeting of Shareholders, then he will become insured under this insurance contract. The Company intends to renew this insurance contract under the same terms when it comes due for renewal.

Election of One (1) Substitute Audit & Supervisory Board Member

At the 97th Ordinary General Meeting of Shareholders held on June 25, 2020, Mr. Yasuhiro Koike was elected as a substitute Audit & Supervisory Board Member. His term of office will terminate at the time of the start of the forthcoming General Meeting of Shareholders. Therefore, one (1) substitute Audit & Supervisory Board Member shall be appointed anew in the case that a vacancy occurs in the statutory number of auditors.

This proposal has obtained the consent of the Audit & Supervisory Board.

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

Yasuhiro Koike (Born on July 31, 1962)

Reappointment

Substitute Outside Audit & Supervisory Board

Independent Officer

A brief summary of his career and posts held, and other major offices concurrently held

Number of the Company's shares held
0 shares

April 1991	Admitted to the bar (Osaka Bar Association)
April 1998	Opened Koike Law Office
April 2004	Opened Ohara & Koike Law Office
April 2012	Vice-president of Osaka Bar Association
April 2019	Executive Governor of Japan Federation of Bar Associations

Major other offices concurrently held
Attorney-at-law

◆ Reason for nomination as a candidate for substitute Outside Audit & Supervisory Board Member

Mr. Yasuhiro Koike has professional knowledge and experience of legal practice and sufficient insight into corporate management, which endorses the view that he has the ability to carry out his professional duties as a substitute Outside Audit & Supervisory Board Member from an independent and unbiased perspective.

Notes:

1. No special-interest relationships exist between the Company and Mr. Yasuhiro Koike.
2. Mr. Yasuhiro Koike is a candidate for a substitute Outside Audit & Supervisory Board Member.
3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Audit & Supervisory Board Member that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The Company will enter into an agreement on limitation of liability (the larger of an amount determined in advance or an amount ordered by decree, either of which shall be equal to or more than 10 million yen) with Mr. Yasuhiro Koike, if his election is approved at this General Meeting of Shareholders and he assumes his Audit & Supervisory Board Member role.
4. Mr. Yasuhiro Koike meets the requirements of the "Criteria for the Independence of Outside Officers at the Company" and the requirements for Independent Officer set by the TSE. If his election is approved at this General Meeting of Shareholders and he assumes his Audit & Supervisory Board Member role, the Company will notify the TSE of Mr. Yasuhiro Koike's nomination as an Independent Officer as required by the TSE.
5. The Company has concluded a directors and officers liability insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act, with all Audit & Supervisory Board Members as the insured. The insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to incorrect actions (including errors of omission) committed by the insured in his/her capacity as such. If the election of Mr. Yasuhiro Koike is approved at this General Meeting of Shareholders and he assumes his Audit & Supervisory Board Member role, then he will be included in the insured under this insurance contract. The Company intends to renew this insurance contract under the same terms when it comes due for renewal.

(Reference)

Criteria for the Independence of Outside Officers at the Company

An Outside Director or Outside Audit & Supervisory Board Member shall be deemed independent if he/she falls under none of the following criteria:

1. A person who is or was within the past 10 years an executive of business^{*1} of the corporate group composed of the Company and its subsidiaries (hereinafter, “the Group”)
2. A person who is or was within the past five years a major shareholder (holding 10% or more of total voting rights) of the Company or an executive of business thereof
3. A person who is a client of the Group and whose transactions with the Group exceeded 2% of the consolidated annual sales of the Group in one of the recent three business years, or the executive of business thereof
4. A person for whom the Group is a client and whose transactions with the Group exceeded 2% of its consolidated annual sales in one of its recent three business years, or the executive of business thereof
5. An accounting professional, legal professional, or other consultant or a member of a group thereof who receives from the Group a large amount of money or other financial benefit^{*2} besides the officer’s remuneration
6. A person who receives or has received within the past three years a large amount of donation or other assistance^{*3} from the Group, or the executive of business thereof
7. A spouse or a relative within the second degree of kinship of any person who falls under any of the criteria 1 through 6 above, or a relative who lives with such a person.

*1: “An executive of business” refers to the person defined in Article 2, Paragraph 3 (6) of the Ordinance for Enforcement of the Companies Act.

*2: “A large amount of money or other financial benefit” refers to over 10 million yen of regular annual compensation on average over the past three years.

*3: “A large amount of donation or other assistance” refers to over 10 million yen of an annual total amount of donation or assistance.

Business Report

(April 1, 2020 - March 31, 2021)

I. Overview of the Corporate Group

1. Business Progress and Results

(1) Business Conditions

The global economy deteriorated rapidly during the fiscal year under review, as a result of restrictions on economic activity due to the spread of the COVID-19 pandemic. Signs of a recovery in business conditions subsequently appeared however, although to differing degrees in each region and industry, led by a rapid recovery in the Chinese economy, and the gradual resumption of economic activity in major regions including Europe and the United States. The Japanese economy also faced adverse conditions, with a slump in personal consumption, but signs of a recovery in production activities strengthened towards the end of the fiscal year. At present however, the outlook remains uncertain, with a semiconductor shortage affecting the automobile industry, in addition to the repeated spread of the virus.

Under these conditions, the Group celebrated its 100th anniversary in September 2020. We have defensively reinforced our existing businesses, while strengthening aggressive initiatives for growth, aiming to be a strong and trusted chemical company with a powerful brand, our vision for 2020. However, the business environment remained adverse due to the impact of COVID-19, particularly in the inorganic chemicals business. Sales of titanium dioxide fell dramatically in the first half of the fiscal year, resulting in a large year-on-year decline, but sales of highly functional, high value-added products recovered during the second half of the fiscal year to increase year-on-year. In the organic chemicals business, the impact on crop production was only limited, and sales of the main agrochemical products were strong, particularly overseas.

As a result, the Company posted consolidated net sales of ¥101.7 billion (up ¥0.7 billion YoY) and consolidated operating income of ¥5.1 billion (down ¥1.0 billion YoY) for the fiscal year ended March 31, 2021 (the “current fiscal year”). In terms of non-operating income, consolidated ordinary income was ¥5.9 billion (up ¥0.5 billion YoY) due to a foreign exchange gain resulting from a weaker yen. Net income attributable to owners of parent was ¥3.3 billion (up ¥1.0 billion YoY).

Results for each business segment were as follows.

[Inorganic Chemicals Business]

Sales of titanium dioxide for use in automotive and construction declined significantly during the first half of the fiscal year due to the impact of COVID-19, then gradually began to recover. The recovery in market conditions for titanium dioxide in Asia became more marked towards the end of the fiscal year, but remained unable to compensate for the previous decline, and net sales for the fiscal year amounted to ¥37.9 billion (down ¥1.8 billion YoY).

In functional materials, sales of materials for electronics components related to 5G performed strongly, and automotive demand, which had slumped during the first half of the fiscal year, showed signs of a recovery during the second half. In addition, sales of photocatalytic titanium dioxide grew for antibacterial and antiviral uses, and net sales amounted to ¥11.9 billion (up ¥0.1 billion YoY).

Both sales and cost weighed on profit, with the decline in sales volumes of titanium dioxide and a resulting increase in fixed costs from operational adjustments, as well as persistently high prices for ore, a raw material.

As a result, net sales for the inorganic chemicals business were ¥49.8 billion (down ¥1.6 billion YoY), and operating income was ¥0.9 billion (down ¥2.7 billion YoY).

[Organic Chemicals Business]

Domestic sales of agrochemicals increased year over year, as sales of other products compensated for a downturn in the main nematocides, despite a patchy performance overall.

Overseas, sales of herbicides for corn were strong in the United States, thanks to booming crop

production, and progress was made in consuming distribution stock, which was at high levels due to the impact of floods last year. In Europe, sales of nematicides grew strongly, due to the expiry of the registration for a competing agent. Sales of insecticides grew in Asia, due to a proliferation of insect pests.

The spread of COVID-19 caused a decline in demand for horticultural insecticides and fungicides, due to a decrease in fresh vegetable production for the restaurant industry in the United States, but the impact was limited.

Apart from agrochemicals, net sales of animal health products increased year over year.

As a result, net sales for the organic chemicals business were ¥48.3 billion (up ¥2.1 billion YoY), and operating income was ¥6.3 billion (up ¥1.9 billion YoY).

[Other Businesses]

Net sales in other businesses were ¥3.5 billion (up ¥0.1 billion YoY), and operating income was ¥0.5 billion (on a par with the previous fiscal year).

(2) Capital Expenditures

Capital expenditures during the current fiscal year amounted to ¥6.0 billion, comprising ¥5.5 billion in the inorganic chemicals business, and ¥0.6 billion in the organic chemicals business.

(3) Financing

The global spread of COVID-19 has caused an increasingly severe slowdown in the global economy, with no prospect of a resolution. Due to the consequent uncertainty regarding the future outlook, we established a commitment line (¥10.0 billion for a period of two years) with our five main banks in July, as an emergency financing measure.

Capital investment increased year over year, while research and development costs decreased due to our exit from the biopharmaceutical HVJ-E development business.

Funds procurement through bank loans increased year over year, with the impact of a decrease in sales due to COVID-19, and interest-bearing debt was ¥60.1 billion (up ¥7.5 billion YoY).

(4) Issues to Be Addressed

The Group has formulated its long-term vision, "Vision 2030" and the new Mid-Term Management Plan "Vision 2030 Stage I" (for fiscal 2021-2023), founded on this vision.

1) Long-term vision "Vision 2030"

We took the opportunity of the 100th anniversary of the Group's founding to visualize our ideal for the Group in 2030, ten years from now, and establish "Originality. Acceleration. Global Reach. Transforming Lives Through the Power of Chemistry." as our long-term vision, "Vision 2030." This vision was announced in Integrated Report 2020, published in March 2021. We have now formulated specific management targets and policy approach.

• Purpose

Under our corporate philosophy, we define our raison d'être (purpose) as "To continue contributing to better living environments through chemical technologies."

• Management targets (2030)

Consolidated net sales: over ¥200.0 billion

Consolidated operating income ratio: 15% or greater

ROE: 10% or greater

Shareholder returns: maintain stable shareholder returns

• Basic policy approach

We will strive to achieve Vision 2030, focusing our value creation on three strengths that the Group has developed over many years, based on its corporate philosophy.

<Three strengths>

"Quality" for safety and security, to contribute to social development, protection of life and environmental preservation

Leading-edge "technological development" supported by diverse human resources

"Management drive" based on a high awareness of compliance

In an increasingly uncertain business environment involving COVID-19, carbon neutrality and rapid digitalization, the Group will contribute to realizing a sustainable society while simultaneously enhancing corporate value through its business activities.

We will continually promote management initiatives incorporating the perspectives of ESG and the SDGs and further strengthen the business base. On this firm foundation, we will strive together as a Group to achieve Vision 2030, based on the policies of the inorganic and organic chemicals businesses.

- Business policies and key measures

- 1) Inorganic chemicals business

Business policy: Create new value based on the technologies developed for titanium dioxide products, to support the environment and digital society, and contribute to realizing a sustainable society.

Key measures:

- Diversify the optical characteristics of titanium dioxide to achieve new value creation
- Contribute to resolving social issues including the spread of ICT and the shift to electric vehicles through functional materials
- Reform production structures to achieve both a reduction in environmental impact and an increase in production efficiency

- 2) Organic chemicals business

Business policy: Supply unique products that directly enhance customer value across the world, and support people's nutrition, health and life to contribute to realizing a sustainable society.

Key measures:

- Promote development and commercialization with an awareness of the entire value chain
- Refine and evolve proprietary technologies to accelerate value creation and return to a growth trajectory
- Achieve global lowest-cost manufacture and stable customer supply of main products

- 2) New Mid-Term Management Plan (for fiscal 2021-2023) "Vision 2030 Stage I"

- Basic policy

This Mid-Term Management Plan, "Vision 2030 Stage I," is the first of three stages backcast from the long-term vision, "Vision 2030". The basic policy of the plan is to aim to create sustainable corporate value by promoting stronger management initiatives incorporating the perspectives of ESG and the SDGs.

- Management targets, etc. for fiscal 2023

Consolidated net sales: over ¥125.0 billion

Consolidated operating income ratio: 13% or greater

ROE: 10% or greater

Shareholder returns: Continue to pay stable dividends that reflect consolidated financial results

	Fiscal 2020 results	Fiscal 2023 plan	Change
Net sales	¥101.7 billion	¥125.0 billion	—
Operating income	¥5.1 billion	¥16.6 billion	2.2 times
Ordinary income	¥5.9 billion	¥15.8 billion	1.7 times
Net income attributable to owners of parent	¥3.3 billion	¥12.4 billion	2.7 times
Operating income ratio	5%	13%	—
ROE	4%	10% or greater	—

Note: The Company will apply "Accounting Standard for Revenue Recognition," from the beginning of the fiscal year ending March 31, 2022, and these forecasts are based on this Standard. For this reason, no figure is presented for change in net sales from the fiscal 2020 results to the fiscal 2023 plan.

- Key measures

The key measures to be implemented across the Group and within each business are as follows. We will review the business plan each fiscal year, and strive to achieve performance targets for the final fiscal year of the plan.

Group

- Strengthen sustainable management initiatives incorporating the perspectives of ESG and the SDGs
- Identify material factors and strengthen initiatives related to each material factor
- Drive work style reform through the promotion of DX and greater operational efficiency
- Continue and strengthen compliance management
- Strengthen risk management
- Expand the top line
- Strengthen the capacity to create new businesses and products
- Continue initiatives to reform internal structures and attitudes to achieve Vision 2030
- Conduct thorough capital cost management, such as improvement along the whole cash conversion cycle

Inorganic chemicals business

- Raise the sales proportion of highly functional, high value-added products
- Implement sales expansion strategies for electronic component materials and electro-conductive materials
- Accelerate development of new products to drive further growth
- Achieve more favorable procurement terms for ore, the main raw material
- Promote cost reduction at the Yokkaichi Plant through waste reduction and better manufacturing and operating processes
- Launch a master plan to optimize manufacturing bases
- Create a road map towards reducing greenhouse gas emissions

Organic chemicals business

- Achieve global lowest-cost manufacturing of our main agrochemical agents and ensure stable supply, to expand our share of the global market
- Reduce manufacturing costs and expand demand for the next main agrochemical products
- Develop and commercialize biorational products and embed IPM*
- Implement strategic and innovative sales initiatives, such as the use of multiple agrochemicals sales companies
- Acquire and maintain agrochemicals registration in countries around the world
- Expand the business scale by promoting corporate acquisitions and corporate alliances
- Refine our chemosynthesis technologies and strengthen our traditional foundation
- Expand sales of our veterinary pharmaceuticals around the globe

*Integrated pest management

2. Trends in Assets and Income

(Millions of yen, unless otherwise specified)

Item	The 95th fiscal year ended March 31, 2018	The 96th fiscal year ended March 31, 2019	The 97th fiscal year ended March 31, 2020	The 98th fiscal year ended March 31, 2021 (Current fiscal year)
Net sales	108,001	106,441	101,066	101,774
Ordinary income	8,414	11,144	5,345	5,944
Net income attributable to owners of parent	3,442	8,683	2,359	3,373
Net income per share (Yen)	86.12	217.25	59.03	84.41
Total assets	159,767	168,689	172,437	180,021
Total net assets	67,137	75,335	76,669	79,515

- Notes: 1. Net income per share is calculated based on the average number of outstanding shares during the period, after deducting the number of shares of treasury stock.
2. In the 95th fiscal year, the sales environment improved for titanium dioxide, the main product of the inorganic chemicals business, with a continuation of buoyant markets overseas against the backdrop of an increasingly tight balance of supply and demand around the world. At the same time however, a rising trend surfaced in the price of various raw materials, including an intensifying upward movement in the price of titanium ore. Demand for agrochemicals, the main product of the organic chemicals business, was sluggish overall, with significant differences in regional demand. While demand was strong in North America and Asia due to an increase in land area cultivated for agricultural crops and the effect of weather conditions, demand was subdued in South America due to a persistently high distribution inventory levels in Brazil. As a result, net sales, operating income and ordinary income both increased. Net income attributable to owners of parent declined however, partly due to the recognition within extraordinary losses of a reserve for implementation of environmental and safety arrangements, for expenses related to soil and groundwater contamination and buried waste, etc. at the Yokkaichi Plant.
3. In the 96th fiscal year, demand for titanium dioxide, the main product of the inorganic chemicals business, was strong within Japan and overseas. From the middle of the fiscal year onward however, a sense of uncertainty grew concerning the outlook for demand and market conditions, due to the impact of a slowdown in the Chinese economy. There were signs of a recovery in the global shipping value for agrochemicals, the main product of the organic chemicals business, with an improvement in the previously subdued market environment in South America. As a result, net sales declined, but operating income and ordinary income increased. Net income attributable to owners of parent increased, partly due to the absence of extraordinary losses recorded in the previous fiscal year, related to the recognition of a reserve for implementation of environmental and safety arrangements.
4. In the 97th fiscal year, domestic demand for titanium dioxide, the main product of the inorganic chemicals business, was strong during the first half of the fiscal year, but showed signs of a downturn after the consumption tax hike. Overseas, demand declined, primarily in Asia, with the impact of a slowdown in the Chinese economy. Market conditions trended downward. The recovery continued in the global shipping value for agrochemicals, the main product of the organic chemicals business, against the backdrop of strong crop production in Brazil, an agricultural superpower. However, the impact of extraordinary weather events was observed in Japan and Europe, the Group's main markets. As a result, net sales, operating income, ordinary income and net income attributable to owners of parent for the fiscal year all declined.
5. Please refer to 1. Business Progress and Results above for details on the 98th fiscal year.

3. Significant Parent Companies and Subsidiaries, etc.

(1) Relationship with Parent
Not applicable.

(2) Significant Subsidiaries, etc.

1) Significant Subsidiaries

Name	Capital	Ownership Ratio (%)	Main Business
ISK BIOSCIENCES K.K.	¥600 million	100	Agrochemical sales
ISK AMERICAS INCORPORATED	US\$25,986 thousand	100	Management and administration of subsidiaries in the United States
ISK BIOSCIENCES EUROPE N.V.	€7,436 thousand	100	Management of the European agrochemicals business; manufacture and sale of agrochemicals
ISHIHARA TECHNO CORPORATION	¥100 million	100	Trading
FUJI TITANIUM INDUSTRY CO., LTD.	¥1,926 million	100	Manufacture and sale of titanium dioxide, functional materials, etc.
ISK ENGINEERING PARTNERS CORPORATION	¥100 million	100	Construction

2) Significant Affiliates

Name	Capital	Ownership Ratio (%)	Main Business
BELCHIM CROP PROTECTION N.V.	€4,002 thousand	28 [28]	Sale of materials related to agrochemicals

Note: The figure shown in square brackets [] in the Ownership Ratio column represents the indirect ownership ratio.

4. Principal Businesses

Business Segment	Details of Business
Inorganic chemicals business	Manufacture and sale of titanium dioxide, functional materials, electronics materials, plaster, etc.
Organic chemicals business	Manufacture and sale of herbicides, pesticides, disinfectants, plant growth regulators, organic intermediates and pharmaceuticals; manufacture and sale of veterinary drugs
Other businesses	Construction, trading, etc.

5. Principal Business Locations

(1) The Company

Name	Location
Osaka Head Office	Osaka City, Osaka Prefecture
Yokkaichi Plant	Yokkaichi City, Mie Prefecture
Central Research Institute	Kusatsu City, Shiga Prefecture
Tokyo Branch	Chiyoda-ku, Tokyo
Chubu Branch	Yokkaichi City, Mie Prefecture
Singapore Branch	Singapore
Sapporo Sales Office	Sapporo City, Hokkaido
Sendai Sales Office	Sendai City, Miyagi Prefecture
Fukuoka Sales Office	Fukuoka City, Fukuoka Prefecture

(2) Subsidiaries

Name	Location
ISK BIOSCIENCES K.K.	Chiyoda-ku, Tokyo
ISK AMERICAS INCORPORATED	Ohio, United States
ISK BIOSCIENCES EUROPE N.V.	Belgium
ISHIHARA TECHNO CORPORATION	Osaka City, Osaka Prefecture
FUJI TITANIUM INDUSTRY CO., LTD.	Kobe City, Hyogo Prefecture
ISK ENGINEERING PARTNERS CORPORATION	Yokkaichi City, Mie Prefecture

6. Employees

Business Segment	Number of Employees	YoY Change
Inorganic chemicals business	964	+ 55
Organic chemicals business	571	- 5
Other businesses	117	- 14
Corporate (common)	91	+ 3
Total	1,743	+ 39

Note: The number of employees represents the number of active personnel employed.
Corporate (common) employees mainly comprise those employed at the administration department at the head office, who do not belong to any reportable segment.

7. Major Lenders

Lender	Balance of Loans (in millions of yen)
Shinsei Bank, Limited	10,336
Sumitomo Mitsui Banking Corporation	7,501
Development Bank of Japan Inc.	5,417
The Norinchukin Bank	4,582
JA Mie Shinren	3,461

II. Status of the Company

1. Shares

- (1) Total Number of Shares Authorized to be Issued 100,000,000 shares
- (2) Total Number of Shares Outstanding 40,383,943 shares
(including 427,338 shares of treasury stock)
- (3) Number of Shareholders 27,032 persons
- (4) Major Shareholders (Top10)

Name of Shareholder	Investment to the Company	
	Number of Shares of the Company Held (Thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,513	6.29
Custody Bank of Japan, Ltd. (trust account)	2,094	5.24
MITSUI & CO., LTD.	2,019	5.05
Toagosei Co., Ltd.	1,722	4.31
BNP PARIBAS SECURITIES SERVICES PARIS/JASDEC/FBB SEC/BELCHIM MANAGEMENT	1,450	3.63
UPL Japan GK	1,170	2.93
Ishihara Sangyo Kaisha Client Stock Ownership Association	955	2.39
Ishihara Sangyo Kaisha Employee Stock Ownership Association	809	2.03
INTERACTIVE BROKERS LLC	714	1.79
DFA INTL SMALL CAP VALUE PORTFOLIO	615	1.54

- Notes: 1. The shareholding ratio is calculated after deducting treasury stock.
2. Shares held by The Master Trust Bank of Japan, Ltd. (trust account) and Custody Bank of Japan, Ltd. (trust account) are held in connection with their trust operations.
3. The 1,450 thousand shares of the Company held by BNP PARIBAS SECURITIES SERVICES PARIS/JASDEC/FBB SEC/BELCHIM MANAGEMENT are effectively owned by Belchim Management N.V.

- (5) Other Important Matters Concerning Shares
Not applicable.

2. Stock Acquisition Rights

Not applicable.

3. Company Officers (As of March 31, 2021)

(1) Directors and Audit & Supervisory Board Members

Name	Posts	Responsibilities	Major Other Offices Concurrently Held
Kenichi Tanaka	Executive Director, President (Chief Executive Officer)	Chief Compliance Officer (CCO) Chairman of Compliance Committee	Director and Chairman at ISK AMERICAS INCORPORATED
Teruaki Matsue	Director (Managing Executive Officer)	Director of Corporate Administration & Planning Headquarters	
Kiyomitsu Yoshida	Director (Managing Executive Officer)	Director of Biosciences Business Headquarters	Director and Chairman at ISK BIOSCIENCES CORPORATION Director and Chairman at ISK BIOSCIENCES EUROPE N.V.
Yasunobu Kawazoe	Director (Managing Executive Officer)	Director of Finance & Accounting Headquarters	
Hideo Takahashi	Director (Managing Executive Officer)	Director of Yokkaichi Plant	
Masaki Shimojo	Director (Managing Executive Officer)	Director of Inorganic Chemicals Sales & Marketing, and Director of R&D Strategy Headquarters	Director and Chairman at ISHIHARA CORPORATION (U.S.A.) Chairman at ISK TAIWAN CO., LTD.
Hiroshi Katsumata	Director		
Tatsuo Hanazawa	Director		
Satoshi Ando	Director		Attorney-at-law Outside Director (Audit & Supervisory Committee Member) of TOHO CO., LTD.

Name	Posts	Responsibilities	Major Other Offices Concurrently Held
Taizo Kato	Standing Audit & Supervisory Board Member		Audit & Supervisory Board Member at ISHIHARA TECHNO CORPORATION Audit & Supervisory Board Member at ISK BIOSCIENCES K.K. Audit & Supervisory Board Member at FUJI TITANIUM INDUSTRY CO., LTD.
Michiyoshi Arata	Standing Audit & Supervisory Board Member		Audit & Supervisory Board Member at ISHIHARA TECHNO CORPORATION Audit & Supervisory Board Member at ISK ENGINEERING PARTNERS CORPORATION Audit & Supervisory Board Member at ISK BIOSCIENCES K.K.
Yoshitaka Akikuni	Standing Audit & Supervisory Board Member		Audit & Supervisory Board Member at FUJI TITANIUM INDUSTRY CO., LTD. Audit & Supervisory Board Member at ISK ENGINEERING PARTNERS CORPORATION
Masaaki Harima	Audit & Supervisory Board Member		Attorney-at-law Outside Director, Toyobo Co., Ltd. Member of Osaka Prefectural Pollution Review Board Member of Sakai City Audit Committee

- Notes:
1. Of the Directors, Mr. Hiroshi Katsumata, Mr. Tatsuo Hanazawa and Mr. Satoshi Ando are Outside Directors.
 2. Of the Audit & Supervisory Board Members, Mr. Yoshitaka Akikuni and Mr. Masaaki Harima are Outside Audit & Supervisory Board Members.
 3. No special-interest relationships exist between the Company and TOHO CO., LTD., at which Outside Director Mr. Satoshi Ando concurrently serves. ISK BIOSCIENCES K.K., FUJI TITANIUM INDUSTRY CO., LTD. and ISK ENGINEERING PARTNERS CORPORATION, at which Outside Audit & Supervisory Board Member Mr. Yoshitaka Akikuni concurrently serves, are subsidiaries of the Company.
No special-interest relationships exist between the Company and Toyobo Co., Ltd., at which Outside Audit & Supervisory Board Member Mr. Masaaki Harima concurrently serves.
 4. Changes in Directors and Audit & Supervisory Board Members during the current fiscal year were as follows:

- 1) Mr. Masaki Shimojo and Mr. Satoshi Ando were newly elected and appointed to the post of Director at the 97th Ordinary General Meeting of Shareholders held on June 25, 2020.
- 2) Mr. Yasuhiro Koike was elected as a substitute Audit & Supervisory Board Member at the 97th Ordinary General Meeting of Shareholders held on June 25, 2020.
5. Outside Directors Mr. Hiroshi Katsumata, Mr. Tatsuo Hanazawa and Mr. Satoshi Ando, and Outside Audit & Supervisory Board Members, Mr. Yoshitaka Akikuni and Mr. Masaaki Harima have been registered with the TSE as Independent Officers as stipulated by TSE's regulations.

(2) Compensation, etc. for Directors and Audit & Supervisory Board Members

Post	Total Amount of Compensation, etc. (million yen)	Total Amount of Compensation, etc. by type (million yen)		Number of Eligible Recipients
		Basic Compensation	Performance-linked Compensation	
Directors [of which Outside Directors]	202 [23]	174 [23]	27 [0]	9 [3]
Audit & Supervisory Board Members [of which Outside Audit & Supervisory Board Members]	66 [30]	66 [30]	0 [0]	4 [2]
Total	269	241	27	13

Note: Decision policy regarding the amount and calculation method of compensation, etc. for individual Directors

- 1) Decision policy regarding the amount and calculation method of compensation, etc. for individual Directors

The standards for basic compensation and performance-linked compensation are based on rank in accordance with the Officers Compensation Regulations decided by the Board of Directors. Basic compensation is paid based on the Officers Compensation Regulations, in amounts corresponding to the roles and responsibilities of Directors and Executive Officers.

Compensation for Audit & Supervisory Board Members is determined through discussion between Audit & Supervisory Board Members.

The maximum amount of compensation for Directors was determined as 460 million yen per annum by the 82nd Ordinary General Meeting of Shareholders held on June 29, 2005. There were 12 incumbent Directors at the conclusion of that Ordinary General Meeting of Shareholders. The maximum amount of compensation for Audit & Supervisory Board Members was determined as 90 million yen per annum at the 71st Ordinary General Meeting of Shareholders held on June 29, 1994. There were four incumbent Audit & Supervisory Board Members at the conclusion of that Ordinary General Meeting of Shareholders. Only basic compensation is paid to Outside Directors and Audit & Supervisory Board Members.

- 2) Details of performance indicators, the decision policy for calculating the amount or number for performance-linked compensation, etc.

Under the Officers Compensation Regulations decided by the Board of Directors, performance-linked compensation comprises annual performance-linked compensation aimed at ensuring objectivity and linkage with the Company's financial results, and long-term performance-linked compensation. The amount of annual performance-linked compensation is calculated and determined upon comprehensive consideration of factors including the results of corporate activities, such as net income attributable to owners of parent, and individual performance evaluation. Long-term performance-linked compensation is calculated based on the degree to which the net income targets under the Mid-Term Management Plan have been achieved.

(Targets and results for indicators associated with performance-linked compensation)

Consolidated operating indicator targets under the Mid-Term Management Plan

[Fiscal 2018]

Net income attributable to owners of parent: 1.8 billion yen (result: 8.6 billion yen)

[Fiscal 2019]

Net income attributable to owners of parent: 4.9 billion yen (result: 2.3 billion yen)

[Fiscal 2020]

Net income attributable to owners of parent: 8.1 billion yen (result: 3.3 billion yen)

- 3) Delegation of authority concerning the determination of compensation, etc. for individual Directors

The Company has delegated authority for the determination of compensation, etc. for individual Directors to Representative Director Mr. Kenichi Tanaka.

The reason for delegating this authority is that the Representative Director is most aptly suited to evaluating each Director based on his or her rank, and in accordance with his or her responsibilities and roles, etc., while maintaining a comprehensive view of the Company as a whole.

The Board of Directors places specific compensation amounts before the Compensation Committee, which is composed of Independent Outside Directors, Independent Outside Audit & Supervisory Board Members and Audit & Supervisory Board Members, for consideration. The Compensation Committee provides advice and recommendations, based on the information from officers' compensation surveys carried out by third party firms, and each member's insight, before the decision is made, in order to ensure that the Representative Director exercises his authority appropriately. The Board of Directors deems this method to be in accordance with the decision policy set forth above.

- 4) Details of non-monetary compensation, etc., and the decision policy for calculating the amount or number for non-monetary compensation, etc. or the calculation method thereof

The Company has not introduced non-monetary compensation, etc.

- 5) Proportional amounts of compensation, etc. for individual Directors

The proportion of basic compensation and performance-linked compensation, etc. is deliberated by the Compensation Committee in accordance with the decision policy, taking into account each year's financial results, and determined by the Board of Directors, finalized by the Representative Director.

- 6) Decision policy on the timing and conditions for paying compensation, etc. to Directors

Under the Officers Compensation Regulations decided by the Board of Directors, basic compensation is calculated per calendar month, and the amount for each month is paid on the same day as salaries for employees. Performance-linked compensation, etc. is paid on the same day as summer bonuses for employees.

- (3) Summary of Agreement on Limitation of Liability

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation stipulate that the Company may enter into an agreement with an Outside Director or Outside Audit & Supervisory Board Member that sets a limit on the liability for damages under Article 423, Paragraph 1 of the Companies Act. The limitation of liability, provided the Outside Director or Outside Audit & Supervisory Board Member acted in good faith and without gross negligence, shall be the larger of an amount determined in advance or an amount ordered by decree, either of which shall be equal to or more than 10 million yen. Accordingly, the Company has entered into liability limitation agreements with all Outside Directors and Outside Audit & Supervisory Board Members.

- (4) Summary of the Directors and Officers Liability Insurance Contract

The Company has concluded a directors and officers liability insurance contract with an insurance company, in accordance with the provisions of Article 430-3, Paragraph 1 of the Companies Act.

- 1) Insured parties

Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its affiliates, and employees in management positions who may be subject to litigation at affiliates.

- 2) Summary of the insurance contract

The insurance covers legal damages and litigation expenses in the event that a claim for damages is made against the insured during the insurance period due to incorrect actions (including errors of omission) committed by the insured in his/her capacity as such. However, individual officers, etc. are not covered by the insurance for damages arising from criminal acts such as offering or receiving bribes, or intentional unlawful acts, to ensure that the proper execution of duties by officers, etc. is not affected. The Company is fully responsible for paying the insurance premium.

(5) Outside Directors and Outside Audit & Supervisory Board Members

1) Main activities of Outside Directors and Outside Audit & Supervisory Board Members

Post	Name	Main Activities
Director	Hiroshi Katsumata	Mr. Hiroshi Katsumata attended all 14 meetings of the Board of Directors held during the current fiscal year. He expressed opinions as necessary, with an external perspective from an objective and neutral standpoint, utilizing his diverse experience in public administration, as well as extensive experience and insight as a company manager of an industrial gas business operator.
Director	Tatsuo Hanazawa	Mr. Tatsuo Hanazawa attended all 14 meetings of the Board of Directors held during the current fiscal year. He expressed opinions as necessary, with an external perspective from an objective and neutral standpoint, utilizing his diverse experience and knowledge in public administration, especially of agricultural policies both inside and outside Japan.
Director	Satoshi Ando	Mr. Satoshi Ando attended all 9 meetings of the Board of Directors held during the current fiscal year after he was appointed in June 2020. He expressed opinions as necessary with an external perspective from an objective and neutral standpoint, mainly utilizing professional knowledge, cultivated as an attorney-at-law and abundant experience related to corporate legal affairs.
Standing Audit & Supervisory Board Member	Yoshitaka Akikuni	Mr. Yoshitaka Akikuni attended all 14 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during the current fiscal year. He expressed opinions as necessary, with an external perspective from an objective and neutral standpoint, mainly utilizing wide-ranging knowledge cultivated during his service at financial institutions, and experience as a corporate auditor at a chemical business company, etc.
Audit & Supervisory Board Member	Masaaki Harima	Mr. Masaaki Harima attended all 14 meetings of the Board of Directors and all 13 meetings of the Audit & Supervisory Board held during the current fiscal year. He expressed opinions as necessary with an external perspective from an objective and neutral standpoint, utilizing professional knowledge, cultivated mainly as an attorney-at-law and abundant experience related to corporate legal affairs.

- 2) Details of situations where decisions on the Company's business policy or other matters were changed due to the opinions of Outside Directors or Outside Audit & Supervisory Board Members
Not applicable.

- 3) Any incident or scandal in business execution at the Company during the fiscal year that violated laws, regulation, or the Articles of Incorporation, or were otherwise improper
Not applicable.
- 4) Duties performed in relation to expected roles of Outside Directors during the fiscal year
Outside Directors Mr. Hiroshi Katsumata, Mr. Tatsuo Hanazawa and Mr. Satoshi Ando, in addition to attending the Board of Directors meetings, attended all 13 meetings of the Executive Management Committee, a body established under the Board of Directors to enable swifter decision-making by the Board of Directors and more efficiently supervise and evaluate the execution status of important items of business, held during the fiscal year (Mr. Satoshi Ando attended all 9 meetings held after his appointment). At these meetings, they expressed their opinions without reserve on overall important matters concerning management of the Company and important items of business execution, based on their extensive experience and insight.
- 5) Any opinions of Outside Directors or Outside Audit & Supervisory Board Members regarding matters related to Outside Directors or Outside Audit & Supervisory Board Members
Not applicable.

4. Accounting Auditor

- (1) Accounting Auditor's Name
Ernst & Young ShinNihon LLC
- (2) Accounting Auditor's Compensation, etc.
Accounting Auditor's compensation, etc., for the fiscal year ended March 31, 2021:
70 million yen
Total cash and other proprietary benefits payable by the Company and its subsidiaries
to the Accounting Auditor: 85 million yen

Notes: 1. Under the audit agreement with the Accounting Auditor, audit compensation is not distinguished between that pertaining to audits based on the Companies Act, and audits based on the Financial Instruments and Exchange Act, which are effectively inseparable. The amount shown above therefore represents the total, undivided amount.

2. ISK BIOSCIENCES EUROPE N.V., a significant subsidiary of the Company, is audited by Ernst & Young, Reviseurs d'Entreprises.

3. The Audit & Supervisory Board has given its consent to the compensation, etc. for the Accounting Auditor in accordance with Article 399, Paragraph 1 of the Companies Act, after confirming the audit plan, status of audit execution, basis for calculating the expected compensation, etc., based on the Practical Guidelines for Coordination with Accounting Auditors published by the Japan Audit & Supervisory Board Members Association.

- (3) Policy on Determination of Dismissal or Non-reappointment of Accounting Auditor
Where deemed necessary, due to the incapacity of the Accounting Auditor to execute its duties or other reason, the Audit & Supervisory Board shall determine the content of a proposal on the dismissal or non-reappointment of the Accounting Auditor, to be submitted to the General Meeting of Shareholders.
Moreover, in cases corresponding to any of the items set forth in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the Accounting Auditor through the unanimous consent of all its Members. In this event, an Audit & Supervisory Board Member selected by the Audit & Supervisory Board shall report on the dismissal of the Accounting Auditor, and the reason for the dismissal, at the first General Meeting of Shareholders held after the dismissal.

5. Systems to Ensure the Proper Business Operation of the Corporate Group Composed of the Company and Its Subsidiaries, Including Systems to Ensure that Directors Execute Duties in Line with Relevant Laws, Regulations and the Articles of Incorporation, and Status of Their Operation

The Company's Board of Directors has resolved on the following basic policy regarding systems to ensure proper business operation of the corporate group composed of the Company and its subsidiaries (referred to hereinafter as the Group), including systems to ensure that Directors execute duties in line with laws, regulations and the Articles of Incorporation.

- (1) Systems to Ensure that the Execution of Duties by Directors and Employees Complies with Laws, Regulations and the Articles of Incorporation
 - 1) The Company has adopted a management structure that places priority on compliance with laws, rules and societal norms.
 - 2) The Company has established the ISK Group Code of Conduct, which stresses the importance of compliance activities, and makes sure that Directors and employees follow them strictly.
 - 3) The Company has established a Compliance Committee, headed by the Director in charge of Compliance. This committee creates and implements plans to develop and maintain the compliance structure.
 - 4) Company policy dictates that should it be discovered that any Director or employee of the Company has acted illegally, transgressed the Company's Articles of Incorporation, or acted in a way that raises the risk of a legal transgression, the incident must be reported immediately. Furthermore, all records of the reports and investigation are to be kept strictly confidential to ensure that those who report such incidents are not subject to repercussions.
 - 5) The Company has established an Office of Internal Audit to conduct regular audits, and which reports directly to the Executive Director, President.
- (2) Recording and Managing Information Regarding the Activities of Directors
The Company maintains written records of the minutes of Board of Directors meetings, proposals submitted for consideration, and other important documents used in the course of Directors' duties. These documents are stored and managed in a way that corresponds to the legal regulations governing official documents, as well as all internal rules and regulations.
- (3) Rules and Structures Intended to Manage Risk of Loss
 - 1) A set of Risk Management Regulations has been established to express the Company's basic stance on risk management and to help guard against the risk of unexpected losses.
 - 2) The Company seeks to identify the various types of risk that emerge in the course of normal business activities, taking steps to ensure that each sector of business operations is aware of risk factors that may affect them, and takes steps to manage such risks.
 - 3) When events occur that could have an important impact on the Company's management and business activities, the Corporate Risk Management Committee takes action under the Risk Management Regulations, and assumes control of the operating divisions in order to minimize and address problems.
- (4) Structures to Ensure That the Duties of Directors Are Executed Efficiently
 - 1) The Board of Directors meets regularly, a minimum of once a month, to make decisions on important issues that affect the Company, and to oversee the activities of its Directors. In the case of priority issues that relate to management and business execution, the Executive Management Committee, made up of Board members who are associated with the issue, discusses it first, and then reports to the entire Board for a final decision.
 - 2) The Company establishes clear and specific numerical targets for achievement, in an effort to improve management efficiency.
 - 3) The Board of Directors allocates duties and work responsibilities to individual Directors, and each Director reports back to the Board of Directors regarding progress in completing the allocated business tasks.

- (5) Measures to Ensure Proper Business Operation of the Group
 - 1) The Company ensures proper group management based on regulations established concerning the basic policies for the execution of its subsidiaries and affiliates' business activities, and for the various work processes concerning management of subsidiaries and affiliates.
 - 2) Subsidiaries report regularly to the Company on important information such as business performance and financial condition, based on the aforementioned regulations.
 - 3) Subsidiaries guard against the risk of unexpected losses in accordance with the Risk Management Regulations established by the Company, and immediately report to the Company, endeavor to contain and resolve the situation in the case of an emergency.
 - 4) Subsidiaries comply with laws, rules and societal norms, in accordance with the ISK Group Code of Conduct established by the Company. The Company's internal whistleblower system is also applicable to subsidiaries.
- (6) Employees Assigned as Requested to Assist the Duties of Audit & Supervisory Board Members, Measures to Ensure the Independence of These Employees from the Influence of Directors, and Measures to Ensure the Effectiveness of Directions Given to These Employees
 - 1) Audit & Supervisory Board Members may request that the Company assign personnel to assist them in carrying out their duties. When this need arises, Directors cooperate with Audit & Supervisory Board Members to select individuals who are able to provide assistance.
 - 2) When Audit & Supervisory Board Members ask to have employees assigned to assist with their activities, the views of the Audit & Supervisory Board are given top priority in selecting, transferring and evaluating such employees. This is intended as a way to ensure that the employees can act independently, without influence from Directors.
 - 3) Employees who assist Audit & Supervisory Board Members in carrying out their duties do not work concurrently in any other section, and must only follow the directions and orders of the Audit & Supervisory Board Members.
- (7) Structure for Reporting Information to Audit & Supervisory Board Members, Including Reports Provided by Directors and Employees of the Group, and Structures to Ensure That the Person Reporting Information Is Not Disadvantaged as a Result
 - 1) Audit & Supervisory Board Members of the Company attend meetings of the Board of Directors and the Executive Management Committee, as well as other important company meetings. They are also provided with access to documents regarding all important proposals and resolutions made by management personnel.
 - 2) Directors and employees of the Company are required to provide necessary reports and information to Audit & Supervisory Board Members, as stipulated in the Company's internal regulations regarding reporting to Audit & Supervisory Board and its members.
 - 3) Directors, Audit & Supervisory Board Members and employees of subsidiaries are required to provide necessary reports and information to the Company's Audit & Supervisory Board Members as stipulated in the Company's internal regulations regarding reporting to Audit & Supervisory Board and its members.
 - 4) The Company prohibits any disadvantageous treatment of its Directors or employees, or Directors, Audit & Supervisory Board Members or employees of subsidiaries, as a result of reporting to the Company's Audit & Supervisory Board Members. This information is made known broadly among the Group's Directors, Audit & Supervisory Board Members and employees.
- (8) Policy on the Treatment of Expenses and Liabilities Arising from the Execution of Duties by Audit & Supervisory Board Members, Including Processes for Prepaying or Reimbursing Such Expenses

Should the Company receive a prepayment or similar request based on Article 388 of the Companies Act for expenses incurred by an Audit & Supervisory Board Member in the execution of his/her duties, the section responsible examines the request and, except where deemed unnecessary for the execution of duties by the Audit & Supervisory Board Member, promptly processes the relevant expenses or liabilities.

- (9) Structures to Ensure That the Duties of Audit & Supervisory Board Members Are Executed Effectively
- 1) The Executive Director, President holds regular meetings with Audit & Supervisory Board Members in order to exchange opinions regarding the improvement of the audit environment for Audit & Supervisory Board Members, and promote mutual understanding.
 - 2) To ensure the effectiveness of auditing activities, Directors are responsible for ensuring that there is close cooperation between Audit & Supervisory Board Members and the Office of Internal Audit.
- (10) Structures to Ensure the Reliability of Financial Reporting Activities
- In order to ensure the reliability of financial reporting, the Company and its subsidiaries and affiliates have established a structure to operate appropriately, and to improve and evaluate internal controls governing the preparation of financial reports, in accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations.
- (11) Basic Stance on Measures to Prevent Interaction with “Antisocial Groups”
- 1) The Company strictly prohibits any activity or interaction with “antisocial groups” which may threaten public order or present a danger to the general public. The Company shall be resolute in avoiding any such contact, and will under no circumstances give in to unreasonable demands or pressure from any such group.
 - 2) In order to ensure that no such relationships or activities arise, a section of the General Affairs Division has been assigned specifically to cooperate with police, corporate lawyers and other outside organizations to combat the influence of corporate racketeers. This division will collect relevant information on a daily basis and establish a system to deal with unexpected incidents involving such groups.

[Overview of the Status of Operation of Systems to Ensure Proper Business Operations]

Overview of the status of operation in the current fiscal year is as follows.

(1) Compliance

- 1) The Company holds biannual meetings of its Compliance Committee, to confirm and discuss matters such as the compliance implementation structure and the status of compliance education, in accordance with the Company’s corporate philosophy.
- 2) The ISK Group Code of Conduct requires that any person who discovers an actual or possible violation of compliance by an organization member, where resolution or improvement is difficult through the usual chain of command, must report this through the Company’s whistleblower system.

(2) Execution of Duties by Directors

- 1) The Board of Directors meets each month as a rule, and holds extraordinary meetings as required, based on the Company’s Company Rules and Board of Directors Rules. In addition, the Board of Directors deliberates and passes resolutions on matters concerning management policy and important business execution, after these have first been thoroughly considered by the Executive Management Committee.
- 2) The Company establishes a group management plan to serve as a goal, clarifies the measures necessary to achieve this goal, and monitors their progress through the Board of Directors.
- 3) Important documents concerning the execution of duties by Directors, such as the minutes of Board of Directors meetings, are properly stored and managed in a way that corresponds to legal regulations and the Company’s internal rules such as the Document Management Regulations.

(3) Risk Management Structure

- 1) The Company engages in measures to prevent the manifestation of risk, including receiving regular reports from the departments responsible for business execution, and the Company’s subsidiaries and affiliates, regarding risks inherent in carrying out business activities, and countermeasures taken, based on the Risk Management Regulations.
- 2) The Company implements regular training sessions in anticipation of disasters that would materially impact its business activities.

(4) Group Management Structure

- 1) The Company ensures a proper group management structure, including the establishment of a system to receive advance applications or reports concerning the execution of important duties from subsidiaries that fulfill certain criteria, based on regulations established concerning the basic policies for the execution of its subsidiaries and affiliates' business activities.
- 2) The Company implements audits of its subsidiaries and affiliates as necessary, based on the Internal Audit Regulations.

(5) Execution of Duties by Audit & Supervisory Board Members

- 1) Audit & Supervisory Board Members attend important meetings, including meetings of the Board of Directors and the Executive Management Committee, comprehend important decision-making processes, and the status of the execution of duties, request explanations from Directors or others as necessary, and express opinions.
- 2) Audit & Supervisory Board Members hold regular meetings with the Executive Director, President in order to exchange opinions regarding matters such as issues to be addressed, and promote mutual understanding. Moreover, in the course of their audit duties, Audit & Supervisory Board Members coordinate with the Office of Internal Audit, including holding regular meetings, in order to implement organized and effective audits.

6. Policy Regarding Decisions on Dividends of Surplus, etc.

One of the most important management policies of the Company is to return profits to our shareholders while improving the Company's corporate value. The Company's basic principle for dividends is to continue to implement stable dividend distribution according to our business performance, taking into comprehensive consideration the business trends, financial condition, and need to enhance our internal reserve for business expansion into the future.

Based on the above policy, the Company requests the General Meeting of Shareholders to resolve on a year-end dividend of 18 yen per share for the current fiscal year.

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**Reference:**

Amounts and numbers of shares presented in this business report have been rounded down to the nearest unit, and percentages have been rounded off to the nearest unit.

## Consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

| Description                        | Amount           | Description                             | Amount           |
|------------------------------------|------------------|-----------------------------------------|------------------|
| <b>ASSETS</b>                      | <b>[180,021]</b> | <b>LIABILITIES</b>                      | <b>[100,506]</b> |
| Current assets                     | 117,003          | Current liabilities                     | 42,203           |
| Cash and deposits                  | 25,941           | Trade payables                          | 14,476           |
| Trade receivables                  | 34,235           | Short-term bank loans                   | 8,100            |
| Merchandise and finished goods     | 31,180           | Current portion of long-term bank loans | 8,323            |
| Work in process                    | 5,040            | Current portion of bonds                | 1,118            |
| Raw materials and supplies         | 18,253           | Lease obligations                       | 403              |
| Other                              | 3,456            | Accrued income taxes                    | 614              |
| Allowance for doubtful receivables | (1,104)          | Accrued expenses                        | 4,419            |
|                                    |                  | Accrued bonuses for employees           | 641              |
| Non-current assets                 | 63,017           | Reserve for sales returns               | 21               |
| Property, plant and equipment      | 47,107           | Reserve for implementation of           |                  |
| Buildings and structures           | 14,674           | environmental and safety                | 82               |
| Machinery and equipment            | 20,099           | arrangements                            |                  |
| Land                               | 5,356            | Provision for loss on withdrawal        | 193              |
| Leased assets                      | 820              | from business                           |                  |
| Construction in progress           | 5,319            | Other                                   | 3,807            |
| Other                              | 837              |                                         |                  |
| Intangible assets                  | 551              | Long-term liabilities                   | 58,302           |
| Leased assets                      | 3                | Bonds                                   | 5,017            |
| Other                              | 547              | Long-term bank loans                    | 33,130           |
| Investments and other assets       | 15,358           | Lease obligations                       | 491              |
| Investments in securities          | 6,187            | Reserve for implementation of           |                  |
| Deferred tax assets                | 8,547            | environmental and safety                | 1,741            |
| Asset for retirement benefits      | 10               | arrangements                            |                  |
| Other                              | 698              | Provision for maintenance               | 140              |
| Allowance for doubtful receivables | (84)             | Provision for loss on withdrawal        | 86               |
|                                    |                  | from business                           |                  |
|                                    |                  | Liability for retirement benefits       | 12,693           |
|                                    |                  | Asset retirement obligations            | 552              |
|                                    |                  | Liabilities from application of equity  | 451              |
|                                    |                  | method                                  |                  |
|                                    |                  | Other                                   | 3,997            |
|                                    |                  |                                         |                  |
|                                    |                  | <b>NET ASSETS</b>                       | <b>[79,515]</b>  |
|                                    |                  | Shareholders' equity                    | 81,189           |
|                                    |                  | Common stock                            | 43,420           |
|                                    |                  | Capital surplus                         | 10,627           |
|                                    |                  | Retained earnings                       | 27,872           |
|                                    |                  | Treasury stock                          | (730)            |
|                                    |                  | Accumulated other comprehensive         |                  |
|                                    |                  | income (loss)                           | (1,674)          |
|                                    |                  | Net unrealized holding gain (loss)      | (308)            |
|                                    |                  | on securities                           |                  |
|                                    |                  | Translation adjustments                 | (1,286)          |
|                                    |                  | Retirement benefits liability           | (78)             |
|                                    |                  | adjustments                             |                  |
| <b>Total assets</b>                | <b>180,021</b>   | <b>Total liabilities and net assets</b> | <b>180,021</b>   |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

## Consolidated Statement of Income

(April 1, 2020 - March 31, 2021)

(Millions of yen)

| Description                                    | Amount |         |
|------------------------------------------------|--------|---------|
| Net sales                                      |        | 101,774 |
| Cost of sales                                  |        | 73,151  |
| Gross profit                                   |        | 28,622  |
| Selling, general and administrative expenses   |        | 23,448  |
| Operating income                               |        | 5,173   |
| Non-operating income                           |        |         |
| Interest income                                | 26     |         |
| Dividend income                                | 262    |         |
| Equity in earnings of affiliates               | 38     |         |
| Foreign exchange gains                         | 597    |         |
| Reversal of allowance for doubtful receivables | 457    |         |
| Gain on sales of raw materials                 | 155    |         |
| Other                                          | 263    | 1,802   |
| Non-operating expenses                         |        |         |
| Interest expense                               | 537    |         |
| Financial fee                                  | 273    |         |
| Other                                          | 220    | 1,032   |
| Ordinary income                                |        | 5,944   |
| Extraordinary losses                           |        |         |
| Loss on disposal of non-current assets         | 677    |         |
| Loss on impairment                             | 421    |         |
| Loss on withdrawal from business               | 907    | 2,006   |
| Income before income taxes                     |        | 3,938   |
| Income taxes – current                         | 819    |         |
| Income taxes – deferred                        | (254)  | 564     |
| Net income                                     |        | 3,373   |
| Net income attributable to owners of parent    |        | 3,373   |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

## Consolidated Statement of Changes in Net Assets

(April 1, 2020 - March 31, 2021)

(Millions of yen)

|                                                            | Shareholders' equity |                 |                   |                |                            |
|------------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                            | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at April 1, 2020                                   | 43,420               | 10,627          | 25,298            | (727)          | 78,618                     |
| Changes of items during period                             |                      |                 |                   |                |                            |
| Dividends of surplus                                       | —                    | —               | (799)             | —              | (799)                      |
| Net income attributable to owners of parent for the period | —                    | —               | 3,373             | —              | 3,373                      |
| Acquisition of treasury stock                              | —                    | —               | —                 | (3)            | (3)                        |
| Other changes                                              | —                    | —               | —                 | —              | —                          |
| Total changes of items during period                       | —                    | —               | 2,573             | (3)            | 2,570                      |
| Balance at March 31, 2021                                  | 43,420               | 10,627          | 27,872            | (730)          | 81,189                     |

|                                                            | Accumulated other comprehensive income (loss)    |                         |                                           |                                                     | Total net assets |
|------------------------------------------------------------|--------------------------------------------------|-------------------------|-------------------------------------------|-----------------------------------------------------|------------------|
|                                                            | Net unrealized holding gain (loss) on securities | Translation adjustments | Retirement benefits liability adjustments | Total accumulated other comprehensive income (loss) |                  |
| Balance at April 1, 2020                                   | (429)                                            | (1,216)                 | (302)                                     | (1,948)                                             | 76,669           |
| Changes of items during period                             |                                                  |                         |                                           |                                                     |                  |
| Dividends of surplus                                       | —                                                | —                       | —                                         | —                                                   | (799)            |
| Net income attributable to owners of parent for the period | —                                                | —                       | —                                         | —                                                   | 3,373            |
| Acquisition of treasury stock                              | —                                                | —                       | —                                         | —                                                   | (3)              |
| Other changes                                              | 120                                              | (70)                    | 223                                       | 274                                                 | 274              |
| Total changes of items during period                       | 120                                              | (70)                    | 223                                       | 274                                                 | 2,845            |
| Balance at March 31, 2021                                  | (308)                                            | (1,286)                 | (78)                                      | (1,674)                                             | 79,515           |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

## Non-consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

| Description                               | Amount           | Description                                                               | Amount          |
|-------------------------------------------|------------------|---------------------------------------------------------------------------|-----------------|
| <b>ASSETS</b>                             | <b>[155,177]</b> | <b>LIABILITIES</b>                                                        | <b>[86,475]</b> |
| Current assets                            | 96,598           | Current liabilities                                                       | 38,515          |
| Cash and deposits                         | 18,498           | Notes payable – trade                                                     | 220             |
| Notes receivable – trade                  | 2,403            | Accounts payable – trade                                                  | 9,806           |
| Accounts receivable – trade               | 35,027           | Short-term bank loans                                                     | 7,680           |
| Merchandise and finished goods            | 23,134           | Current portion of long-term bank loans                                   | 7,335           |
| Work in process                           | 3,617            | Current portion of bonds                                                  | 1,118           |
| Raw materials and supplies                | 12,068           | Lease obligations                                                         | 350             |
| Advance payments to suppliers             | 1,025            | Accrued income taxes                                                      | 384             |
| Prepaid expenses                          | 213              | Accounts payable - other                                                  | 4,218           |
| Short-term loans receivable               | 968              | Accrued expenses                                                          | 2,932           |
| Other                                     | 899              | Deposits received                                                         | 2,552           |
| Allowance for doubtful receivables        | (1,260)          | Accrued bonuses for employees                                             | 444             |
| Non-current assets                        | 58,579           | Reserve for implementation of<br>environmental and safety<br>arrangements | 82              |
| Property, plant and equipment             | 36,895           | Provision for loss on withdrawal<br>from business                         | 193             |
| Buildings                                 | 6,414            | Other                                                                     | 1,195           |
| Structures                                | 4,311            | Long-term liabilities                                                     | 47,959          |
| Machinery and equipment                   | 15,343           | Bonds                                                                     | 5,017           |
| Vehicles                                  | 32               | Long-term bank loans                                                      | 26,665          |
| Tools, furniture and fixtures             | 591              | Lease obligations                                                         | 384             |
| Land                                      | 4,265            | Long-term deposits received                                               | 710             |
| Leased assets                             | 674              | Provision for retirement benefits                                         | 11,367          |
| Construction in progress                  | 5,262            | Reserve for implementation of<br>environmental and safety<br>arrangements | 1,741           |
| Intangible assets                         | 492              | Provision for maintenance                                                 | 140             |
| Software                                  | 480              | Provision for loss on withdrawal<br>from business                         | 86              |
| Leased assets                             | 3                | Asset retirement obligations                                              | 552             |
| Other                                     | 8                | Other                                                                     | 1,292           |
| Investments and other assets              | 21,190           | <b>NET ASSETS</b>                                                         | <b>[68,702]</b> |
| Investments in securities                 | 3,476            | Shareholders' equity                                                      | 69,167          |
| Shares of subsidiaries and affiliates     | 10,192           | Common stock                                                              | 43,420          |
| Long-term loans receivable from employees | 73               | Capital surplus                                                           | 9,796           |
| Long-term prepaid expenses                | 255              | Legal capital surplus                                                     | 9,155           |
| Deferred tax assets                       | 7,019            | Other capital surplus                                                     | 641             |
| Other                                     | 255              | Retained earnings                                                         | 16,184          |
| Allowance for doubtful receivables        | (81)             | Legal retained earnings                                                   | 397             |
|                                           |                  | Other retained earnings                                                   | 15,786          |
|                                           |                  | Retained earnings brought forward                                         | 15,786          |
|                                           |                  | Treasury stock                                                            | (234)           |
|                                           |                  | Valuation and translation adjustments                                     | (464)           |
|                                           |                  | Net unrealized holding gain (loss)<br>on securities                       | (464)           |
| <b>Total assets</b>                       | <b>155,177</b>   | <b>Total liabilities and net assets</b>                                   | <b>155,177</b>  |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

**Non-consolidated Statement of Income**  
(April 1, 2020 - March 31, 2021)

(Millions of yen)

| Description                                  | Amount |        |
|----------------------------------------------|--------|--------|
| Net sales                                    |        | 83,158 |
| Cost of sales                                |        | 60,965 |
| Gross profit                                 |        | 22,193 |
| Selling, general and administrative expenses |        | 17,865 |
| Operating income                             |        | 4,327  |
| Non-operating income                         |        |        |
| Interest income                              | 18     |        |
| Dividend income                              | 953    |        |
| Foreign exchange gains                       | 759    |        |
| Gain on sales of raw materials               | 155    |        |
| Other                                        | 679    | 2,567  |
| Non-operating expenses                       |        |        |
| Interest expenses                            | 487    |        |
| Financial fee                                | 255    |        |
| Other                                        | 136    | 878    |
| Ordinary income                              |        | 6,016  |
| Extraordinary losses                         |        |        |
| Loss on disposal of non-current assets       | 617    |        |
| Loss on impairment                           | 106    |        |
| Loss on withdrawal from business             | 907    | 1,631  |
| Income before income taxes                   |        | 4,384  |
| Income taxes – current                       | 407    |        |
| Income taxes – deferred                      | 146    | 553    |
| Net income                                   |        | 3,831  |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

# Non-consolidated Statement of Changes in Net Assets

(April 1, 2020 - March 31, 2021)

(Millions of yen)

|                                                                  | Shareholders' equity |                       |                       |                       |
|------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|
|                                                                  | Common stock         | Capital surplus       |                       |                       |
|                                                                  |                      | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at April 1, 2020                                         | 43,420               | 9,155                 | 641                   | 9,796                 |
| Changes of items during period                                   |                      |                       |                       |                       |
| Dividends of surplus                                             | —                    | —                     | —                     | —                     |
| Provision of legal retained earnings due to dividends of surplus | —                    | —                     | —                     | —                     |
| Net income                                                       | —                    | —                     | —                     | —                     |
| Acquisition of treasury stock                                    | —                    | —                     | —                     | —                     |
| Other changes                                                    | —                    | —                     | —                     | —                     |
| Total changes of items during period                             | —                    | —                     | —                     | —                     |
| Balance at March 31, 2021                                        | 43,420               | 9,155                 | 641                   | 9,796                 |



|                                                                  | Shareholders' equity    |                                   |                         |                |                            |
|------------------------------------------------------------------|-------------------------|-----------------------------------|-------------------------|----------------|----------------------------|
|                                                                  | Retained earnings       |                                   |                         | Treasury stock | Total shareholders' equity |
|                                                                  | Legal retained earnings | Other retained earnings           | Total retained earnings |                |                            |
|                                                                  |                         | Retained earnings brought forward |                         |                |                            |
| Balance at April 1, 2020                                         | 317                     | 12,834                            | 13,152                  | (231)          | 66,138                     |
| Changes of items during period                                   |                         |                                   |                         |                |                            |
| Dividends of surplus                                             | —                       | (799)                             | (799)                   | —              | (799)                      |
| Provision of legal retained earnings due to dividends of surplus | 79                      | (79)                              | —                       | —              | —                          |
| Net income                                                       | —                       | 3,831                             | 3,831                   | —              | 3,831                      |
| Acquisition of treasury stock                                    | —                       | —                                 | —                       | (3)            | (3)                        |
| Other changes                                                    | —                       | —                                 | —                       | —              | —                          |
| Total changes of items during period                             | 79                      | 2,952                             | 3,032                   | (3)            | 3,028                      |
| Balance at March 31, 2021                                        | 397                     | 15,786                            | 16,184                  | (234)          | 69,167                     |

|                                                                  | Valuation and translation adjustments            |                                             | Total net assets |
|------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------|------------------|
|                                                                  | Net unrealized holding gain (loss) on securities | Total valuation and translation adjustments |                  |
| Balance at April 1, 2020                                         | (491)                                            | (491)                                       | 65,647           |
| Changes of items during period                                   |                                                  |                                             |                  |
| Dividends of surplus                                             | —                                                | —                                           | (799)            |
| Provision of legal retained earnings due to dividends of surplus | —                                                | —                                           | —                |
| Net income                                                       | —                                                | —                                           | 3,831            |
| Acquisition of treasury stock                                    | —                                                | —                                           | (3)              |
| Other changes                                                    | 26                                               | 26                                          | 26               |
| Total changes of items during period                             | 26                                               | 26                                          | 3,055            |
| Balance at March 31, 2021                                        | (464)                                            | (464)                                       | 68,702           |

Note: Figures presented in the financial statements are rounded down to the nearest million yen.

**Independent Auditor's Report**  
(English Translation)

May 14, 2021

To the Board of Directors  
ISHIHARA SANGYO KAISHA, LTD.

Ernst & Young ShinNihon LLC  
Osaka, Japan

Masahiko Inoue  
Designated Engagement Partner  
Certified Public Accountant  
Daiji Tokuno,  
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 consolidated financial statements of ISHIHARA SANGYO KAISHA, LTD. and its consolidated subsidiaries (the "Group") 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 applicable to the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

*Basis for the Opinion*

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

*Responsibilities of Management, the Audit & Supervisory Board and Its Members 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 establishment and operation of 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 to evaluate whether it is appropriate to prepare the consolidated financial statements as a going concern. As required by accounting principles generally accepted in Japan, if it is necessary for the Group to disclose matters relating to a going concern, the management has the responsibility to disclose such information.

The Audit & Supervisory Board and its members are responsible for overseeing performance of directors in developing and operating the Group's financial reporting process.

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

Our responsibilities are to obtain reasonable assurance, based on the audit we conducted, 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 regarding the consolidated financial statements from an independent viewpoint. 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. The selection and application of audit procedures are at our discretion. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies and accounting methods adopted by the management, the reasonableness of accounting estimates made by the management, and the appropriateness of the related notes to the consolidated financial statements.
- 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 regarding the going concern assumption exists, we are required to draw attention in our auditor's report that the related notes to the consolidated financial statements should be considered. Or, if any note to the consolidated financial statements regarding significant uncertainty is inadequate, we are required to express opinions with exclusions for the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes comply with the corporate accounting principles generally accepted in Japan, and whether the overall presentation, structure and contents of the consolidated financial statements, including the related notes, accurately represent the underlying transactions and events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

We also report to the Audit & Supervisory Board and its members that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, matters that are reasonably considered to affect the independence of us, and where applicable, related safeguards taken to remove or reduce factors that could hinder our independence.

### *Interest*

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

## **Independent Auditor's Report**

(English Translation)

May 14, 2021

To the Board of Directors  
ISHIHARA SANGYO KAISHA, LTD.

Ernst & Young ShinNihon LLC  
Osaka, Japan

Masahiko Inoue  
Designated Engagement Partner  
Certified Public Accountant  
Daiji Tokuno,  
Designated Engagement Partner  
Certified Public Accountant

### *Opinion*

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, and notes to financial statements, and the supporting schedules thereto ("financial statements, etc.") of ISHIHARA SANGYO KAISHA, LTD. (the "Company") applicable to the 98th fiscal year from April 1, 2020 to March 31, 2021.

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

### *Basis for the Opinion*

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

### *Responsibilities of Management, the Audit & Supervisory Board and Its Members for the Financial Statements, etc.*

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

In preparing the financial statements, etc., management is responsible to evaluate whether it is appropriate to prepare the financial statements, etc. as a going concern. As required by accounting principles generally accepted in Japan, if it is necessary for the Company to disclose matters relating to a going concern, the management has the responsibility to disclose such information.

The Audit & Supervisory Board and its members are responsible for overseeing performance of directors in developing and operating the Company's financial reporting process.

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

Our responsibilities are to obtain reasonable assurance, based on the audit we conducted, about whether the financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion regarding the financial statements, etc. from an independent viewpoint. 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 financial statements, etc.

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

- Identify and assess the risks of material misstatement of the financial statements, etc., whether due to fraud or error. Design and perform audit procedures responsive to those risks. The selection and application of audit procedures are at our discretion. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements, etc. is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies and accounting methods adopted by the management, the reasonableness of accounting estimates made by the management, and the appropriateness of the related notes to the financial statements, etc.
- 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 regarding the going concern assumption exists, we are required to draw attention in our auditor's report that the related notes to the financial statements, etc. should be considered. Or, if any note to the financial statements, etc. regarding significant uncertainty is inadequate, we are required to express opinions with exclusions for the financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements, etc. and notes comply with the corporate accounting principles generally accepted in Japan, and whether the overall presentation, structure and contents of the financial statements etc., including the related notes, accurately represent the underlying transactions and events.

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

We also report to the Audit & Supervisory Board and its members with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, matters that are reasonably considered to affect the independence of us, and where applicable, related safeguards taken to remove or reduce factors that could hinder our independence.

### *Interest*

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

## **Audit Report** (English Translation)

The Audit & Supervisory Board prepared this audit report regarding the performance of duties by the Directors for the 98th fiscal year from April 1, 2020 to March 31, 2021, upon deliberation based on audit reports from individual Audit & Supervisory Board Members and reports as follows.

1. Methods and Details of Audit by Audit & Supervisory Board and its members

- (1) The Audit & Supervisory Board established the audit policy, allocation of duties, etc., and received reports from each Audit & Supervisory Board Member regarding the state of implementation of his or her audits and results thereof, as well as received reports from the Directors, etc., and the accounting auditor regarding performance of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards established by the Audit & Supervisory Board, in accordance with the audit policy, allocation of duties, etc., communicated with the Directors, the internal audit department, other employees, etc., and made efforts to collect information and improve the audit environment, and conducted audits in the following methods:
  - 1) We attended the meetings of the Board of Directors, the Executive Management Committee, and other important meetings, received reports from Directors, Executive Officers, employees, etc., regarding the state of performance of their duties, sought explanations as necessary, inspected important approval documents, etc., and investigated the state of activities and property at the head office and other main business offices of the Company. With respect to subsidiaries, we communicated and exchanged information with Directors, Audit & Supervisory Board Members, employees, etc., of the subsidiaries, and ascertained the status of business, management and administration.
  - 2) With respect to the systems stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act to ensure the proper business operation of a corporate group composed of a parent and its subsidiaries, including systems to ensure compliance of the duties performed by directors and reported in business reports with relevant laws, regulations and the Articles of Incorporation of the Company ("internal control system"), the Audit & Supervisory Board Members regularly received reports from Directors, Executive Officers, employees, etc., asked for explanations and expressed opinions as needed, regarding the resolutions adopted by the Board of Directors on the establishment of such system, the system established in accordance with the resolutions, and the status of improvement and operation of the system.
  - 3) We monitored and verified whether the accounting auditor maintained independence and implemented appropriate audits, and we received reports from the accounting auditor regarding the state of performance of their duties and sought explanations as necessary. In addition, we received notice from the accounting auditor that systems for ensuring that the correct performance of duties (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting) is organized in accordance with the audit quality control standards (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 supporting schedules thereto, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and related notes) and supporting schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and related notes) for the fiscal year under review.

## 2. Results of Audit

- (1) Results of audit of the business report and other relevant documents
  - 1) We recognize the business report and supporting schedules thereto represent the situation of the Company correctly in accordance with laws, regulations, and the Articles of Incorporation.
  - 2) We do not recognize any misconduct related to Directors' execution of their duties or material facts that constitute violations of laws, regulations or the Articles of Incorporation.
  - 3) We recognize the contents of the resolutions by the Board of Directors regarding the internal control system are appropriate. We do not recognize any matters to be noted on the contents of the business report regarding the said internal control system or Directors' execution of duties.
- (2) Results of the audit of the non-consolidated financial statements and supporting schedules thereto  
We recognize the methods and results of audits by Ernst & Young ShinNihon LLC, the accounting auditor, are appropriate.
- (3) Results of the audit of consolidated financial statements  
We recognize the methods and results of audits by Ernst & Young ShinNihon LLC, the accounting auditor, are appropriate.

May 18, 2021

Audit & Supervisory Board,  
ISHIHARA SANGYO KAISHA, LTD.

|                                                                                         |                   |
|-----------------------------------------------------------------------------------------|-------------------|
| Standing Audit & Supervisory Board Member                                               | Taizo Kato        |
| Standing Audit & Supervisory Board Member                                               | Michiyoshi Arata  |
| Standing Audit & Supervisory Board Member<br>(Outside Audit & Supervisory Board Member) | Yoshitaka Akikuni |
| Audit & Supervisory Board Member<br>(Outside Audit & Supervisory Board Member)          | Masaaki Harima    |