

This Convocation Notice is a translation of the Japanese language original “*Teiji Kabunushisoukai Shoushugotsuchi*,” and is provided in English for reference purposes only. In the event of any discrepancy, the Japanese language original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities Code: 4114

(Date of Dispatch: May 30, 2024)

(Starting Date of Measures for Electronic Provision: May 23, 2024)

**To Our Shareholders**

Kazuhiro Noda  
Member of the Board, President  
NIPPON SHOKUBAI CO., LTD.  
4-1-1 Koraibashi, Chuo-ku, Osaka

## **Convocation Notice of the 112th Ordinary General Meeting of Shareholders**

NIPPON SHOKUBAI CO., LTD. (the “Company”) will be holding the 112th Ordinary General Meeting of Shareholders. The meeting will be held as described below, and you are cordially invited to attend the meeting.

In convening this General Meeting of Shareholders, the Company has provided information contained in the “Reference Materials for the Ordinary General Meeting of Shareholders,” etc. electronically (matters to be provided electronically), and posted such information on each of the following websites on the Internet. Please access any of them to check the information.

The Company website

<https://www.shokubai.co.jp/ja/ir/stock/shareholder/> (in Japanese)

Website of materials for General Meeting of Shareholders

<https://d.sokai.jp/4114/teiji/> (in Japanese)

Tokyo Stock Exchange website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Access the Tokyo Stock Exchange website by using the internet address shown above, enter “NIPPON SHOKUBAI” in “Issue name (company name)” or the Company’s securities code “4114” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

If you are unable to attend the meeting, you may exercise your voting rights via the Internet or in writing. Please review the “Reference Materials for the Ordinary General Meeting of Shareholders” and exercise your voting rights at <https://evote.tr.mufg.jp/> (in Japanese), or indicate your intention to vote “for” or “against” each agenda item by returning the Voting Rights Exercise Form, by 5:00 p.m. on June 19, 2024 (Wednesday).

1. **Date/Time:** June 20, 2024 (Thursday) 10:00 a.m. (reception starts: 9:00 a.m.)
2. **Venue:** Osaka Asahi Seimei Kaikan Building 8F, 4-2-16 Koraibashi, Chuo-ku, Osaka (Asahi Seimei Hall)

3. **Meeting Agenda:**

**[Matters to be Reported]**

1. Business report, consolidated financial statements, and financial statements for the 112th Term (from April 1, 2023 to March 31, 2024)
2. Report on results of the audits conducted by the accounting auditor and the board of corporate auditors with respect to the consolidated financial statements for the 112th Term

**[Matters to be Resolved]**

1st Agenda item: Appropriation of Retained Earnings

2nd Agenda item: Election of Eight (8) Members of the Board

3rd Agenda item: Election of Two (2) Statutory Corporate Auditors

- If you attend the meeting in person, please present the Voting Rights Exercise Form to the reception desk at the meeting.
- There will be no distribution of souvenirs and no shareholders reception. We appreciate your understanding in advance.
- Among the matters to be provided electronically, the following items are not included in the documents delivered to shareholders who have requested delivery of the document in accordance with the provisions of laws and regulations and the Articles of Incorporation of the Company. The Statutory Corporate Auditors and the Accounting Auditor have audited the documents subject to audit, including the following matters:
  - “Consolidated Statements of Changes in Equity” and “Notes to Consolidated Financial Statements” of the Consolidated Financial Statements
  - “Nonconsolidated Statements of Changes in Equity” and “Notes to Nonconsolidated Financial Statements” of the Nonconsolidated Financial Statements
- If it becomes necessary to make an amendment to the matters to be provided electronically, the Company will post the matters before and after the amendment on each of the websites that provide the matters electronically.
- We have sent summary materials, excerpts from the “Reference Materials for the Ordinary General Meeting of Shareholders” and the “Business Report,” to shareholders who have not requested delivery of documents with the aim of reducing the use of paper resources while also providing the necessary information for them to exercise their voting rights. We are expected to send such summary materials to those shareholders for the next General Meeting of Shareholders and thereafter. Shareholders who wish to receive matters to be provided electronically (excluding matters not stated on delivered documents) in paper-based format are requested to complete the procedures for requesting delivery of documents by the Company’s record date.

[Inquiries on the electronic provision system and requests for document delivery]  
Dedicated dial for the electronic provision systems, Securities Transfer Agency Division,  
Mitsubishi UFJ Trust and Banking Corporation  
0120-696-505 (Business hours: From 9:00 a.m. to 5:00 p.m. excluding Saturdays, Sundays,  
and public holidays)

## Reference Materials for the Ordinary General Meeting of Shareholders

### Agenda and Reference Matters:

#### Agenda Item No. 1: Appropriation of Retained Earnings

The Company distributes dividends under a basic policy of aiming to improve medium- to long-term dividend levels in line with projected trends in consolidated earnings, while at the same time taking an overall view to expand the business and strengthen the corporate structure, and in consideration of the dividend payout ratio.

Meanwhile, to maintain competitiveness and continue growth into the future, aggressive capital investment, strategic investment, and R&D investment are essential. The Company will therefore allocate profits by taking into consideration a balance between dividends and internal reserves.

During the period of the Mid-term Management Plan “TechnoAmenity for the future-I” formulated in March 2022, the Company aims to achieve a shareholder return with a dividend payout ratio of 40%, while securing sufficient financial resources for investment in growth and maintaining competitiveness, and pursuing capital efficiency at the same time.

Under the above basic policy, in consideration of the business environment, earnings, and future business development, the Company proposes the year-end dividend per share for the fiscal year 2023 stated below. Together with the interim dividend of 90 yen per share paid, the annual dividend for the fiscal year ended March 31, 2024 (the “current fiscal year”) will be 180 yen per share, the same amount as the previous year, which was a record high.

(Note) The Company carried out a four-for-one stock split effective from April 1, 2024. We will pay the year-end dividend based on the number of shares held prior to the stock split, since the dividend record date is March 31, 2024.

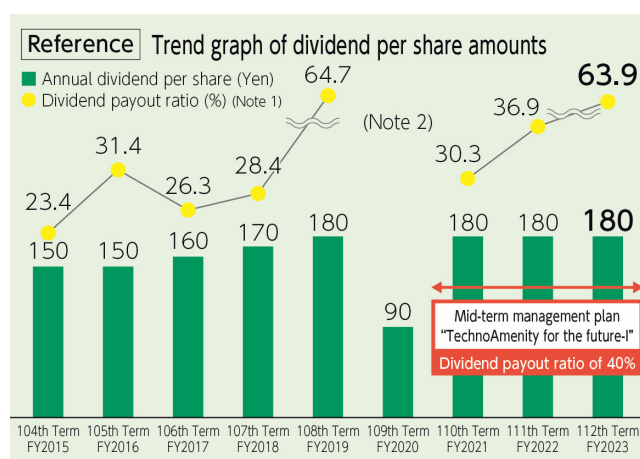
(1) Type of Dividend: Cash

(2) Dividend Payment and Total Amount:

90.00 yen per share of common stock of the Company

Total amount of dividends: 3,479,462,100 yen

(3) Effective Date of Distribution of Retained Earnings: June 21, 2024



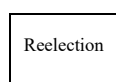
- (Notes)
1. The Company has adopted International Financial Reporting Standards (IFRS) since the 107th Term, and the consolidated dividend payout ratio for the 106th Term and earlier terms is in accordance with generally accepted accounting principles in Japan (JGAAP).
  2. No dividend payout ratio is presented for the 109th Term because a loss was recorded.

## **Agenda Item No. 2: Election of Eight (8) Members of the Board**

As the terms of office of all eight (8) Members of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders, we are submitting the following eight (8) candidates for election as Members of the Board.

The candidates for Member of the Board are as follows:

No.	Name	Positions	Responsibilities	Attendance at the Board meetings	Attribute		
1	Kazuhiro Noda	Member of the Board President & CEO	—	15/15	Reelection		
2	Kuniaki Takagi	Member of the Board Managing Executive Officer	Administration, HR, Finance, Accounting, General Affairs & HR Division	15/15	Reelection		
3	Masahiro Watanabe	Member of the Board Managing Executive Officer	Business Sector, Purchasing & Logistics, Business Planning, Director of Basic Materials Business Division, Battery Business Solutions Division	15/15	Reelection		
4	Yasutaka Sumida	Member of the Board Managing Executive Officer	Innovation & Business Development, Corporate Research Division, GX Research & Development Division, Health & Medical Business Division, Cosmetics Business Division, R&D Management Dept., Water & Environment Solutions Business Dept., Printing Materials Business Dept.	15/15	Reelection		
5	Yukihiro Matsumoto	Member of the Board Managing Executive Officer	Production & Technology, DX Promotion Division, Production Division, Engineering Division, IONEL Technology Dept., IONEL Domestic Location Preparation Dept.,	11/11	Reelection		
6	Tetsuo Setoguchi	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent
7	Miyuki Sakurai	Member of the Board (Outside)	—	15/15	Reelection	Outside	Independent
8	Akiko Ikeda	—	—	—	New election	Outside	Independent



Candidate for  
reelection



Candidate for  
new election



Candidate for  
Outside  
Member of  
the Board



Candidate for  
Independent  
Officer

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
1	<p>Kazuhiro Noda (Jan. 21, 1963)</p> <p>Reelection</p> <p>Attendance at the Board meetings during the current fiscal year: 15/15 meetings</p> <p>Number of years in office at the conclusion of this General Meeting of Shareholders 4 years</p>	<p>Apr. 1986    Joined the Company</p> <p>Apr. 2005    General Manager of Superabsorbents Sales Department</p> <p>Apr. 2011    General Manager of Corporate Planning Division</p> <p>Apr. 2015    Deputy Director of Corporate Planning Division and General Manager of Group Management and Project Planning Department</p> <p>Apr. 2017    Director of Superabsorbents Business Division</p> <p>June 2018    Executive Officer</p> <p>June 2020    Member of the Board, Managing Executive Officer Director of Corporate Planning Division</p> <p>June 2022    Member of the Board, President &amp; CEO (current)</p> <p>&lt;Reasons for nominating as a candidate for Member of the Board&gt; Mr. Kazuhiro Noda has been serving as Member of the Board and President to play key roles in the Company's management, including the execution of Mid-term Management Plans. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as a Member of the Board.</p>	14,400 shares
2	<p>Kuniaki Takagi (May 19, 1963)</p> <p>Reelection</p> <p>Attendance at the Board meetings during the current fiscal year: 15/15 meetings</p> <p>Number of years in office at the conclusion of this General Meeting of Shareholders 4 years</p>	<p>Apr. 1987    Joined Sumitomo Chemical Co., Ltd.</p> <p>Apr. 2019    Joined the Company as an entrusted worker</p> <p>May 2019    Director of General Affairs &amp; HR Division</p> <p>June 2019    Executive Officer</p> <p>June 2020    Member of the Board and Managing Executive Officer (current)</p> <p>(Current responsibility in the Company) Administration, HR, Finance, Accounting General Affairs &amp; HR Division</p> <p>&lt;Reasons for nominating as a candidate for Member of the Board&gt; Mr. Kuniaki Takagi has been mostly engaging in planning, administration, and finance divisions and overseas services for a long time and has achievements in strengthening the corporate governance system and executing management strategies from a global perspective. In addition, he has been serving as Executive Officer in charge of Administration, HR, Finance, and Accounting to play a central role in the formulation and introduction of a new human resource system to promote efforts to reform the organization. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as a Member of the Board.</p>	11,600 shares

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
3	Masahiro Watanabe (Dec. 6, 1960)	Apr. 1984    Joined the Company	8,400 shares
	Reelection	Apr. 2009    General Manager of Raw Materials Purchasing Department	
	Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 2013    General Manager of Performance Polymers Sales & Marketing Department	
3	Number of years in office at the conclusion of this General Meeting of Shareholders 3 years	Apr. 2016    Director of Purchasing & Logistics Division June 2018    Executive Officer President and Representative Director of Nisshoku Butsuryu Co., Ltd. June 2021    Member of the Board and Managing Executive Officer (current)	8,400 shares
		(Current responsibilities in the Company) Business Sector, Purchasing & Logistics, Business Planning Director of Basic Materials Business Division Battery Business Solutions Division	
	<Reasons for nominating as a candidate for Member of the Board> Mr. Masahiro Watanabe has been engaging in purchasing & logistics divisions and sales & marketing divisions for a long time and has achievements in formulation and execution of purchasing and logistics strategies and strengthening the sales foundation, etc. In addition, he has been serving as Executive Officer in charge of Business Sector, Purchasing & Logistics, Business Planning to expand the Solutions business and to strengthen the Materials business. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as a Member of the Board.		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
4	Yasutaka Sumida (Oct. 4, 1963)	<p>Apr. 1991    Joined the Company</p> <p>Apr. 2017    General Manager of Research Center</p> <p>Apr. 2020    Director of Innovation &amp; Business Development Division</p> <p>June 2020    Executive Officer</p> <p>June 2021    Member of the Board and Managing Executive Officer (current)</p> <p>(Current responsibility in the Company)</p> <p>Innovation &amp; Business Development</p> <p>Corporate Research Division</p> <p>GX Research &amp; Development Division</p> <p>Health &amp; Medical Business Division</p> <p>Cosmetics Business Division</p> <p>R&amp;D Management Department</p> <p>Water &amp; Environment Solutions Business Department</p> <p>Printing Materials Business Department</p>	9,968 shares
	<p>Reelection</p> <p>Attendance at the Board meetings during the current fiscal year: 15/15 meetings</p> <p>Number of years in office at the conclusion of this General Meeting of Shareholders 3 years</p>	<p>&lt;Reasons for nominating as a candidate for Member of the Board&gt;</p> <p>Mr. Yasutaka Sumida has been engaging in research and development divisions for a long time and has achievements in strengthening the research and development capabilities and promoting open innovation, etc. In addition, he has been serving as Executive Officer in charge of Innovation &amp; Business Development to accelerate the creation of new businesses and products and spearhead research and development toward the achievement of carbon neutrality. The Company believes that he will appropriately make decisions on the Company's management and provide supervision based on his achievements. Thus, the Company proposes him to continue as a Member of the Board.</p>	

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
5	Yukihiro Matsumoto (Jan. 24, 1964)  Reelection  Attendance at the Board meetings during the current fiscal year: 11/11 meetings  Number of years in office at the conclusion of this General Meeting of Shareholders 1 year	Apr. 1988      Joined the Company  Jul. 2004      Vice President of Singapore Acrylic PTE LTD Vice President of SINGAPORE GLACIAL ACLYRIC PTE. LTD. (at present, NIPPON SHOKUBAI (ASIA) PTE. LTD.)  Apr. 2009      General Manager of Technology Department of Himeji Plant  Apr. 2014      Director of Production Division  Apr. 2016      Director of Corporate Planning Division  June 2016      Member of the Board, Executive Officer  June 2020      Managing Executive Officer Plant Manager of Himeji Plant  June 2022      Director of Production Division  June 2023      Member of the Board and Managing Executive Officer (current)  (Current responsibility in the Company) Production & Technology DX Promotion Division Production Division Engineering Division IONEL Technology Department IONEL Domestic Location Preparation Department	18,000 shares
	<Reasons for nominating as a candidate for Member of the Board> Mr. Yukihiro Matsumoto has been engaging in production and technology divisions and overseas services for a long time and has achievements in launching manufacturing sites in Japan and overseas and promoting responsible care, etc. In addition, he has been serving as Executive Officer of Production & Technology to promote efforts to improve productivity through the introduction of highly efficient production technology in the acrylic business and other measures to strengthen the global production and supply system. The Company believes that he will appropriately make decisions on the Company’s management and provide supervision based on his achievements. Thus, the Company proposes him to continue as a Member of the Board.		



No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
6	Tetsuo Setoguchi (Feb. 17, 1957)	Apr. 1981    Joined Osaka Gas Co., Ltd. Apr. 2015    Representative Director Executive Vice President of Osaka Gas Co., Ltd.	
	Reelection	Apr. 2018    Director of Osaka Gas Co., Ltd.	
	Outside Member of the Board	June 2018    Outside Member of the Board at the Company (current) Advisor to Osaka Gas Co., Ltd. (current)	
	Independent Officer	Apr. 2020    Chairman and Director of OSAKA GAS URBAN DEVELOPMENT Co., Ltd.	
	Attendance at the Board meetings during the current fiscal year: 15/15 meetings	June 2021    Outside Auditor of YOMIURI TELECASTING CORPORATION (current) Apr. 2022    Chairman and Director of OGIS-RI Co., Ltd. (current)	
	Number of years in office at the conclusion of this General Meeting of Shareholders 6 years		-
	<p>&lt;Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles&gt;</p> <p>The Company requests the reelection of Mr. Tetsuo Setoguchi for him to serve as an Outside Member of the Board in the expectation that he will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on his experience in corporate management in the manufacturing industry and at a company with high public utility properties, in addition to his past achievements as an Outside Member of the Board of the Company.</p>		

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)		Number of Shares of the Company Owned
7	Miyuki Sakurai (Dec. 15, 1964)	Apr. 1992	Registered as attorney-at-law Joined Nishimura Law and Accounting Office	
	Reelection	May 2003	Partner of Hanamizuki Law Office (current)	
	Outside Member of the Board	Mar. 2015	Auditor of Nissay Life Foundation (current)	
		Apr. 2016	Auditor of Osaka University (current)	
	Independent Officer	June 2017	External Director of Nippon Shinyaku Co., Ltd. (current)	
	Attendance at the Board meetings during the current fiscal year: 15/15 meetings	June 2020	Outside Member of the Board at the Company (current)	
	Number of years in office at the conclusion of this General Meeting of Shareholders 4 years	June 2022	Outside Auditor of MBS MEDIA HOLDINGS, INC. (current)	
<p>&lt;Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles&gt;</p> <p>The Company requests the reelection of Ms. Miyuki Sakurai for her to serve as an Outside Member of the Board in the expectation that she will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on her highly professional expertise and a wealth of experience as attorney-at-law and achievements as External Director of other companies, in addition to her past achievements as an Outside Member of the Board of the Company. Although she has never been involved in corporate management in any way other than as an outside officer, for the reasons stated above, we believe that she will be able to appropriately perform her duties as an Outside Member of the Board of the Company.</p>				

No.	Name (Date of birth)	Profile (Positions, responsibility in the Company and/or important positions concurrently held at other companies)	Number of Shares of the Company Owned
8	Akiko Ikeda (Jul. 26, 1960)	Apr. 1983    Joined Daimaru Department Store Co., Ltd. (Currently Daimaru Matsuzakaya Department Stores Co., Ltd.)	-
	New election	Apr. 2003    Joined Ito-Yokado Co., Ltd.	
	Outside Member of the Board	Mar. 2011    Executive Officer of Ito-Yokado Co., Ltd.	
	Independent Officer	Apr. 2016    President and Representative Director of Jolly- Pasta Co., Ltd.	
	Attendance at the Board meetings during the current fiscal year:	June 2017    President and Representative Director of COCO'S JAPAN CO., LTD.	
	—	Apr. 2019    Director of Okamoto Corporation	
	Number of years in office at the conclusion of this General Meeting of Shareholders	Jan. 2023    Outside Director of Kura Sushi, Inc.	
	—		
<Reasons for nominating as a candidate for Outside Member of the Board and outline of expected roles> The Company requests the election of Ms. Akiko Ikeda for her to serve as an Outside Member of the Board in the expectation that she will offer valuable opinions and proposals that would benefit the Company's management and provide supervision from an independent position based on her wealth of experience in corporate management as well as sales and marketing at other companies, in addition to her past achievements as an Outside Member of the Board of a company.			

- (Notes) 1. There are no special interests between each candidate and the Company.
2. Mr. Tetsuo Setoguchi, Ms. Miyuki Sakurai, and Ms. Akiko Ikeda are candidates for Outside Members of the Board.
3. The Company has concluded liability limitation contracts with Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act. In the event Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai are reelected as Outside Members of the Board, the Company plans to extend the contract with them. If Ms. Akiko Ikeda is elected, the Company plans to enter into the same liability limitation contract with her.
4. The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company. In the event of a claim for damages submitted by a shareholder or a third party, said insurance shall compensate for damages to be borne by the insureds. If the candidates are elected as Members of the Board, they will be included as the insureds under the contract. The Company plans to renew the insurance policy with the same details during their terms of office.
5. Mr. Tetsuo Setoguchi, Ms. Miyuki Sakurai, and Ms. Akiko Ikeda meet the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated on page 18). The Company has reported to the Tokyo Stock Exchange that Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai have been appointed as independent officers, and in the event Mr. Tetsuo Setoguchi and Ms. Miyuki Sakurai are reelected, the Company plans to report to the Exchange that they will continue to be independent officers. In the event Ms. Akiko Ikeda is elected, the Company plans to appoint her as an independent officer and report to the Tokyo Stock Exchange.

6. The Company purchases gas from Osaka Gas Co., Ltd., at which Mr. Tetsuo Setoguchi serves as an Advisor. These and other sales transactions are for the procurement of goods essential to plant operations and the average trading amount in the recent three fiscal years is a nominal (less than 0.3%) portion of the consolidated net sales of Osaka Gas. Also, the Company received services from OGIS-RI Co., Ltd., at which Mr. Tetsuo Setoguchi serves as Chairman and Director. The average transaction amount in the recent three fiscal years is nominal compared with the net sales of OGIS-RI Co., Ltd. (less than 0.1%). The Company has therefore determined that there will be no impact on the independence of Mr. Tetsuo Setoguchi.
7. Ms. Akiko Ikeda is scheduled to become an Outside Member of the Board of J-OIL MILLS, INC. on June 24, 2024.
8. The Company carried out a four-for-one stock split effective from April 1, 2024. The number of shares of the Company owned is the number after the stock split.

### **Agenda Item No. 3: Election of Two (2) Statutory Corporate Auditors**

As the term of office of Statutory Corporate Auditor Mr. Tsukasa Takahashi will expire and Mr. Yoritomo Wada will resign at the conclusion of this Ordinary General Meeting of Shareholders, the Company proposes the election of two (2) Statutory Corporate Auditors.

The Auditors meeting has given its prior consent to the submission of this proposal.

The candidates for Statutory Corporate Auditor are as follows:

No.	Name (Date of birth)	Profile (Positions in the Company and/or important positions concurrently held at other companies)		Number of Shares of the Company Owned
1	Tsukasa Takahashi (Dec. 10, 1962)	Apr. 1989	Registered as attorney-at-law Joined Katsube Law Office (at present Katsube Takahashi Law Office)	-
	Reelection	June 2008	Outside Director of Inaba Denki Sangyo Co., Ltd.	
	External Statutory Corporate Auditor	Apr. 2010	Deputy Chairman of the Osaka Bar Association	
		June 2010	External Auditor of Nippon Paint Co., Ltd. (Currently Nippon Paint Holdings Co., Ltd.)	
	Independent Officer	Jul. 2012	Representative of Katsube Takahashi Law Office (current)	
	Attendance at the Board meetings during the current fiscal year: 15/15 meetings	Apr. 2013	Special Professor at National University Corporation Kyoto University Law School	
		May 2013	Non-Executive Auditor of AEON DELIGHT CO., LTD.	
	Attendance at the Auditors meetings during the current fiscal year: 16/16 meetings	Apr. 2018	Part-time Lecturer at National University Corporation Kyoto University Law School (current)	
		Mar. 2019	Outside Corporate Auditor of Nippon Electric Glass Co., Ltd.	
	Number of years in office at the conclusion of this General Meeting of Shareholders 4 years	June 2020	External Statutory Corporate Auditor of the Company (current)	
Mar. 2024		Outside Audit & Supervisory Board Member of Toyo Tire Corporation (current)		
<Reasons for nominating as a candidate for External Statutory Corporate Auditor> Based on his past achievements as an External Statutory Corporate Auditor of the Company, his highly professional expertise and wealth of experience as an attorney- at-law, and achievements as an outside corporate auditor at other companies, we believe that Mr. Tsukasa Takahashi can continue to provide useful opinions to the Board meeting of the Company and audit the legality of management execution, etc. from an objective standpoint. Thus, the Company proposes him to continue as External Statutory Corporate Auditor. Although he has never been involved in corporate management in any way other than as an outside officer, for the reasons stated above, we believe that he will be able to appropriately perform his duties as an External Statutory Corporate Auditor of the Company.				

No.	Name (Date of birth)	Profile (Positions in the Company and/or important positions concurrently held at other companies)		Number of Shares of the Company Owned
2	Kazumasa Murai (Dec. 13, 1963)	Oct. 1990	Tohmatsu Audit Firm (at present, Deloitte Touche Tohmatsu LLC)	-
	New election	Aug. 1995	Registered as certified public accountant	
	External Statutory Corporate Auditor	Aug. 2006	Registered as tax accountant	
	Independent Officer		Representative of Murai Certified Public Accountant Office (current)	
	Attendance at the Board meetings during the current fiscal year: —	June 2017	External Statutory Corporate Auditor of Technical Denshi Co., Ltd. (at present Parking Solutions Co., Ltd.)	
	Attendance at the Auditors meetings during the current fiscal year: —	May 2019	Senior Partner of Tax Accountant Corporation Murai Accountant Office (current)	
	Number of years in office at the conclusion of this General Meeting of Shareholders —	June 2021	Outside Director of Daiei Kankyo Co., Ltd. (current)	
	<Reasons for nominating as a candidate for External Statutory Corporate Auditor> Based on his highly professional expertise and wealth of experience as a certified public accountant and tax accountant, and achievements as an outside auditor at other companies, we believe that Mr. Kazumasa Murai can provide useful opinions to the Board meeting of the Company and audit the legality of management execution, etc. from an objective standpoint. Thus, the Company proposes him as External Statutory Corporate Auditor.			

- (Notes) 1. There are no special interests between each candidate and the Company.
2. Mr. Tsukasa Takahashi and Mr. Kazumasa Murai are candidates for External Statutory Corporate Auditor.
3. The Company has concluded a liability limitation contract with Mr. Tsukasa Takahashi with regard to Article 423, Paragraph 1 of the Companies Act of Japan. This contract will limit the liability to the total amount of each Item in Article 425, Paragraph 1 of the same Act. In the event Mr. Tsukasa Takahashi is reelected as External Statutory Corporate Auditor, the Company plans to extend the contract with him. If Mr. Kazumasa Murai is elected, the Company plans to enter into the same liability limitation contract with him.
4. The Company has entered into a directors and officers liability insurance (D&O Insurance) contract with an insurance company. In the event of a claim for damages submitted by a shareholder or a third party, the said insurance shall compensate for damages to be borne by the insureds. If the candidates are elected as Statutory Corporate Auditor, they will be included as the insureds under the contract. The Company plans to renew the insurance policy with the same details during their term of office.
5. At AEON DELIGHT CO., LTD., at which Mr. Tsukasa Takahashi served as Non-Executive Auditor from May 2013 until May 17, 2024, it was found out in June 2019 that one of its consolidated subsidiaries had conducted an improper accounting treatment. Although he was

unaware of the fact until the incident came to light, he had regularly provided his views on legal compliance at Board meetings, etc. After the incident was detected, he suggested that a Special Investigation Committee be organized, confirmed and took measures based on the Committee's investigation results, and was involved in discussion and decisions related to an action plan to prevent recurrence as required, thereby appropriately performing his duties.

6. Mr. Tsukasa Takahashi and Mr. Kazumasa Murai meet the criteria of independence set out by Tokyo Stock Exchange, Inc. and the Criteria of Independence set out by the Company (stated on page 18). The Company has reported to the Tokyo Stock Exchange that Mr. Tsukasa Takahashi has been appointed as an independent officer, and in the event Mr. Tsukasa Takahashi is reelected, the Company plans to report to the Exchange that he will continue to be an independent officer. In the event Mr. Kazumasa Murai is elected, the Company plans to appoint him as an independent officer and report to the Tokyo Stock Exchange.
7. The Company has contributed funds for research activities to National University Corporation Kyoto University, at which Mr. Tsukasa Takahashi serves as a Part-time Lecturer. Compared to the University's ordinary profit, however, the average contribution amount in the recent three fiscal years is nominal (less than 0.1% and not more than 10 million yen), and the Company has determined that it will have no impact on the independence of Mr. Tsukasa Takahashi.
8. The Company carried out a four-for-one stock split effective from April 1, 2024. The number of shares of the Company owned is the number after the stock split.

(Reference)

Specialty and Experience of Members of the Board and Statutory Corporate Auditors (expected after the conclusion of the 112th Ordinary General Meeting of Shareholders)

	Name	Corporate management	Inter-nationality	Sustainability	Compliance/ Governance	Finance/ Accounting	Production technology /R&D	Sales and Marketing	Other
Member of the Board	Kazuhiro Noda	●	●			●			
	Kuniaki Takagi		●		●	●			
	Masahiro Watanabe	●						●	● SCM
	Yasutaka Sumida			●			●		● Intellectual property
	Yukihiro Matsumoto	●					●		● DX
	(Outside) Tetsuo Setoguchi	●	●					●	
	(Outside) Miyuki Sakurai				●				● Internal control, Audit
	(Outside) Akiko Ikeda	●						●	● Business development
Statutory Corporate Auditors	Takashi Kobayashi	●	●			●			
	Teruhisa Wada				●				● HR, Labor relations
	(External) Tsukasa Takahashi				●				
	(External) Kazumasa Murai			●		●			

(Notes) 1. In the table above, up to three main areas of specialty and experience are marked for each person.

2. SCM is an acronym for Supply Chain Management and DX is an acronym for Digital Transformation.



Reasons for the selection of specialty and experience of the Board members are as follows:

Items	Reasons for selection
Corporate management	Specialty and experience of corporate management are required to formulate and promote corporate strategies for our sustainable growth and medium-to long-term enhancement of corporate value through the practice of the Group's Mission: “ <b>TechnoAmenity</b> : Providing Prosperity and Comfort to People and Society, with Our Unique Technology.”
Internationality	Specialty and experience regarding internationality are required to formulate and promote management strategies from a global perspective.
Sustainability	Specialty and experience regarding sustainability are required to contribute to the realization of a sustainable society and practice the Group's Mission through business activities.
Compliance/Governance	Specialty and experience regarding compliance/governance are required to promote compliance and enhance the effectiveness of corporate governance as foundation to support our sustainable growth.
Finance/ Accounting	Specialty and experience regarding finance/accounting are required to make appropriate financial reports as well as formulate and promote a capital policy striking an ideal balance between investment for growth, investment to maintain competitiveness, and shareholder returns.
Production technology /R&D	Under the long-term vision “TechnoAmenity for the future,” specialty and experience regarding production technology/R&D are required to provide solutions to diverse customer challenges by taking advantage of the Group's advanced technology.
Sales and Marketing	In order to strengthen the Solutions Business, specialty and experience regarding sales/marketing are required to identify market needs and solve customer challenges from a customers' perspective.

(Reference)  
Criteria of Independence

The Company has established criteria of independence for Outside Members of the Board and External Statutory Corporate Auditors (hereinafter referred to as “Outside Officers” along with candidates for these positions), and Outside Officers are judged to be sufficiently independent so long as they do not fall under any of the following categories.

1. An individual from the Company or a consolidated subsidiary (hereinafter “the Group”) (Note 1)
2. A major shareholder of the Company (Note 2) or a business executive thereof
3. A business executive of any of the following corporations or other entities
  - (1) A major business partner of the Group (Note 3)
  - (2) A major lender of the Group (Note 4)
  - (3) A corporation or other entity whose stock the Group possesses 10% or more of based on voting rights
4. A certified public accountant belonging to the Auditing Firm that is the Group’s Accounting Auditor
5. A consultant, accountant, tax counselor, attorney, judicial scrivener, patent attorney, or other professional who has received a large amount (Note 5) of monetary or other assets from the Group
6. An individual who has received a large amount of donations or grants from the Group (Note 6)
7. A business executive of another company whose position would constitute them as having an interlocking relationship (Note 7)
8. An individual whose spouse or relative within two degrees of kinship is an individual who falls under any of criteria 1 through 7 (however, this is limited to significant persons (Note 8))
9. An individual who has fallen under any of criteria 2 through 8 in the past five years
10. Any other individual who can be reasonably judged to have concerns of constant and substantial conflict of interest with the Company

(Note 1) Defined as a current executive Member of the Board, executive, executive officer, or other corresponding individual or employee (hereinafter “business executives” in these criteria) or a business executive who has belonged to the Group at least once in the past.

(Note 2) “Major shareholder” is defined as a shareholder with 10% or more of voting shares in their own name or a third party’s name in average of the three most recent fiscal years.

(Note 3) “Major business partner” is defined as an entity which purchases the Group’s products and whose transactions with the Group exceed 2% of the Group’s consolidated net sales in average of the three most recent fiscal years, or a supplier of products to the Group whose transactions with the Group exceed 2% of their consolidated net sales in average of the three most recent fiscal years.

(Note 4) “Major lender” is defined as a financial or other institution from which the Group receives loans and whose average loan balance over the three most recent fiscal years exceeds 2% of the Company’s consolidated total assets or 2% of that financial or other institution’s consolidated total assets.

(Note 5) (i) In the event that the professional is providing services to the Group as an individual, an individual whose compensation received from the Group (excluding executive compensation) exceeds 10 million yen a year in average of the three most recent fiscal years.

(ii) In the event that the professional is providing services to the Group as a member of a legal entity, association, or other organization, an organization whose average compensation received from the Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 6) Defined as an entity who has received more than 10 million yen in yearly donations or grants from the Group in average of the three most recent fiscal years. In the case that the recipient of these donations or grants is a legal entity, association, or other organization, an organization whose average amount received from the Group in average of the three most recent fiscal years exceeds 2% of its yearly total income.

(Note 7) Defined as a relationship where a business executive of the Group is an Outside Officer of another company and where a business executive of said other company is an Outside Officer of the Company.

(Note 8) “Significant persons” is defined as a Member of the Board, executive, executive officer, or business executive of the rank of General Manager or above.

**Business Report**  
(April 1, 2023 to March 31, 2024)

**I. Current Status of the Group**

**1. Progress and Results of Operations**

Revenue	392.0 billion yen (down 6.6% year-on-year)
Consolidated operating profit (loss)	16.6 billion yen (down 29.6% year-on-year)
Profit (loss) attributable to owners of parent	11.0 billion yen (down 43.2% year-on-year)

In the current fiscal year, the global economy saw further normalization of economic activity due to containment of the novel coronavirus infection (COVID-19). Meanwhile, uncertainty about the future continued due to the further escalation of the invasion of Ukraine by Russia, growing tensions in the Middle East, financial instability caused by policy rate hikes in various countries, and other factors, and there were discrepancies among the economic trends of various countries.

In the United States, personal consumption was solid against a backdrop of rising real wages and other factors. In Europe, personal consumption was sluggish due to monetary tightening and other factors, and exports to China and other markets declined. In China, economic recovery stalled due to the downturn of the real estate market, stagnant exports, and other factors. In emerging Asian countries, exports declined due to a decline in demand for semiconductors, the Chinese economic slowdown, and other factors.

In Japan, although corporate earnings continued to improve, personal consumption stalled due to rising prices that exceeded the rate of wage increases and other factors.

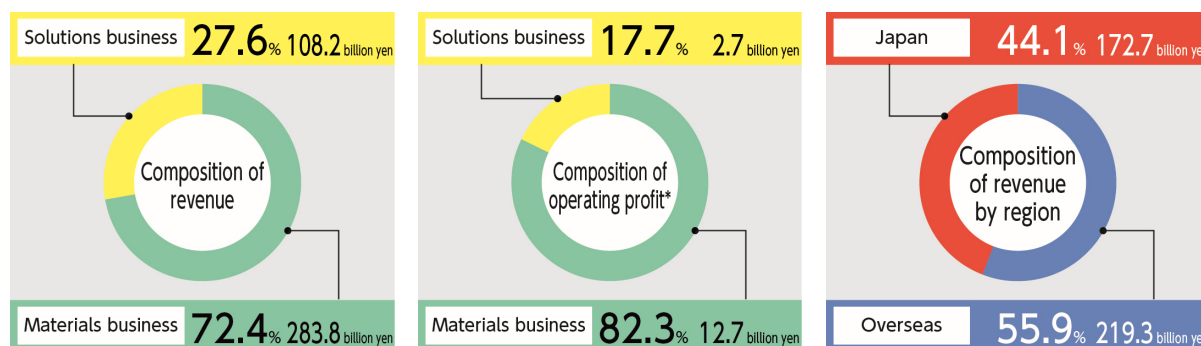
In the chemical industry, uncertainty about the future continued due to significant fluctuations in crude oil and domestic naphtha prices and other factors.

Under these conditions, the Group's revenue in the current fiscal year decreased 6.6% year-on-year to 392,009 million yen, down 27,559 million yen, due to lower selling prices in line with declines in overseas product markets and raw material prices as well as a decrease in sales volume.

With regard to profits, operating profit decreased 29.6% year-on-year to 16,562 million yen, down 6,966 million yen mainly due to a narrowing of spreads on certain products as a result of falling sales prices and a decline in inventory valuation gains that occurred in the previous fiscal year as a result of soaring raw material prices during the current fiscal year, despite a decrease in selling, general and administrative expenses due to a fall in marine transportation costs, etc.

Profit before tax was 15,744 million yen, a year-on-year decrease of 10,431 million yen or 39.9%, due to a decrease in operating profit and a decrease in share of profit (loss) of investments accounted for using equity method.

As a result, profit attributable to owners of parent of 11,008 million yen was posted, down 8,384 million yen (-43.2%) year-on-year.



\* Excluding 1,100 million yen of adjustments (inter-segment transaction eliminations, and corporate profit (loss) not allocated to reportable segments).

[Materials business]

Description of Principal Businesses

The Group mainly manufactures and sells the following products:

Market Domain	Principal Products
AA・AES	Acrylic acids, acrylates, etc.
SAP	Superabsorbent polymers (SAP)
EO	Ethylene oxide (EO), Ethylene glycols (EG), Ethanolamines (EA)
Other	Special acrylates, process catalysts

<AA・AES> Although spreads narrowed due to a decline in overseas market conditions, the sales volume increased due to sales expansion in emerging countries.

<SAP> The sales volume increased due to sales expansion in emerging countries and an increase in our share in the domestic market.

<EO> The sales volume decreased due to continued suspension of export of ethylene glycols because of stagnant market conditions and weak domestic demand, despite higher selling prices resulting from higher costs of raw materials and fuel.

As a result, revenue in the materials business decreased 7.2% year-on-year to 283,808 million yen.

Operating profit decreased 39.2% year-on-year to 12,732 million yen due to negative factors such as the narrowing of spreads on certain products due to a decline in overseas market prices and inventory valuation gains that occurred in the previous fiscal year as a result of soaring raw material prices turning to valuation losses during the current fiscal year, despite factors contributing to higher profits, such as a decrease in selling, general and administrative expenses due to lower marine transportation costs and other factors.

[Solutions business]

Description of Principal Businesses

The Group mainly manufactures and sells the following products:

Market Domain	Principal Products
Materials for infrastructure, housing, and industry	Polymers for concrete admixtures, acrylic resins, various amines (ethyleneimine, etc.)
Lifestyle products	Polycarboxylic acid polymers, secondary alcohol ethoxylates
Electronic information materials and printing	ACRYVIEWA <sup>□</sup> , resist materials, fine particles, VEEA <sup>□</sup>
Batteries and environmental purification	IONEL <sup>TM</sup> , fuel cell materials, environmental catalysts, automotive catalysts

<Infrastructure and housing> The sales volume of polymers for concrete admixtures decreased due to competition with Chinese and South Korean products in overseas markets. Although the sales of acrylic resins for paints were steady for remodeling, the sales volume for ceramic construction materials decreased due to a decrease in new housing starts.

<Lifestyle products> The sales volume of our products to be used for high-value-added products decreased. In addition, the sales volume decreased due to intensifying price competition in overseas markets. Sales of newly-developed products for specific customers remained steady.

<Electronic information materials and printing> The sales volume of liquid crystal panels increased due to gradually increasing demand.

<Batteries> Sales of “IONEL<sup>TM</sup>” were solid for the Japanese, European, and U.S. markets. In China, however, we started shifting to Chinese price-competitive JV products amid a significant decline in the Chinese market.

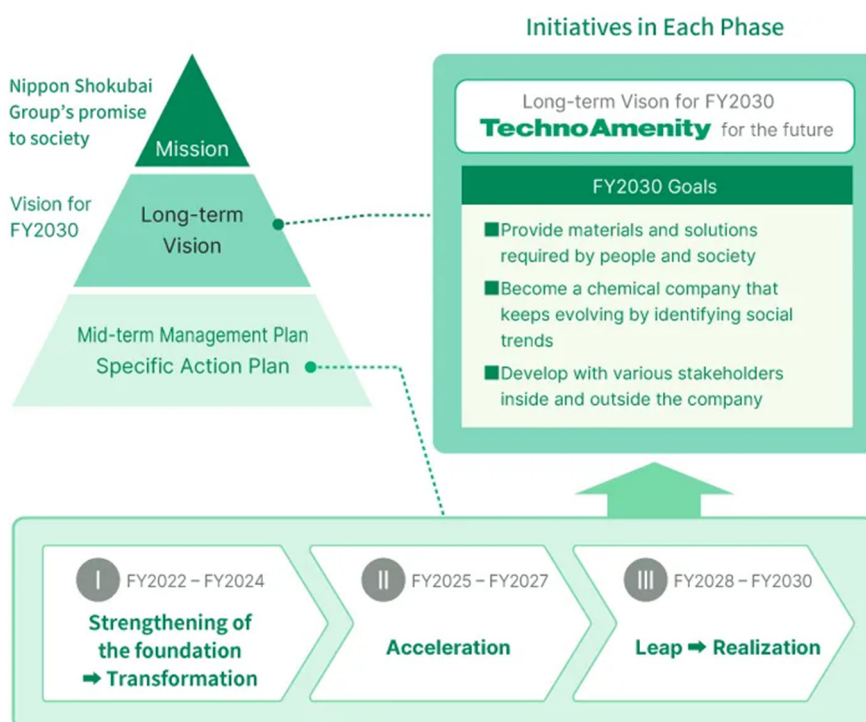
As a result, revenue in the solutions business decreased 5.0% year on year to 108,201 million yen.

Operating profit increased 81.8% year-on-year to 2,732 million yen due to factors contributing to higher profits such as the widening of spreads resulting from lower raw material prices, etc. and a gain of 1,306 million yen on the sale of land at SINO-JAPAN CHEMICAL CO., LTD., a consolidated subsidiary, despite negative factors such as a decrease in production and sales volume and a decline in inventory valuation gains that occurred in the previous fiscal year as a result of soaring raw material prices during the current fiscal year.

## 2. Issues to Be Addressed

The Nippon Shokubai Group conducts business activities in pursuit of the fulfillment of its Mission: “**TechnoAmenity**: Providing Prosperity and Comfort to People and Society, with Our Unique Technology.” The Mission reflects our strong desire to contribute to creating a sustainable society where people can live safely in peace.

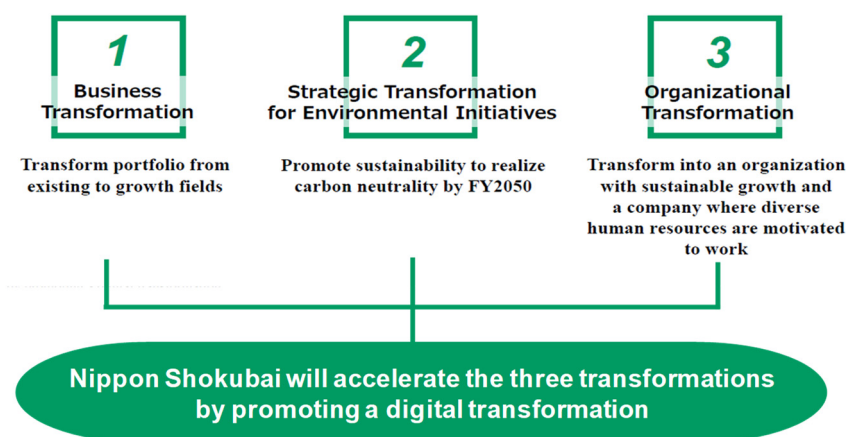
The Group set forth the three transformations outlined in the long-term vision toward 2030: “Business Transformation,” “Strategic Transformation for Environmental Initiatives,” and “Organizational Transformation,” and we will contribute to the solution of various social problems and realize our sustainable growth through provision of materials and solutions required by future society.



### (1) Three Transformations towards “Goals in FY2030”

Under the Mid-term Management Plan: “TechnoAmenity for the future- I,” the three transformations will be steadily implemented toward the realization of the “The Goals in 2030” as defined in the long-term vision, and DX (digital transformation) will be promoted to further accelerate them, with the aim of achieving the management targets. For details, please access our website:

<https://www.shokubai.co.jp/en/ir/vision/plan/>



(2) [Management Targets]

Targets for the three transformations and the capital policy are as follows.

Initiatives for strategic transformation for environmental initiatives and organizational transformation are generally progressing well. However, business transformation is expected to miss its financial targets for operating profit, etc. due to sluggish sales of strategic product lines in the Solutions Business and a worse-than-expected market for acrylic acids and superabsorbent polymers (SAP). Under these circumstances, we will not wait for the next Mid-term Management Plan starting in FY2025, but will instead review management and financial strategies as we work to achieve the 2030 long-term vision.

		FY2023 Actual results	FY2024 (Mid-term Management Targets)	Goals in FY2030
Financial targets	Operating profit	16.6 billion yen	33.0 billion yen	Approx. of 60.0 billion yen
	Solutions Business operating profit	2.7 billion yen	17.0 billion yen	Approx. of 40.0 billion yen
	ROE	3.0%	7.5%	9% or higher
	ROA	2.9%	6.9%	9% or higher
	Total shareholder return ratio	99.7%	50%	—
	Revenue from new products (Non-consolidated, excluding SAP products, and launched within five years)	13.6 billion yen	28.0 billion yen	—
Investments	Growth investments and investments to remain competitive	50.3 billion yen (Cumulative total from FY2022 to FY2023)	120.0 billion yen (Cumulative total from FY2022 to FY2024)	400.0 billion yen (Cumulative total from FY2022 to FY2030)
Carbon neutrality target	CO <sub>2</sub> emission reductions (Scope 1 and Scope 2 emissions in Japan relative to FY2014)	13% reduction*1	—	30% reduction
	Revenue from environmental contributing products	45.0 billion yen*2	55.0 billion yen	135.0 billion yen
Diversity and inclusion target (Non-consolidated)	Ratio of female recruitment in clerical and chemical positions	28.6%	30%	—
	Ratio of female managers	5.4%	6%	—
	Ratio of male employees taking childcare leave*3	90.0%	100%	—

<Prerequisites> FY2024: Naphtha price = 50,000 yen/kL; 1 USD = 110 yen; 1 Euro = 130 yen

\*1: Preliminary figures (including 7.3% carbon credits). Finalized emissions figures will be disclosed on the Company website in July 2024.

\*2: Preliminary figures. Finalized figures for revenue from environmental contributing products will be disclosed in TechnoAmenity Report 2024, which will be published in September 2024.

\*3: From FY2022, the criteria for the number of days of leave taken for the calculation of the ratio of childcare leave have been revised from at least 1 day to at least 15 days, and FY2024 target from 30% to 100%, respectively.

(3) [Specific initiatives in the three transformations]

(i) Business Transformation

Toward portfolio transformation, we aim to expand the Solutions Business. We have reviewed our management strategy and have decided to proactively invest our resources in growth businesses such as the Energy Business, Electronics Business, and Life Science Business.

Items	Principal Initiatives	
Expand the Solutions Business	Measures	<ul style="list-style-type: none"> <li>• Sales expansion of a strategic product group, launch of developed products in prospective markets</li> <li>• Developing a platform to strengthen our ability to propose solutions</li> </ul>
	FY2023 results	<ul style="list-style-type: none"> <li>• We have selected key areas for proactive allocation of resources.</li> <li>• We are building a system to increase production of “IONEL™,” an electrolyte in lithium-ion batteries, in China. We also have started a feasibility study on building its production sites in the North America and Japan.</li> <li>• In the CDMO business for oligonucleotide and peptide, the number of development projects for particle synthesis acquired increased by approximately seven times year on year.</li> <li>• We have jointly developed osmotic pressure generating agents for seawater desalination with Trevi Systems Inc. by using the Forward Osmosis (FO) system and demonstrated significantly energy-savings and highly efficient seawater desalination in testing in the U.S.</li> <li>• We have established intermediate test facilities in Suita Research Center for process-building of new ingredients and prompt provision of samples.</li> </ul>
Achieve the Materials Business Resilience	Measures	<ul style="list-style-type: none"> <li>• Improvement of our profitability by promoting the SAP Survival Project and the Kawasaki Resilience Project.</li> <li>• Added value improvement through sustainability initiatives centered on a shift to biomass raw materials</li> </ul>
	FY2023 results	<ul style="list-style-type: none"> <li>• We have improved our profitability by promoting the SAP Survival Project and the Kawasaki Resilience Project.</li> <li>• We have prospects to produce dozens of kilograms of acrylic acids by using biomass raw materials and have started evaluating quality performance in various uses.</li> </ul>



(ii) Strategic Transformation for Environmental Initiatives

Toward the achievement of carbon neutrality by 2050, we will reduce CO<sub>2</sub> emissions from production processes and expand the development and spread of environmental contribution products in order to contribute to reducing our environmental impact throughout the entire life cycle.

Items	Principal Initiatives	
Reduction of CO <sub>2</sub> emissions from production processes	Measures	<ul style="list-style-type: none"> <li>• Innovation of production processes and technology, switching of materials and energy</li> <li>• Implementation of third-party verification of GHG (greenhouse gas) emissions, introduction of internal-carbon pricing (started in February 2023)</li> </ul>
	FY2023 results	<ul style="list-style-type: none"> <li>• We concluded an agreement to purchase a renewable energy certificate for 100% of electricity to be purchased by our Indonesian subsidiary.</li> <li>• We have continued improvement of productivity and consideration of use of recycled materials.</li> </ul>
Expansion of the development and spread of environmental contribution products	Measures	<ul style="list-style-type: none"> <li>• Expansion of use of hydrogen, launch of related products to meet environmental trends, including tighter environment-related regulations</li> <li>• Obtaining International Sustainability and Carbon Certification (ISCC PLUS) and building of production and sales systems (obtained certificates for various products such as acrylic acid, SAP and EO (Ethylene Oxide), built the production and sales systems)</li> </ul>
	FY2023 results	<ul style="list-style-type: none"> <li>• For creating a supply chain of fuel ammonia, we are jointly developing a technology to crack ammonia into hydrogen with JERA Co., Inc. and Chiyoda Corporation.</li> <li>• We have commercialized 2-octyl acrylates (2OA) using alcohol from naturally derived non-edible parts.</li> <li>• To strengthen marketing in the environmental areas, we are establishing a development base in a Belgium subsidiary.</li> </ul>

### (iii) Organizational Transformation

Aiming to transform into an organization with sustainable growth and a company where diverse talent is motivated to work, the following initiatives are implemented:

Items	Principal Initiatives	
Developing and empowering human resources	Measures	<ul style="list-style-type: none"> <li>Self-directed human resource development, promotion of diverse human resources</li> <li>Introduction of engagement surveys (started in FY2022)</li> </ul>
	FY2023 results	<ul style="list-style-type: none"> <li>A total of approximately 500 employees participated in solicit publicly proposed autonomous learning programs.</li> <li>The re-employment system after retirement has started a new program based on their duty.</li> <li>We have continued holding the female employees network training where they develop their individually tailored careers by discussing with their own manager.</li> </ul>
Organizational growth	Measures	<ul style="list-style-type: none"> <li>Execute specific measures to improve productivity (being executed in each department)</li> <li>Revise approval process to delegate authority (expedite decisions in each department, started in FY2022)</li> <li>Strengthen dialogue between management and employees</li> </ul>
	FY2023 results	<ul style="list-style-type: none"> <li>We held a townhall meeting and dialogue session for management and employees to deepen their mutual understanding.</li> </ul>
Strengthen corporate governance	Measures	<ul style="list-style-type: none"> <li>Enhance the effectiveness of the Board meeting (please refer to “Evaluation of the effectiveness of the Board Meeting” on P. 32)</li> <li>Ensure knowledge, experience, skills, and diversity within the Board meeting</li> <li>Strengthen medium-to long-term incentives for corporate officers (introduced a Performance-linked Stock Compensation Plan in FY2022)</li> </ul>
	FY2023 results	<ul style="list-style-type: none"> <li>We have continued discussions on measures to strengthen the effectiveness of the Board meeting</li> </ul>

### (4) [Promotion of DX]

NIPPON SHOKUBAI is promoting digital transformation (DX) so that every employee can work on three transformations by using digital technologies and data.



Items	Principal Initiatives	
Promotion of DX  (NIPPON SHOKUBAI was certified as a digital transformation company specified by the Ministry of Economy, Trade and Industry in May 2022)	Measures	<ul style="list-style-type: none"> <li>• R&amp;D: Use MI (Materials Informatics)</li> <li>• Production Div.: Drive enhancements and efficiency using a data integration platform</li> <li>• Sales Div.: Build routes to new customers using digital technologies</li> <li>• Indirect Departments: Improve work styles using digital transformation technologies</li> <li>• Human Resource Div.: Develop talent who can use digital technology at R&amp;D and production sites</li> </ul>
	FY2023 results	<ul style="list-style-type: none"> <li>• R&amp;D: Introduced high throughput equipment that can realize speedy and automated data generation in the catalyst research area.</li> <li>• Production Div.: Started using the data integration platform.</li> <li>• Sales Div.: Introduced and started using a customer information management system in all business divisions (sales divisions).</li> <li>• Indirect Departments: Implemented automation by introducing RPA (Robotic Process Automation) and digitalized work processes of administration, HR, Finance, Accounting, Information Technology.</li> <li>• Human Resource Div.: Implemented DX training for the development of DX talent on a company-wide basis.</li> </ul>

## (5) [Capital policy]

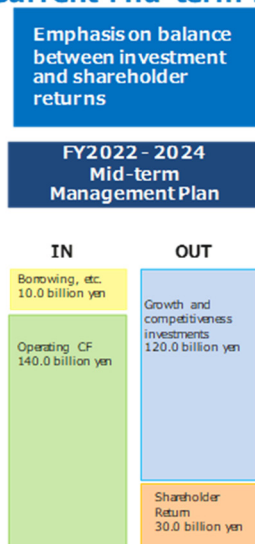
When we formulated the Mid-term Management Plan: “TechnoAmenity for the future-I,” our basic policy for allocation with an optimal balance between growth investments, investments to remain competitive, and shareholder returns was to allocate a cumulative total of 150.0 billion yen generated over the three years to investments in medium- to long-term growth (including strategic investments) (75.0 billion yen), investments to sustain and improve the competitiveness of core businesses (45.0 billion yen), and return to shareholders (30.0 billion yen).

At this time, to increase the capital efficiency for further enhancement of corporate value, we have decided to change our cash allocation policy so that we will preferentially allocate funds for investment to grow, investments to remain competitive, and dividends to shareholders for the time being. We will allocate surplus funds to repurchase treasury shares.

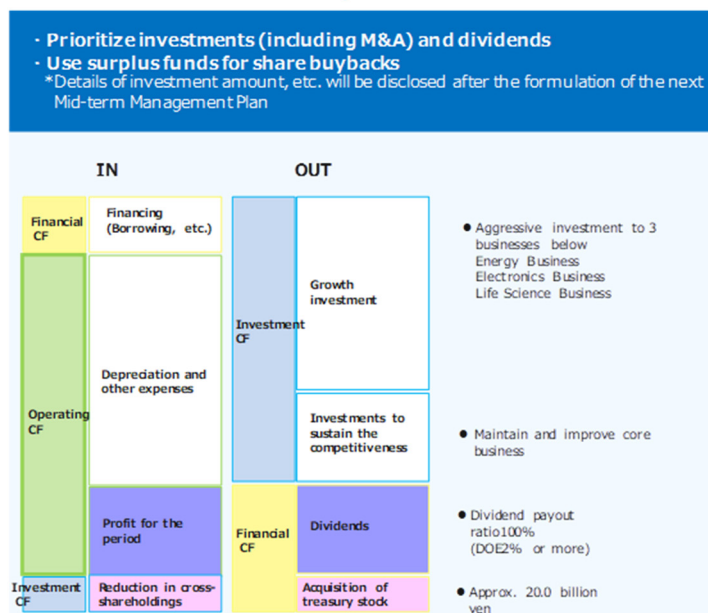
In addition, in order to enhance the capital efficiency and further increase and stabilize returns to shareholders, we will aim to provide dividends with dividend payout ratio of 100% or DOE (dividend on equity ratio) of 2.0%, whichever is higher, over the four years from FY2024 to FY2027. We plan to repurchase treasury shares of approximately 20.0 billion yen in total over the same years.

## Cash Allocation Policy

### ● Policy and Progress in Current Mid-term Plan












### ● FY2024 - FY2027 Policy



We would like to ask all our shareholders for your continued support for the future.

## The Company's Sustainability

The Company has identified priority materiality (material issues) to enhance its long-term corporate value. The Company aims to realize a sustainable society by putting into practice the Group's Mission: **"TechnoAmenity: Providing Prosperity and Comfort to People and Society, with Our Unique Technology."**

Materiality (material issues)	Initiatives	Contributing to SDGs
Promote measures to tackle climate change	Contribute to the achievement of carbon neutrality	  
	Contribute to realizing a circular economy	
	Promote the development and sale of environmental contribution products	
Contribute to solving customer challenges	Better understanding of customer challenges and stronger solution proposals	  
	Strengthen supply chain management	
Promote safe and stable production activities	Strengthen the safety foundation	
	Develop a safety culture	
Develop and empower human resources	Develop self-directed human resources	  
	Promote empowerment of diverse human resources	
Strengthen corporate governance	Strengthen the effectiveness of the Board meeting	
	Ensure knowledge, experience, skills, and diversity within the Board meeting	
	Strengthen medium-to long-term incentives for corporate officers	

Increase corporate value and realize a sustainable society

## Topics regarding sustainability

Our Indonesian subsidiary concluded an agreement to purchase electricity generated from renewable energy and introduced a solar power system.

Our Indonesian subsidiary PT NIPPON SHOKUBAI Indonesia (hereinafter “NSI”) concluded an agreement to purchase a renewable energy certificate issued by PT Perusahaan Listrik Negara (PLN) in October 2023 for 100% of its purchased electricity. This agreement enables us to reduce 48,000 tons of CO<sub>2</sub> emissions annually, expecting the effect of reducing approximately 24% of CO<sub>2</sub> emissions from NSI as a whole.

We achieved energy-savings and highly efficient seawater desalination at a pilot plant in Hawaii.

In the seawater desalination project started in June 2022, which makes fresh water from seawater by a next-generation seawater desalination system using osmotic pressure generating agents (hereinafter “DS”) jointly developed with U.S. company Trevi Systems Inc., we completed all data acquisition in September 2023. Going forward, we will strive to further improve the performance and functionality of DS as well as promote technological innovation, including this system, to help solve various social issues in the water sector.

## Appreciation by the outside (as of March 31, 2024)

Efforts at sustainability by the Group have been appreciated and included in these ESG indices.



FTSE Blossom  
Japan Index



FTSE Blossom  
Japan Sector  
Relative Index

2023 CONSTITUENT MSCI日本株  
女性活躍指数 (WIN)

2023



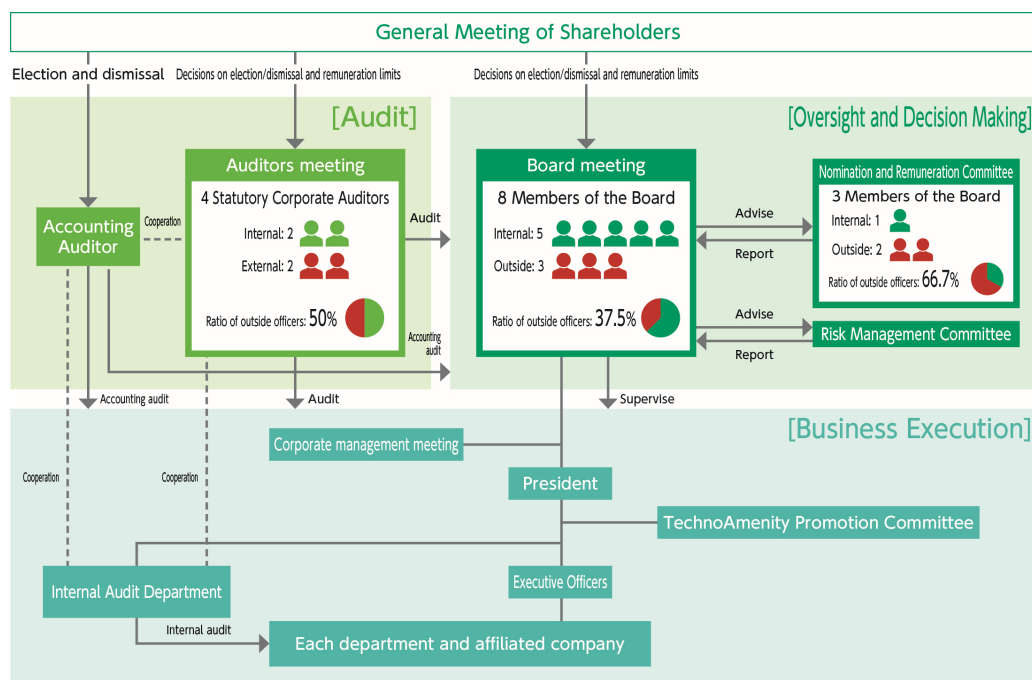
Sampo Sustainability Index

## The Company's corporate governance

The Company considers enhancing its corporate value and aiming at sustained growth under the Group's corporate philosophy: “**TechnoAmenity**: Providing Prosperity and Comfort to People and Society, with Our Unique Technology.”

For that purpose, the Company understands that it is important to realize highly effective corporate governance and is making efforts to strengthen and enhance corporate governance, including securing the rights and equality of and dialog with shareholders, appropriate cooperation with various stakeholders, appropriate information disclosure and securing of transparency, appropriate playing and performance of their roles and obligations by the Board meeting and the management, appropriate supervision of execution, and enhancement and strengthening of the internal control system.

### Corporate Governance System (as of March 31, 2024)



### Evaluation of the effectiveness of the Board Meeting

To verify whether the Board meeting performs its expected functions and continues to extract issues and make efforts at improvement, the Company evaluates the effectiveness of the Board meeting every year. In addition, to verify the effectiveness neutrally and objectively, the Company has requested a third party evaluation organization to conduct an evaluation since FY2022.



#### Main evaluation items

- (i) Roles and functions of the Board meeting
- (ii) Scale and composition of the Board meeting
- (iii) Operation of the Board meeting
- (iv) Internal control and audit bodies
- (v) Relations with Outside Members of the Board
- (vi) Relations with shareholders and investors



## Working On Issues Found Out in FY2022

Issue	Working On
Appropriate choice of subjects to be discussed at Board meetings	<ul style="list-style-type: none"> <li>Choice of subjects of important matters in the medium and long term and decision on a schedule for the year for Board meetings</li> <li>Discussion about environment analysis and the business policy for the next medium-term management plan, the future roles and functions of the Board meeting, major risks for the Group, and other matters, as main subjects of important matters in the medium and long term</li> </ul>
Enhancement of information provision of and training in consideration and discussions within the Company and the industry environment to and for outside officers	<ul style="list-style-type: none"> <li>Sorting out of knowledge and information needed by new outside officers</li> <li>Review and strengthening of the methods of providing information and training to and for new outside officers</li> <li>Clarification of roles and functions expected from Outside Members of the Board</li> </ul>
Enhancement of discussion about important subjects, such as skills which the Board meeting should have, in the Nomination and Remuneration Committee	<ul style="list-style-type: none"> <li>Discussion about the policy on and approaches to training for executives in the Company as the basis to secure skills needed for the Board meeting in the Nomination and Remuneration Committee</li> </ul>

### 3. Financial Condition and Profit and Loss

	109th Term (April 2020 - March 2021)	110th Term (April 2021 - March 2022)	111th Term (April 2022 - March 2023)	112th Term (April 2023 - March 2024)
Revenue (¥ millions)	273,163	369,293	419,568	392,009
Operating profit (loss) (¥ millions)	-15,921	29,062	23,528	16,562
Profit (loss) before tax (¥ millions)	-12,926	33,675	26,175	15,744
Profit (loss) attributable to owners of parent (¥ millions)	-10,899	23,720	19,392	11,008
Basic earnings (loss) per share (¥)	-68.33	148.72	122.07	70.48
Total assets (¥ millions)	471,617	518,151	523,319	544,060
Total equity (¥ millions)	323,725	351,123	369,998	392,562
Equity attributable to owners of parent per share (¥)	1,989.77	2,156.01	2,303.48	2,482.45
ROA (Ratio of profit before tax to total assets) (%)	-2.7	6.8	5.0	2.9
ROE (Ratio of profit to equity attributable to owners of parent) (%)	-3.4	7.2	5.5	3.0

- Notes: 1. In the calculation of basic earnings per share, the Company's shares held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board meeting and Executive Officers are treated as treasury shares, and the number of such shares is deducted in the calculation of the average number of shares outstanding during the period.
2. The Company carried out a four-for-one stock split effective from April 1, 2024. Consequently, basic earnings (loss) per share and equity attributable to owners of parent per share were calculated on the assumption that the stock split was carried out at the beginning of the 109th term.

### 4. Capital Expenditures

Segment name	Capital expenditures (Millions of yen)	Details of main capital expenditures
Materials	12,188	Construction of equipment for manufacturing acrylic acids
Solutions	4,661	Construction of equipment for manufacturing materials for batteries
Total	16,849	-

### 5. Fund Procurement

(Unit: Millions of yen)

Item	Beginning balance	Ending balance	Changes
Borrowings	50,912	39,024	-11,888
Corporate bonds	-	-	-
Total	50,912	39,024	-11,888

## 6. Significant Subsidiaries

Company name	Capital stock (¥ millions, unless otherwise quoted)	Nippon Shokubai's Shareholding Percentage (%)	Description of Principal Businesses
Nippon Chemicals Co., Ltd.	517	84.70	Manufacture and sale of iodine, iodine compounds, raw materials for pharmaceuticals and agricultural chemicals, and natural gas
NIPPON NYUKAZAI CO., LTD.	1,000	100.00	Manufacture and sale of surfactants and chemical products
Nisshoku Butsuryu Co., Ltd.	100	100.00	General distribution of chemicals
Nippon Shokubai America Industries, Inc.	* (US\$ thousands) 100,000	100.00	Manufacture and sale of superabsorbent polymers, polymers for concrete admixtures, and acrylic acid detergent builders
PT. NIPPON SHOKUBAI INDONESIA	(US\$ thousands) 120,000	99.99	Manufacture and sale of acrylic acids, acrylates, and superabsorbent polymers
NIPPON SHOKUBAI EUROPE N.V.	(€ thousands) 243,000	100.00	Manufacture of acrylic acids and manufacture and sale of superabsorbent polymers
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd.	(US\$ thousands) 52,820	100.00	Manufacture and sale of superabsorbent polymers
NIPPON SHOKUBAI (ASIA) PTE. LTD.	* (US\$ thousands) 4,175	100.00	Manufacture and sale of glacial acrylic acids and sale of other chemicals
SINGAPORE ACRYLIC PTE LTD	(US\$ thousands) 27,007	79.42	Manufacture and sale of crude acrylic acids

Notes: 1. Asterisk mark (\*) in the above list means "paid-in capital."  
2. Figures listed with respect to the Company's shareholding percentage in the above list are truncated.

## 7. Principal Offices and Plants

To supply products quickly, safely, and securely in response to customers' requests, the Company has built a network with affiliated companies in the fields of manufacturing and transportation, including chemical manufacture, and is carrying on with improvement of a global production and supply system in unison.

### Domestic Network

The Company

Office	Location
Osaka Office	Osaka, Osaka Prefecture
Tokyo Office	Chiyoda-ku, Tokyo
Kawasaki Plant	Kawasaki, Kanagawa Prefecture
Himeji Plant	Himeji, Hyogo Prefecture
Suita Research Center	Suita, Osaka Prefecture
Himeji Research Center	Himeji, Hyogo Prefecture

Principal domestic subsidiaries

Company name	Location
Nippoh Chemicals Co., Ltd.	Head Office: Chuo-ku, Tokyo Plant: Isumi, Chiba Prefecture
NIPPON NYUKAZAI CO., LTD.	Head Office: Chuo-ku, Tokyo Plant: Kawasaki, Kanagawa Prefecture and Kamisu, Ibaraki Prefecture
Nisshoku Butsuryu Co., Ltd.	Osaka, Osaka Prefecture

### Overseas Network

Principal overseas subsidiaries

Company name	Location
NIPPON SHOKUBAI EUROPE N.V.	Head Office & Plant: Belgium
NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.	Head Office & Plant: China (Jiangsu Province)
SINGAPORE ACRYLIC PTE LTD	Head Office & Plant: Singapore
NIPPON SHOKUBAI (ASIA) PTE. LTD.	Head Office & Plant: Singapore
PT. NIPPON SHOKUBAI INDONESIA	Head Office & Plant: Indonesia
Nippon Shokubai America Industries, Inc.	Head Office & Plant: U.S.

## 8. Employees of the Company and Group Companies

Number of Employees	Increase/Decrease Compared to the End of the Previous Fiscal Year
4,607	Increase of 33 persons

Note: “Number of Employees” includes those who were reemployed.

### (Reference) Employees of the Company

Number of Employees	Increase/Decrease Compared to the End of the Previous Fiscal Year	Average Age	Average Length of Service
2,491	Increase of 48 persons	39.0 years old	16.5 years

- Notes:
1. “Number of Employees” includes employees seconded from affiliates of the Company, but excludes employees seconded to affiliates of the Company and temporary employees.
  2. “Number of Employees” includes those who were reemployed.
  3. Average age and average length of service do not include reemployed employees.

## 9. Principal Lenders

(Millions of yen)

Name of Lender	Amount Outstanding
Japan Bank for International Cooperation	8,721
Resona Bank, Limited	8,343
MUFG Bank, Ltd.	6,983
Development Bank of Japan Inc.	4,000
Mizuho Bank, Ltd.	3,565

Note: Figures in “Amount Outstanding” above include figures from overseas local subsidiaries of each lender.

## II. Matters Concerning the Company's Shares as of March 31, 2024

1. **Total Number of Authorized Shares:** 127,200,000
2. **Total Number of Issued and Outstanding Shares:** 39,000,000
3. **Number of Shareholders:** 13,928
4. **Major Shareholders (Top 10 shareholders)**

Name	Number of Shares Owned (thousand shares)	Ratio of Capital Contribution (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,717	9.61
Sumitomo Chemical Company, Limited	2,450	6.33
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,398	6.20
ENEOS Holdings, Inc.	2,129	5.50
Custody Bank of Japan, Ltd. (Trust Account)	1,699	4.39
Resona Bank, Limited	1,373	3.55
Sanyo Chemical Industries, Ltd.	1,267	3.27
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,097	2.83
Mizuho Bank, Ltd.	948	2.45
artience Co., Ltd.	904	2.33

- (Notes) 1. In addition to the above, the Company has treasury shares of 339 thousand shares. Treasury shares do not include 44 thousand shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) in connection with the Performance-linked Stock Compensation Plan.
2. In calculating the ratio of capital contribution, the number of treasury shares is deducted.
  3. Figures in "Number of Shares Owned" and "Shareholding Ratio of the Total Shares Outstanding" are truncated.
  4. The Company carried out a four-for-one stock split effective from April 1, 2024. The total number of authorized shares, total number of issued shares, and number of shares owned are the number of shares before the stock split.

## 5. **Other Important Matters Concerning Shares as of March 31, 2024**

- (1) The Company cancelled 1,800,000 treasury shares on November 30, 2023 according to the resolution at the Board meeting held on November 7, 2023.
- (2) The Company conducted a four-for-one stock split effective from April 1, 2024 according to the resolution at the Board meeting held on December 18, 2023 and amended its Articles of Incorporation regarding the total number of authorized shares. Accordingly, the total number of authorized shares amounts to 508,800,000 shares, and the total number of shares issued amounts to 156,000,000 shares.

### III. Executives of the Company

#### 1. Members of the Board and Statutory Corporate Auditors of the Company

Position	Name	Responsibility in the Company and/or Important Positions Concurrently Held at Other Companies
Member of the Board and President & CEO	Kazuhiro Noda	—
Member of the Board and Managing Executive Officer	Kuniaki Takagi	Administration, HR, Finance, Accounting, General Affairs & HR Division
Member of the Board and Managing Executive Officer	Masahiro Watanabe	Business Sector, Purchasing & Logistics, Business Planning, Director of Basic Materials Business Division, and Battery Business Solutions Division
Member of the Board and Managing Executive Officer	Yasutaka Sumida	Innovation & Business Development, Corporate Research Division, GX Research & Development Division, Health & Medical Business Division, Cosmetics Business Division, R&D Management Dept., Water & Environment Solutions Business Dept.
Member of the Board and Managing Executive Officer	Yukihiro Matsumoto	Production & Technology, DX Promotion Division, Production Division, Engineering Division, and IONEL Construction Team
Member of the Board	Shinji Hasebe	Program-Specific Professor of the Institute for Liberal Arts and Sciences, Kyoto University
Member of the Board	Tetsuo Setoguchi	Advisor to Osaka Gas Co., Ltd., Chairman and Director of OGIS-RI Co., Ltd. and Outside Auditor of YOMIURI TELECASTING CORPORATION
Member of the Board	Miyuki Sakurai	Attorney-at-law, External Director of Nippon Shinyaku Co., Ltd., Outside Auditor of MBS MEDIA HOLDINGS, INC., Auditor of Osaka University and Auditor of Nissay Life Foundation
Statutory Corporate Auditor	Takashi Kobayashi	(Full-time)
Statutory Corporate Auditor	Teruhisa Wada	(Full-time)
Statutory Corporate Auditor	Yoritomo Wada	Certified public accountant, Outside Audit & Supervisory Board Member of Sekisui House, Ltd. and Outside corporate auditor of TRUSCO NAKAYAMA Corporation
Statutory Corporate Auditor	Tsukasa Takahashi	Attorney-at-law, Non-Executive Auditor of AEON DELIGHT CO., LTD., Outside Audit & Supervisory Board Member of Toyo Tire Corporation, and Part-time Lecturer of Kyoto University Law School

- (Notes)
1. Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi, and Ms. Miyuki Sakurai are Outside Members of the Board.
  2. Mr. Yoritomo Wada and Mr. Tsukasa Takahashi are External Statutory Corporate Auditors.
  3. Statutory Corporate Auditor Mr. Takashi Kobayashi has years of experience in the Finance & Accounting Division of the Company and Statutory Corporate Auditor Mr. Yoritomo Wada has years of experience as a certified public accountant. Both of them possess considerable knowledge in finance and accounting.
  4. Mr. Shinji Hasebe, Mr. Tetsuo Setoguchi, and Ms. Miyuki Sakurai, Outside Members of the Board, and Mr. Yoritomo Wada and Mr. Tsukasa Takahashi, External Statutory Corporate Auditors, are registered at Tokyo Stock Exchange Markets as independent officers.
  5. The important positions concurrently held at other companies by Outside Members of the Board and External Statutory Corporate Auditors are as presented above. Moreover, there are

no special relationships between the companies and other organizations at which the concurrent positions are held and the Company.

6. There was a change in positions, responsibilities in the Company and/or important positions concurrently held at other companies of Members of the Board of the Company as follows:  
As of April 1, 2024

Position	Name	Responsibility in the Company and/or Important Positions Concurrently Held at Other Companies
Member of the Board, Managing Executive Officer	Yasutaka Sumida	Innovation & Business Development, Corporate Research Division, GX Research & Development Division, Health & Medical Business Division, Cosmetics Business Division, R&D Management Dept., Water & Environment Solutions Business Dept., and Printing Materials Business Dept.
Member of the Board and Managing Executive Officer	Yukihiro Matsumoto	Production & Technology, DX Promotion Division, Production Division, Engineering Division, IONEL Technology Dept., and IONEL Domestic Location Preparation Dept.
Member of the Board	Shinji Hasebe	—

As of May 17, 2024

Position	Name	Responsibility in the Company and/or Important Positions Concurrently Held at Other Companies
Statutory Corporate Auditor	Tsukasa Takahashi	Attorney-at-law, Outside Audit & Supervisory Board Member of Toyo Tire Corporation, and Part-time Lecturer of Kyoto University Law School



**(Reference) Executive officers, except individuals who are also Members of the Board (as of April 1, 2024)**

Position	Name	Responsibility in the Company
Managing Executive Officer	Katsunori Kajii	Director of Acrylic Business Division
Executive Officer	Gun Saito	Responsible Care Division
Executive Officer	Naoki Hijikuro	President of SINO-JAPAN CHEMICAL CO., LTD.
Executive Officer	Yoshihisa Oka	Plant Manager of Kawasaki Plant
Executive Officer	Kenta Kanaida	President of Nippon Shokubai America Industries, Inc.
Executive Officer	Kazuhiro Sakuma	Director of Industrial & Household Solutions Division
Executive Officer	Shinya Kataoka	Director of Purchasing & Logistics Division
Executive Officer	Tokihiro Yokoi	Plant Manager of Himeji Plant
Executive Officer	Kenjiro Komoda	Director of Business Planning Division
Executive Officer	Shigeru Harada	Director of Finance & Accounting Division
Executive Officer	Tomiyuki Sawada	Director of Electronics & Environmental Solutions Division

**2. Outline, etc. of the Contents of the Directors' and Officers' Liability Insurance Policy**

■ Scope of the insured

Members of the Board, Statutory Corporate Auditors, and Executive Officers of the Company and its subsidiaries

■ Substantial ratio of premium payment by the insured

The premiums are borne by the Company in full, and the insured bear no premium.

■ Outline of accidents included in insurance coverage

The insurance policy is designed to cover damages, litigation costs, and other losses incurred by the insured in the event of a claim for damages by a shareholder or third party.

■ Measures to prevent injury to propriety in the insured's executing duties

There are certain exemptions for which compensation will not be provided, such as losses arising from the insured's criminal acts, etc.

### 3. Remuneration to Members of the Board and Statutory Corporate Auditors

#### (1) Aggregate Amount of Remuneration to Members of the Board and Statutory Corporate Auditors

Category of positions	Aggregate Amount of Remuneration (¥ millions)	Aggregate Amount of Remuneration by Type (¥ millions)			Number of persons to be paid (persons)
		Fixed Remuneration	Performance-linked Remuneration		
		Basic Remuneration	Bonuses	Stock compensation	
Members of the Board (Outside Members of the Board)	368 (40)	234 (40)	128 (-)	6 (-)	10 (3)
Statutory Corporate Auditors (External Statutory Corporate Auditors)	74 (20)	74 (20)	- (-)	- (-)	4 (2)
Total (Outside Officers)	442 (60)	308 (60)	128 (-)	6 (-)	14 (5)

- (Notes) 1. Two persons who resigned as Members of the Board at the conclusion of the 111th Ordinary General Meeting of Shareholders held on June 21, 2023 are included in the numbers of persons paid and the payment amounts as stated above.
2. The amount of bonuses represents the amount of provision for directors' bonuses for the current fiscal year.
3. The amount of stock compensation is the amount posted for the current fiscal year.

#### (2) Shares Delivered to the Company Officers as Compensation for the Execution of Their Duties During the Current Fiscal Year:

Category of positions	Number of shares	Number of persons to be given
Members of the Board (except for Outside Members of the Board)	3,368 shares	2 persons

- (Notes) 1. Shares delivered to Members of the Board who retired in the current fiscal year in accordance with the Company's performance-linked stock compensation plan are listed.
2. Of the above number of shares, 1,068 have been converted to cash and the money equivalent of the shares converted to cash has been paid to the recipients.

#### (3) Matters concerning Determination Policy for the Contents of Remuneration for Individual Members of the Board

At the Board meeting held on May 12, 2022, through a discussion by the Nomination and Remuneration Committee, which was consulted by the Board meeting, and a report submitted by the Committee to the Board meeting, the Company resolved concerning the details of remuneration, etc. for individual Members of the Board as follows.

##### (i) Basic policy

- Remuneration shall give an incentive in putting the corporate philosophy into practice and sustainably enhancing the corporate value.

- The remuneration system must be a system through which Members of the Board of the Company share interests with shareholders according to business results and their responsibilities.
- Remuneration shall be set at a proper level based on the Company's business results, the level of employee salary, and that of other companies.
- For the remuneration system, transparency and fairness shall be secured through discussion by the Nomination and Remuneration Committee, the majority of whose members are independent Outside Members of the Board.

#### (ii) Remuneration composition

The remuneration structure and approximate remuneration proportion by type are as follows. However, Outside Members of the Board receive only basic remuneration of the fixed remuneration because they oversee business operations from an independent standpoint.

Category of positions	Fixed Remuneration	Performance-linked Remuneration	
	Basic Remuneration	Bonuses	Stock compensation
Members of the Board (except for Outside Members of the Board)	60%	30%	10%
Outside Member of the Board	100%	—	—

Note: The remuneration proportion is subject to change according to the Company's business results, stock market conditions, and degrees of achievement of targets by each individual as assessed by the target management system.

#### A) Basic Remuneration

- The amount of payment to each Member of the Board is calculated within the remuneration amount determined according to the resolution of the General Meeting of Shareholders, and their total amount is set by the Board meeting.
- It consists of a basic salary and a salary for services rendered, and is calculated based on a predetermined formula according to the position and work responsibility.
- The amount of basic remuneration for an Outside Member of the Board is determined by comprehensively considering the level of remuneration for the Company's officers and that of other companies.
- It is paid in cash monthly.

#### B) Bonuses

- The amount of payment to each Member of the Board is calculated within the remuneration amount determined according to the resolution of the General Meeting of Shareholders, and their total amount is set by the Board meeting.
- The bonus amount is calculated based on a predetermined formula in accordance with the degree of achievement of KPI (key performance indicators) and the degree of achievement of targets by each individual as assessed by the target management system in order to raise awareness of the need to improve business performance for each fiscal year, in addition to the standard bonus amount for each position.

#### KPI for Bonuses

KPI	Evaluation weight	Achievement level evaluation	Reasons for choice of the indicator
Profit before tax (target value)	20%	0 - 150%	It is all income earned from business activities during the fiscal year and has long been used as an indicator for determining the amount of bonuses paid.
Profit before tax (actual value)	30%	0 - 150%	The same as above
ROA (Ratio of profit before tax to total assets)	20%	0 - 150%	The Company is in the equipment industry and has long emphasized profitability and asset efficiency and worked to improve ROA.
Management by objective	30%	80 - 120%	-

Note: Changes in profit before tax and ROA, including the current fiscal year, are as shown in “3. Financial Condition and Profit and Loss” on page 34.

- To be paid in cash at a certain time after the annual General Meeting of Shareholders each year.

#### C) Stock compensation

- Towards the realization of the Company’s Mid-term Management Plan, the purpose is, by clarifying the linkage between remuneration for Members of the Board and the Company’s business performance and stock value, and enabling Members of the Board not only to enjoy the benefits of higher stock prices, but also to share the risk of stock price declines with shareholders, to motivate Members of the Board to contribute to the medium and long-term growth of the Company’s performance and corporate value.
- Utilizing the share benefit trust mechanism, in accordance with the share delivery rules, Members of the Board are granted points to benefit shares (each point is converted into one share of the Company’s stock) according to their position in the Company (if a share split, share consolidation or the like is carried out during the trust term, the conversion will be reasonably adjusted according to the ratio in the split or consolidation).
- For points granted, performance-linked points, which are linked to the achievement level of the Mid-term Management Plan, and fixed points, which are for the purpose of holding shares to share stock value, are to be granted at a ratio of 1:1.
- Performance-linked points will vary depending on the degree of achievement of KPI results in the final year of the Mid-term Management Plan against the targets of the Mid-term Management Plan set as KPI as follows.

#### KPI for Stock Compensation

KPI	Evaluation weight	Achievement level evaluation	Reasons for choice of the indicator
Operating profit	50%	0 - 150%	As an indicator of a company’s growth potential and its earning power in its core business
ROE (Ratio of profit to equity attributable to owners of parent)	50%	0 - 150%	As an indicator to assess profitability and capital efficiency improvement

Note: Changes in operating profit and ROE, including the current fiscal year, are as shown in “3. Financial Condition and Profit and Loss” on page 34.

- As a general rule, stock compensation is paid in the form of Company shares and money in proportion to the number of points granted to Members of the Board through the Trust upon their resignation, if they satisfy certain beneficiary requirements stipulated in the share delivery rules.

(Note) The Company carried out a four-for-one stock split effective from April 1, 2024. Accordingly, on and after April 1, 2024, the proportion of points to shares is adjusted in the ratio of one to four.

(iii) Reason that the Board meeting decided that the details of remuneration for individual Members of the Board in the current fiscal year met the determination policy

In the determination of the contents of remuneration, etc. for individual Members of the Board for the fiscal year 2023, the Nomination and Remuneration Committee discussed the contents of the remuneration, etc., including conformity of remuneration to the determination policy. The Board meeting therefore believes that the contents of the remuneration, etc., are in line with the determination policy.

(iv) Matters concerning Delegation of Determination of Contents of Remuneration, etc. for Individual Members of the Board

With regard to the amounts of remuneration for individual Members of the Board for the fiscal year 2023, Kazuhiro Noda, Member of the Board and President, is authorized to determine their specific details. The scope of the power is to determine the amounts of basic remuneration and bonuses for individual Members of the Board. The reason for delegating this authority to Member of the Board and President is because it was determined that Member of the Board and President would be the most appropriate to evaluate the operations and work responsibilities of each Member of the Board, while at the same time taking into account the business results of the entire Company.

The amount of stock compensation for individual Members of the Board is determined in accordance with the share delivery rules established by the Board meeting. In order to ensure that the authority is exercised by Member of the Board and President in an appropriate manner, policy for determination of remuneration for Members of the Board, remuneration systems and issues thereof, as well as appropriateness of the level of remuneration and the amount of remuneration for individual Members of the Board are deliberated by the Nomination and Remuneration Committee upon receiving consultation from the Board meeting, and the deliberation outcome is reported to the Board meeting before the determination is made by Member of the Board and President based on such authority.

(4) Matters concerning Remuneration, etc. for Statutory Corporate Auditors

Statutory Corporate Auditors receive only basic remuneration of fixed remuneration, because they oversee business operations from an independent standpoint.

(5) Matters concerning Resolution of General Meeting of Shareholders on Remuneration, etc. for Members of the Board and Statutory Corporate Auditors

	Basic remuneration and bonus	Stock compensation	Basic remuneration
Shareholders meeting resolution	110th Ordinary General Meeting of Shareholders held on June 21, 2022	110th Ordinary General Meeting of Shareholders held on June 21, 2022	110th Ordinary General Meeting of Shareholders held on June 21, 2022
Limit or points (in a year)	550 million yen (75 million yen is paid to each Outside Member of the Board)	63 million yen 9,600 points (1 point is converted into 1 share of the Company's stock) (Note)	100 million yen
Persons to be given	Members of the Board	Members of the Board (except for Outside Members of the Board)	Statutory Corporate Auditors
Number of persons (at the conclusion of that General Meeting of Shareholders)	9 (3 Outside Members of the Board are included)	6	4

Note: The Company carried out a four-for-one stock split effective from April 1, 2024. Accordingly, on and after April 1, 2024, the proportion of points to shares is adjusted in the ratio of one to four.

**4. Matters Concerning the Company's Outside Members of the Board and Statutory Corporate Auditors**

(1) Principal activities during the fiscal year 2023

Name	Activities Undertaken as Part of Expected Roles of Outside Members of the Board	Attendance
Shinji Hasebe (Outside Member of the Board)	From the perspective of a specialist in chemical engineering who is familiar with the chemical industry, he gives useful advice about the Company's management and supervises that management from an independent point of view.	Board meetings 15/15
Tetsuo Setoguchi (Outside Member of the Board)	Based on his wealth of experience in corporate management in the manufacturing industry and at a company with high public utility properties, he gives advice about the Company's management and supervises that management from an independent point of view.  Moreover, he serves as a member of the Nomination and Remuneration Committee, helping to ensure the transparency and fairness of nominations and remuneration of officers.	Board meetings 15/15
Miyuki Sakurai (Outside Member of the Board)	Based on high expertise and a wealth of experience as an attorney-at-law as well as achievements as an outside director of other companies, she gives useful advice about the Company's management and supervises that management from an independent point of view.  Moreover, she serves as a member of the Nomination and Remuneration Committee, helping to ensure the transparency and fairness of nominations and remuneration of officers.	Board meetings 15/15

Name	Activities Undertaken as Part of Expected Roles of Outside Members of the Board	Attendance
Yoritomo Wada (External Statutory Corporate Auditor)	<p>At the Board meetings, from the perspective of an accounting expert and based on his achievements as an outside auditor of other companies, he asks and gives questions and opinions that contribute to securing propriety in the Company's management execution, as necessary.</p> <p>At the Auditors meetings, according to the Audit Policy and the like framed by the Board of Auditors, he exchanges opinions with respect to the results of audits and discusses important issues regarding such audits.</p> <p>Furthermore, he participates in regular meetings for exchange of opinions with the senior management and Outside Members of the Board.</p>	<p>Board meetings 15/15</p> <p>Auditors meetings 16/16</p>
Tsukasa Takahashi (External Statutory Corporate Auditor)	<p>At the Board meetings, from the perspective of a law expert and based on his achievements as an outside auditor of other companies, he asks and gives questions and opinions that contribute to securing propriety in the Company's management execution, as necessary.</p> <p>At the Auditors meetings, according to the Audit Policy and the like framed by the Board of Auditors, he exchanges opinions with respect to the results of audits and discusses important issues regarding such audits.</p> <p>Furthermore, he participates in regular meetings for exchange of opinions with the senior management and Outside Members of the Board.</p>	<p>Board meetings 15/15</p> <p>Auditors meetings 16/16</p>

## (2) Summary of Contract for Limitation of Liability

The Company has signed liability limitation contracts with Outside Members of the Board and External Statutory Corporate Auditors concerning liability as prescribed in Article 423, Paragraph 1 of the Companies Act of Japan. The contracts limit liability to the total of the monetary amounts in all items of Article 425, Paragraph 1 of this act so long as Outside Members of the Board and External Statutory Corporate Auditors perform their duties in good conscience and without any gross negligence.

#### IV. **Matters Concerning Accounting Auditor**

##### 1. **Name of Accounting Auditor**

Ernst & Young ShinNihon LLC

##### 2. **Remuneration Paid to Accounting Auditor**

Classification	Amount Paid
(1) Total amount payable by the Company to the Accounting Auditor	72 million yen
(2) Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the Accounting Auditor	89 million yen

- (Notes) 1. Because no distinction is made between remuneration for audit services rendered pursuant to the Companies Act and remuneration for audit services rendered pursuant to the Financial Instruments and Exchange Act of Japan under the agreement between the Company and the Accounting Auditor, the amount of remuneration paid to the Accounting Auditor listed above in “(1) Total amount payable by the Company to the Accounting Auditor” is the sum of these two.
2. Among the significant subsidiaries of the Company, Nippon Shokubai America Industries, Inc., PT. NIPPON SHOKUBAI INDONESIA, NIPPON SHOKUBAI EUROPE N.V., NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) Co., Ltd., NIPPON SHOKUBAI (ASIA) PTE. LTD., and Singapore Acrylic PTE LTD have been audited by auditing firms other than the Accounting Auditor of the Company.
3. After receiving an explanation of this fiscal year’s audit plan from the Accounting Auditor, the Auditors meeting considered risks that would require special consideration based on the Company’s risk approach as well as methods to deal with other auditing items of importance and the auditing time and personnel scheduling they would require, audit plans and results from years past, audit quality, audit time, and changes in auditor remuneration. Upon this consideration, the remuneration for this fiscal year’s Accounting Auditor was determined to be of an amount not in conflict with retaining audit quality and conducting more in-depth audits, and was thus approved.

##### 3. **Content of Non-auditing Services**

The Company pays fees for advisory service related to the translation of financial statements into English.

##### 4. **Policies on Dismissal or Non-reappointment of the Accounting Auditor**

In the event that the Auditors meeting determines that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Auditors meeting will dismiss the Accounting Auditor upon unanimous consent of the Statutory Corporate Auditors.

Additionally, if it is deemed that it is difficult for the Accounting Auditor to adequately execute its duties, or if it is determined that a change in Accounting Auditor would be appropriate in order to further increase auditing suitability, the Auditors meeting will determine an agenda item regarding the dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.



## V. Systems and Policies of the Company

### 1. Systems to Ensure Proper Business Activities

At the Board meeting held in October 2023, the Company resolved to partially amend the basic policy with respect to the development of internal control systems which would be introduced on November 1, 2023. The amended basic policy with respect to the internal control systems is as follows:

The Company is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we have established the following fundamental policy for the creation of internal control systems. This policy reflects the understanding that the establishment and operation of a system for conducting business operations properly is vital to the continuous preservation and growth of corporate value.

#### (1) Systems to ensure that Members of the Board and employees perform their duties in compliance with laws, regulations, and the Articles of Incorporation

1. The Code of Conduct serves as a norm to be observed by Members of the Board, executive officers, and employees of the Group.
2. Establish a compliance system pursuant to the Compliance Regulation and prevent the violation of laws and regulations.
3. Executive Officer of Administration, HR, Finance, Accounting serves as an officer in charge of compliance. Under the officer in charge of compliance, the Legal Department promotes compliance activities.
4. As an internal auditing division, establish the Internal Audit Department, which is to be independent from other executive sections.
5. Establish the Internal Reporting System under which facts with respect to the violation of laws and regulations and other compliance-related matters will be reported internally.

#### (2) Systems for storing and managing information concerning the execution of duties by the Members of the Board

Information concerning the execution of duties by Members of the Board shall be stored and managed, as the minutes of the Board meeting (*torishimariyakukai gijiroku*), internal memo to obtain approval (*ringisho*), and other documents, pursuant to the Regulations of the Board meeting (*torishimariyakukai kitei*), the Rules on Administrative Authority (*shokumukengen kitei*), and the Rules for Document Control (*bunsho kanri kisoku*).

#### (3) Rules and systems with respect to the management of the risks of loss

1. Clarify risk management systems, risk recognition and risk management procedures in the Risk Management Regulations (*risuku kanri kitei*), and prevent such risks from occurring.
2. Pursuant to the Risk Management Regulations (*risuku kanri kitei*), the director of each division conducts risk management of each division on an ongoing basis. Executive officers responsible for each division report at the Board meetings as necessary on such matters as the contents of material risks associated with their respective divisions and the controlling status of such risks.
3. The Board meeting shall receive a report from the Risk Management Committee, which is its advisory panel, and shall identify risks which may significantly affect the management of the entire Group, as well as appointing a risk manager and establishing a risk management system. In addition, the risk manager shall report to the Board meeting the controlling status of such risks at his/her discretion.
4. Upon the occurrence of an unexpected event, establish a special headquarters with the Company president as its head and take prompt and appropriate measures pursuant to the rules concerning measures for unexpected events.

- (4) Systems to ensure that Members of the Board execute their duties efficiently
  1. In order to deliberate and determine matters with respect to the execution of duties by Members of the Board, the Board meeting shall, in principle, be held once a month so that prompt decision-making may be carried out.
  2. The Board meeting shall select executive officers. The Board meeting is responsible for reaching decisions involving management and supervising business operations, and the executive officers are responsible for conducting business operations. Separating these functions increases the efficiency of management and clearly defines accountability.
  3. The Company shall have Outside Members of the Board for the purpose of ensuring the suitability of decisions and the oversight of business operations by the Board meeting.
  4. The Company shall conduct a corporate management meeting consisting of the Company president and executive officers. In principle, this committee shall meet once a month for the purpose of discussing subjects involving fundamental management policies and actions involving important matters.
- (5) Systems to ensure proper business activities by the Group, which consists of the Company and its subsidiaries
  1. In order to achieve sound management of the Group companies and overall development of the Group through mutual cooperation of each company, the Company's officers and employees in charge of Group companies (hereinafter "Group Company Administrative Managers"), who are stipulated in the affiliated company's administration codes, request the Group companies to have the Company's prior consent on important matters. The Group Company Administrative Managers also obtain approval for the important matters from the corporate management meeting and the Board meeting of the Company as needed.
  2. The Group companies shall report the overview of business and status of profit and loss to the Group Company Administrative Managers. The Group Company Administrative Managers shall provide advice as needed.
  3. In order to properly understand the operational status of the Group companies, the Group Company Administrative Managers shall promptly report managerial and other issues to the corporate management meeting and the Board meeting.
  4. In order to ensure proper business activities by the Group companies, the Internal Audit Department and the Responsible Care Division shall audit each Group company as appropriate.
  5. Under the Executive Officer of Administration, HR, Finance, Accounting, and Information Technology, the Legal Department shall promote compliance activities for the entire Group.
  6. The Group companies manage their respective risks on an ongoing basis and report to Group Company Administrative Managers on such matters as contents of significant risks and the controlling status of such risks. In addition, the Group Company Administrative Managers or the executive officer responsible for Group Company Administrative Managers shall report at the Board meeting as necessary on such matters as contents of significant risks associated with the Group companies and the controlling status of such risks.
- (6) Matters concerning employees who are allocated to assist the Statutory Corporate Auditors, matters concerning the independence of these employees from the Members of the Board, and matters concerning ensuring the effectiveness of instructions of the Statutory Corporate Auditors to the employees who assist the Statutory Corporate Auditors
  1. The Auditor Office, which shall be established under the direct control of the Statutory Corporate Auditors of the Company, and the employees thereof shall assist the Statutory Corporate Auditors in their duties.
  2. The Auditor Office shall be independent from the Board meeting, and the employees assigned thereto shall, pursuant to the Business Segregation Rules (*gyoumu bunshou*) and instructions of the Statutory Corporate Auditors, perform their duties independent from the Board meeting, the respective Members of the Board, and executive officers. The personnel affairs of the

employees who belong to the Auditor Office shall be determined after obtaining the consent of the Statutory Corporate Auditors.

(7) Systems for submitting reports from Members of the Board and employees to the Statutory Corporate Auditors, for posting other reports to Statutory Corporate Auditors, and for ensuring effective of audits by the Statutory Corporate Auditors

1. In order to understand important decision-making processes and the status of executing operations executed/to be executed, the Statutory Corporate Auditors shall attend important meetings such as the corporate management meetings and budget meetings, in addition to the Board meetings.
2. Members of the Board, executive officers, and employees shall report to Statutory Corporate Auditors important information associated with the status of the Company's and its Group companies' internal audits, compliance, risk management, and internal reporting.
3. The director of each division shall report the status of executing operations in accordance with the audit plan (annual plan) prepared by Statutory Corporate Auditors.
4. Members of the Board, Statutory Corporate Auditors and employees of the Group companies shall immediately report to the Statutory Corporate Auditors when the Statutory Corporate Auditors request them to report matters concerning the execution of business, internal audit status, compliance, risk control, and internal reporting.
5. Those who have reported to the Statutory Corporate Auditors shall not receive any disadvantageous treatment due to their reporting.
6. In the case where Statutory Corporate Auditors make claims to the Company regarding costs incurred during the execution of their duties, the Company shall bear those costs, excluding cases where those costs are assessed as not necessary for the execution of the Statutory Corporate Auditor's duties.

(8) Basic policy on the elimination of anti-social forces

No relations, including those for business transactions, shall be had with anti-social forces that serve to disturb the order and safety of civil society and threaten wholesome corporate activities, and these anti-social forces shall be firmly dealt with in cooperation with outside specialists such as the police.

## **Outline of the State of Operations of Internal Control Systems**

(1) Legal Compliance

Under the supervision of the person responsible for compliance, the Legal Department has implemented activities such as holding educational activities through the internal portal site, compliance training sessions on laws, regulations, and corporate ethics, as well as legal training on company newsletter and observing a legal compliance manual and the Nippon Shokubai Group Code of Conduct, thereby strengthening the Company and Group companies' legal compliance structures.

Additionally, steps in order to disseminate this information are being taken, such as printing the Code of Conduct and distributing it in the relevant guidebooks and TechnoAmenity Report, and through database records and internal notices.

(2) Execution of Duties by Members of the Board

The Board meeting convened a total of 15 times throughout this fiscal year, and by reporting, deliberating, and deciding on items regarding to the execution of their duties, the Board meeting supervises the execution of its members' duties.

By separating the Board meeting, which is responsible for reaching decisions involving management and supervising business options, from executive officers, who are responsible for conducting business operations, attempts are being made to establish efficient management and clear definition of accountability.

Additionally, three Outside Members of the Board were elected, and through their opinions and proposals benefitting the Company's management based on their wealth of experience and

specialized knowledge as managers, as well as their supervision from a position independent of management, the Board meeting decision-making process and the executive officers' appropriateness are being ensured.

During the fiscal year, the corporate management meeting convened 19 times to deliberate on matters regarding basic management policies and the execution of items of importance. Attempts are being made to realize more efficient business operations, and measures are being taken regarding the execution of important business duties.

(3) Management of Risks of Loss

In accordance with the Risk Management Regulations, each division appropriately manages the risks of its own division and reports the results, etc., to the Board meeting. Moreover, based on a report from the Risk Management Committee, which is its advisory panel, the Board identifies risks which may significantly affect the management of the entire Group, as well as appointing a risk manager and establishing a risk management system.

In addition, in order to respond quickly and appropriately to unforeseen circumstances, we regularly review our business continuity plan (BCP) and conduct comprehensive earthquake response drills.

(4) Ensuring Suitability of the Group's Business Activities

Group companies issue regular reports to the Group Company Administrative Managers on the overview of business and status of profit and loss, and the Group Company Administrative Managers provide advice as needed. Additionally, the Corporate Planning Division reports to the corporate management meeting and the Board meeting regarding managerial and other issues as necessary.

Also, the Internal Audit Office and the Responsible Care Division each audit Group companies based on their auditing plans.

(5) Ensuring the Efficacy of Audits by Statutory Corporate Auditors

Auditors meetings convened a total of 16 times over the course of the fiscal year 2023. At the meetings, important matters related to audits are reported, discussed, and resolved, including the audit policy, audit plans, and audit results, in accordance with the Auditor Audit Criteria set by the Board of Auditors.

Statutory Corporate Auditors also attend important meetings such as the corporate management meetings, TechnoAmenity Promotion Committee meetings, and Risk Management Committee meetings, in addition to the Board meetings, in order to understand important decision-making processes and operations performance, and give opportunities to give a hearing by Statutory Corporate Auditors to receive reports on the situation of operations from Members of the Board, division directors, and the management of subsidiaries for efforts to grasp the state of improvement and operation of the internal control system.

Furthermore, Statutory Corporate Auditors hold regular meetings for exchange of opinions between the Board of Auditors and top management. In addition, the Auditors secure the effectiveness of audits through receiving reports on audit results regularly from the Accounting Auditor and the Internal Audit Department and exchanging opinions with them.

(6) The Elimination of Anti-Social Forces

Information is regularly gathered from the police and other external specialist agencies so that no relations are had with anti-social forces, and internal calls for caution are also made by taking action based on the manual for responding to unreasonable demands. Additionally, contracts formed with major clients include items stating that no relations shall be had with anti-social forces.

## 2. Basic Policies Concerning Control of the Company

The Group is guided by the Nippon Shokubai Group Mission “**TechnoAmenity**: providing affluence and comfort to people and society, with our unique technology.” Based on this mission, we devise and execute management strategies and work on becoming more competitive and profitable. The objective of these activities is to increase corporate value and the common interests of shareholders.

When there is a proposal by a third party for a large-scale purchase of the Company’s stock, the Company believes that its shareholders at that time should be entrusted with reaching the final decision about whether or not to accept the proposed acquisition. However, it is assumed that, in large-scale purchases of the Company’s stock, there are those that may distort the Company’s mission and management strategies, such as those that solely pursue the purchaser’s interests without concern for the corporate value and common interests of its shareholders, or those that may effectively force shareholders to sell their shares, or those that do not provide sufficient time and information for shareholders or the Board meeting to consider the terms of the large-scale purchase, or for the Board meeting to offer an alternative proposal, and ultimately impair the corporate value of the Company and the common interests of its shareholders.

For the benefit of common interests of shareholders by maintaining and increasing corporate value in a stable and consistent manner, the Company strives to request those who are conducting or intending to conduct a large-scale purchase of the Company’s stock to provide sufficient information necessary for the shareholders to properly judge whether or not to accept such a large-scale purchase. In addition, the Company will disclose the opinions of its Board meeting and secure time and information to enable the shareholders’ examination, while taking appropriate measures pursuant to the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

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(Note) Unless otherwise noted in this business report, amounts and ratios are rounded to the nearest unit.

# Consolidated Statements of Financial Position

(As of March 31, 2024)

(Unit: Millions of yen)

[Assets]	
<b>Current assets</b>	<b>259,679</b>
Cash and cash equivalents	55,129
Trade receivables	98,181
Inventories	84,446
Other financial assets	16,661
Other current assets	5,262
<b>Non-current assets</b>	<b>284,381</b>
Property, plant, and equipment:	188,436
Intangible assets	4,959
Investments accounted for using equity method	26,531
Other financial assets	45,718
Retirement benefit asset	13,700
Deferred tax assets	3,846
Other non-current assets	1,192
<b>Total assets</b>	<b>544,060</b>

<b>[Liabilities]</b>	
<b>Current liabilities</b>	<b>101,246</b>
Trade payables	61,351
Borrowings	17,100
Other financial liabilities	10,355
Income taxes payable	1,534
Provisions	6,239
Other current liabilities	4,667
<b>Non-current liabilities</b>	<b>50,252</b>
Borrowings	21,924
Other financial liabilities	5,634
Retirement benefit liability	8,968
Provisions	3,051
Deferred tax liabilities	10,676
<b>Total liabilities</b>	<b>151,498</b>
<b>[Equity]</b>	
<b>Total equity attributable to owners of parent</b>	<b>383,448</b>
Capital stock	25,038
Capital surplus	22,513
Treasury shares	-2,358
Retained earnings	298,424
Other components of equity	39,830
<b>Non-controlling interests</b>	<b>9,114</b>
<b>Total equity</b>	<b>392,562</b>
<b>Total liabilities and equity</b>	<b>544,060</b>

Note: Amounts in the Consolidated Statements of Financial Position are rounded to the nearest million yen.

Consolidated Statements of Profit or Loss  
(April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

<b>Revenue</b>	<b>392,009</b>
Cost of sales	324,005
<b>Gross profit</b>	<b>68,004</b>
Selling, general and administrative expenses	51,243
Other operating income	5,814
Other operating expenses	6,012
<b>Operating profit</b>	<b>16,562</b>
Finance income	2,280
Finance costs	2,141
Share of profit (loss) of investments accounted for using equity method	-958
<b>Profit before tax</b>	<b>15,744</b>
Income tax expense	3,369
<b>Profit</b>	<b>12,374</b>
Profit attributable to	
Owners of parent	11,008
Non-controlling interests	1,367
<b>Profit</b>	<b>12,374</b>

Note: Amounts in the Consolidated Statements of Profit and Loss are rounded to the nearest million yen.



Consolidated Statements of Changes in Equity  
(April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Capital stock	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans
Balance at beginning of period	25,038	22,520	-9,298	301,940	4,331	—
Profit	—	—	—	11,008	—	—
Other comprehensive income	—	—	—	—	4,960	3,271
Comprehensive income	—	—	—	11,008	4,960	3,271
Purchase of treasury shares	—	—	-3,966	—	—	—
Disposal of treasury shares	—	-3	23	—	—	—
Cancellation of treasury shares	—	—	10,882	-10,882	—	—
Share-based payment transactions	—	-5	—	—	—	—
Dividends	—	—	—	-7,072	—	—
Increase (decrease) in non-controlling interests	—	1	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	3,431	-160	-3,271
Total transactions with owners	—	-7	6,940	-14,524	-160	-3,271
Balance at end of period	25,038	22,513	-2,358	298,424	9,131	—

	Other components of equity		Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Exchange differences on translation of foreign operations	Total			
Balance at beginning of period	17,699	22,030	362,231	7,767	369,998
Profit	—	—	11,008	1,367	12,374
Other comprehensive income	13,000	21,231	21,231	432	21,664
Comprehensive income	13,000	21,231	32,239	1,799	34,038
Purchase of treasury shares	—	—	-3,966	—	-3,966
Disposal of treasury shares	—	—	20	—	20
Cancellation of treasury shares	—	—	—	—	—
Share-based payment transactions	—	—	-5	—	-5
Dividends	—	—	-7,072	-451	-7,523
Increase (decrease) in non-controlling interests	—	—	1	-1	-0
Transfer from other components of equity to retained earnings	—	-3,431	—	—	—
Total transactions with owners	—	-3,431	-11,022	-452	-11,474
Balance at end of period	30,699	39,830	383,448	9,114	392,562

Note: Amounts in the Consolidated Statements of Changes in Equity are rounded to the nearest million yen.

(Reference)

Consolidated Statements of Cash Flows  
(April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

I	Cash flows provided by (used in) operating activities	
	Profit before tax	15,744
	Depreciation and amortization	31,853
	Loss (gain) on sale of property, plant, and equipment	-1,593
	Impairment losses	3,602
	Interest and dividend income	-2,214
	Interest expenses	1,741
	Share of loss (profit) of investments accounted for using equity method	958
	Decrease (increase) in trade receivables	3,589
	Decrease (increase) in inventories	4,926
	Increase (decrease) in trade payables	6,289
	Other	28
	Subtotal	64,923
	Interest and dividend income received	3,114
	Interest paid	-1,718
	Income taxes paid	-8,440
	Net cash provided by (used in) operating activities	57,880
II	Cash flows from investing activities	
	Purchase of property, plant, and equipment	-19,149
	Proceeds from sale of property, plant, and equipment	1,993
	Purchase of intangible assets	-1,418
	Purchase of investments	-128
	Proceeds from sale and redemption of investments	3,028
	Purchase of shares of subsidiaries and affiliates	-570
	Other	559
	Cash flows from investing activities	-15,684
III	Cash flows from financing activities	
	Net increase (decrease) in short-term loans payable	-3,031
	Proceeds from long-term borrowings	500
	Repayments of long-term borrowings	-12,531
	Repayments of lease liabilities	-1,814
	Purchase of treasury shares	-3,966
	Dividends paid	-7,072
	Dividends paid to non-controlling interests	-451
	Other	-0
	Cash flows from financing activities	-28,364
IV	Effect of exchange rate changes on cash and cash equivalents	2,263
V	Net increase (decrease) in cash and cash equivalents	16,094
VI	Cash and cash equivalents at beginning of period	39,035
VII	Cash and cash equivalents at end of period	55,129

Note: Amounts in the Consolidated Statements of Cash Flows are rounded to the nearest million yen.

## **Notes to Consolidated Financial Statements**

### **◆ Significant Accounting Policies**

#### **1. Basis of Preparation for Consolidated Financial Statements**

The consolidated financial statements of the Company and its subsidiaries (hereinafter the “Group”) are prepared in accordance with the International Financial Reporting Standards (hereinafter “IFRS”), pursuant to the provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. In compliance with the second sentence of said Paragraph, certain disclosures and notes required by IFRS are omitted.

#### **2. Scope of Consolidation**

- (1) Number of consolidated subsidiaries: 15 companies (8 in Japan and 7 overseas)

Consolidated subsidiaries are as follows:

- |            |  |
|------------|--|
| (Japan)    | NIPPOH CHEMICALS CO., LTD.<br>Nisshoku Butsuryu Co., Ltd.<br>Tokyo Fine Chemical Co., Ltd.<br>CHUGOKU KAKO CO., LTD.<br>NIPPON SHOKUBAI TRADING CO., LTD.<br>NISSHOKU TECHNO FINE CHEMICAL CO., LTD.<br>NIPPON NYUKAZAI CO., LTD.<br>NIPPON POLYMER INDUSTRIES CO., LTD. |
| (Overseas) | Nippon Shokubai America Industries, Inc.<br>NIPPON SHOKUBAI (ASIA) PTE. LTD.<br>PT. NIPPON SHOKUBAI INDONESIA<br>NIPPON SHOKUBAI EUROPE N.V.<br>SINGAPORE ACRYLIC PTE LTD<br>NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.<br>SINO-JAPAN CHEMICAL CO., LTD.        |

- (2) Associates and jointly controlled companies accounted for by the equity method: 11 companies

Consolidated subsidiaries are as follows:

Umicore Shokubai S.A.

#### **3. Accounting Policies**

- (1) Basis and methods of valuation of financial assets

- 1) Non-derivative financial assets

- (i) Initial recognition and measurement and subsequent measurement

The Group initially recognizes trade receivables and other receivables on the date of occurrence. All other non-derivative financial assets are recognized at the transaction date, in which the Group becomes a party to the contract.

- (a) Financial assets measured at amortized cost

Financial assets are classified as “financial assets measured at amortized cost” if they meet the following two conditions:

- The financial assets are held with a business model of the Group whose objective is to collect contractual cash flows.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value (including transaction cost directly attributable to the acquisition of such financial assets). These financial assets are subsequently measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through profit or loss or other comprehensive income

Financial assets that fail to meet either of the above two conditions are classified as “financial assets measured at fair value through profit or loss” or “financial assets measured at fair value through other comprehensive income.” In addition, the Group has made an irrevocable decision and changes in fair value of equity financial instruments, such as shares held with the purpose to maintain and strengthen business relationships with investees, which are recognized through other comprehensive income instead of profit or loss.

Debt instruments are classified as “financial assets measured at fair value through other comprehensive income” when the following two conditions are met.

- The debt instruments are held with a business model of the Group whose objective is to both collect contractual cash flows and sell such instruments.
- The contractual terms of the financial asset provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value. The Group includes in fair value any transaction costs directly attributable to the acquisition of such financial assets, with the exception of financial assets measured at fair value through profit or loss.

Regarding equity financial instruments measured at fair value through other comprehensive income, loss or gain attributable to changes in realized fair value is not reclassified to profit or loss. However, dividend income from such investments is recognized as “financial income” as a part of profit or loss, except in cases where it is clear that such dividends are the repayment of the investment principal.

(ii) Derecognition

When the rights to the cash flows from a financial asset expire or when a financial asset is transferred and substantially all of the risks and rewards of ownership of such financial asset are transferred, the Group derecognizes such financial asset.

(iii) Impairment of financial assets

When recognizing the impairment of financial assets measured at amortized cost, the Group evaluates whether or not credit risk associated with such financial assets has increased significantly since the initial recognition at the end of each reporting period.

When credit risk has increased significantly, the Group measures provisions for such financial assets at an amount equivalent to lifetime expected credit losses. When credit risk has not increased significantly, the Group measures provisions for such financial assets at an amount equivalent to the 12-month expected credit losses. However, the Group always measures provisions for trade receivables at an amount equivalent to lifetime expected credit losses. Furthermore, the Group measures expected credit losses of financial instruments by considering the time value of the difference between contractual cash flows and the expected cash flows and recognizes it in profit or loss.

The Group determines whether or not credit risk associated with such financial assets has increased significantly since the initial recognition, by basing the judgment on changes in the risk of a default occurring. When determining such changes, the Group mainly considers past due information.

When measuring expected credit losses, the Group estimates in a way that reflects the following elements.

- (a) Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) Time value of money
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

## 2) Derivatives and hedge accounting

The Group designates certain derivative instruments as cash flow hedges to hedge foreign exchange risk, interest rate risk, or other risks.

At the inception of a transaction, the Group documents the relationship between the hedging instrument and hedged item and the risk management objectives and strategies for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group also documents its assessment of whether derivatives used for hedge transactions can be highly effective in offsetting changes in cash flows of the hedged item. Furthermore, the Group verifies that such forecast transactions are highly probable to apply cash flow hedge accounting.

Changes in fair value of derivative instruments are recognized in profit or loss. The effective portion of changes in fair value of derivative instruments that are designated as cash flow hedges and meet the qualifying criteria is recognized in other components of equity. The ineffective portion is recognized in profit or loss.

Any amount incurred with respect to hedging instruments that is recognized in other components of equity is reclassified to profit or loss in the period when hedged items affect profit or loss. When hedged forecast transactions result in the recognition of non-financial assets, any amount that has been recognized in other comprehensive income is reclassified and included in the initial carrying amount of such assets.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting. Any amount incurred with respect to hedging instruments that have already been recognized in other components of equity is further recognized until forecast transactions are eventually recognized in profit or loss. When forecast transactions are no longer expected to occur, any amount incurred with respect to hedging instruments that has been recognized in other components of equity is immediately recognized in profit or loss.

## (2) Basis and methods of valuation of inventories:

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is principally calculated based on the moving-average method. In addition, net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling costs.

## (3) Basis and methods of valuation of and methods of depreciation or amortization of property, plant, and equipment, goodwill and intangible assets

### 1) Property, plant, and equipment:

Property, plant, and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes cost directly attributable to the acquisition of assets, dismantling and removal costs, restoration costs, and borrowing costs that meet requirements for asset capitalization.

Each asset (excluding assets that are not subject to depreciation such as land) is depreciated using the straight-line method over its estimated useful life. The estimated useful lives of main asset items are as follows:

- Buildings and structures: 3 to 50 years
- Machinery, equipment, and vehicles: 2 to 15 years

Estimated useful lives and the method of depreciation are reviewed at the end of each fiscal year. Any change in estimated useful lives and the depreciation method is accounted for on a prospective basis as a change in accounting estimate.

## 2) Goodwill and intangible assets

### (i) Goodwill

The Group accounts for business combinations using the acquisition method. If the consideration exceeds the net of the fair value of identifiable assets acquired and liabilities assumed, the Group records it as goodwill in the consolidated statement of financial position.

The Group does not amortize goodwill but conducts impairment tests every fiscal year or whenever there is an indication of impairment. The impairment loss on goodwill is recognized in profit or loss and is not subsequently reversed.

Furthermore, goodwill is stated at cost less accumulated impairment losses in the consolidated statement of financial position.

### (ii) Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Individually acquired intangible assets are measured at a cost at the time of initial recognition, while intangible assets acquired through business combination are measured at fair value at the date of the acquisition. Intangible assets are amortized using the straight-line method over their estimated useful lives. The estimated useful lives of main asset items are as follows:

- Software: 5 years

## 3) Leases

Lease liabilities in lease transactions are measured at the discounted present value of the residual amount of total lease payments at the lease commencement date. Right-of-use assets are initially measured based on the initially measured amount of the lease liability adjusted for initial direct costs and prepaid lease payments, etc., and added costs such as obligations of restoration to original conditions requested by lease contracts. Right-of-use assets are depreciated regularly over the estimated useful lives of the respective assets or lease terms, whichever is shorter.

The discount rate that shall be used in calculating the discounted present value of the residual amount of total lease payments is the interest rate implicit in the lease, if this is practicably possible, and if not, the lessee's incremental borrowing rate.

Lease payments are distributed between finance costs and repayment of lease liabilities so that interest rates will be constant on the remaining balance of the lease liability. Finance costs are presented separately from the depreciation and amortization of right-of-use assets in the consolidated statements of profit or loss.

Whether or not a contract is, or contains, a lease is determined based on the substance of a contract, even when it does not take the legal form of a lease.

Lease payments for leases that have a lease term of twelve months or less and leases for which the underlying assets are of low value are recognized as expenses on either a straight-line basis over the lease term or another systematic basis.

## (4) Impairment of non-financial assets

Every fiscal year, the Group assesses non-financial assets for any indications of impairment. In case there is an indication of impairment or in case the impairment test is required every fiscal year, the recoverable amount of the asset is estimated. When the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash-generating unit to which such assets are allocated is estimated. The Group conducts impairment tests of goodwill every fiscal year or whenever there is an indication of impairment. Goodwill is allocated to each cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the business combination.

(5) Method of providing major allowances and provisions

Provisions are recognized when the Group has present obligations (legal or constructive) as a result of past events, it is probable that the outflow of economic resources will be required to settle the obligations, and the amounts of the obligations can be reliably estimated.

1) Provision for bonuses

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

2) Asset retirement obligations

To provide for obligations to restore plant and equipment and premises that the Group uses and removal of hazardous materials, the Group records asset retirement obligations based on estimated amounts to be paid in the future based on past results. Although these expenses are estimated to be mainly paid after one year or more, they may be affected by future business plans.

(6) Method of accounting for post-employment benefits

1) Defined benefit plans

The Company and some of its subsidiaries have defined benefit pension plans and severance lump-sum payment plans as defined benefit plans. Under the defined benefit plans, the net present value of defined benefit obligations less the fair value of plan assets is recognized in assets or liabilities in the consolidated statement of financial position. The present value of defined benefit obligations is calculated using the projected unit credit method.

The difference in the remeasurement of net defined benefit assets or obligations is recognized in other comprehensive income in the fiscal year as incurred. Furthermore, past service cost is recognized in profit or loss in the fiscal year it is incurred.

2) Defined contribution plans

Some of the Company's subsidiaries have defined contribution pension plans. Defined contribution pension plans are post-employment benefit plans, under which the employer pays a certain amount of contributions to another independent entity and will have no legal or constructive obligations to pay further contributions. Contributions to the defined contribution pension plans are expensed in the period in which employees render services.

(7) Revenue recognition

The Group recognizes revenue in accordance with the following five-step approach, except interest and dividend income under IFRS 9.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligations in the contract

Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation

The Group's main business includes manufacturing and sales of products in the Materials business and the Solutions business. The Group recognizes revenue from the sale of these products upon delivery of the products to the customer, since the performance obligation is fulfilled because the customer obtains control over such products upon delivery of the products. Revenue is measured at the amount obtained after deducting price reductions, rebates, and sales returns from the transaction price in the contract with the customer.

(8) Foreign currency translation

1) Foreign currency transactions

The Group measures items included in the financial statements of each Group company using the currency used in the main economic environment where each Group company conducts its operating activities (functional currency).

Foreign currency transactions are converted into the functional currency using the exchange rates at the date of the transactions. When remeasuring items included in the financial statements, the Group converts them into the functional currency using the exchange rates at the date of the remeasurement. Exchange differences arising from the settlement of these transactions or the translation of monetary assets or liabilities in a foreign currency using the exchange rates at the date of the settlement are recognized in profit or loss. However, translation differences arising from equity financial instruments measured at fair value through other comprehensive income or cash flow hedges are recognized in other comprehensive income.

## 2) Foreign operations

Regarding foreign operations using a functional currency that differs from the presentation currency, assets and liabilities (including goodwill arising from the acquisition and revision of fair value) are translated to Japanese yen using the exchange rates at the end of the reporting period, while income and expenses are translated to Japanese yen at the average rate during the period unless the exchange rates fluctuate significantly during that period.

Exchange differences arising from the translation of financial statements of a foreign operation are recognized in other comprehensive income. When a foreign operation is disposed of, the cumulative translation differences related to the foregoing operation are recognized in profit or loss at the time of the disposal.



## ◆ Notes to Accounting Estimates

In preparing consolidated financial statements, the management applies accounting policies, and makes judgment, estimates, and assumptions that affect the reporting amounts of assets, liabilities, revenue, and costs. Actual results may differ from these estimates. We review estimates and assumptions that serve as the basis for the estimates on an ongoing basis. The impact from reviews in accounting estimates is recognized over the accounting period in which the estimate was reviewed, and future accounting periods.

Material estimates and judgments made by the management are as described below.

### 1. Impairment of non-financial assets

#### PT. NIPPON SHOKUBAI INDONESIA

During the current fiscal year, the Group conducted an impairment test on property, plant, and equipment of 44,444 million yen owned by PT. NIPPON SHOKUBAI INDONESIA, a consolidated subsidiary of the Company under the Materials business segment, because there were indications of impairment mainly due to deteriorating market conditions in the Southeast Asian market for acrylic acid and acrylic esters against the backdrop of an influx of competitors' products chiefly from China. The recoverable amount of the cash-generating unit was based on its value in use. The value in use was calculated by discounting five years of future cash flows based on a business plan approved by the management, plus future cash flows after the sixth year calculated using a certain growth rate. As a result, no impairment loss was recognized, since the recoverable amount exceeded the carrying amount.

Key assumptions used in the valuation of the cash-generating unit are sales volumes and sales prices underlying the business plan, discount rates established based on market interest rates and other factors, and long-term growth rates. Future sales volumes and sales prices are set based on information obtained from customers, future market forecasts, and other information. If sales volumes or sales prices are affected by changes in the supply-demand balance or the market outlook for acrylic acid, acrylic esters, superabsorbent polymers, etc. that differ from expectations, or if the discount rate and the long-term growth rate are affected by changes in uncertain future economic conditions, it could have a significant impact on the valuation of property, plant, and equipment.

### 2. Measurement of defined benefit obligations

To provide for retirement benefits to employees, the Group has defined benefit plans and defined contribution plans which are funded and unfunded schemes. The present value of defined benefit obligations and relevant service cost, etc. are calculated based on actuarial assumptions. Actuarial assumptions necessitate estimates and judgements in discount rates, retirement rates, mortality rates and other various coefficients. The Group obtains advice of external pension actuaries regarding the appropriateness of the actuarial assumptions including those coefficients.

Actuarial assumptions are determined based on the best estimates and judgments of the management, but the results of fluctuations in future uncertain economic conditions as well as revisions or promulgation of applicable laws and regulations may have an impact on these assumptions. If it becomes necessary to review the assumptions, amounts to be recognized in the consolidated financial statements in the following fiscal year onward may be significantly affected.

(1) Reconciliation of the ending balance of defined benefit obligations and plan assets and amounts recorded on Consolidated Statements of Financial Position

Amounts recorded on Consolidated Statements of Financial Position are as follows.

(Unit: Millions of yen)	
Present value of defined benefit obligations	-37,765
Fair value of plan assets	42,497
Net amount of liability and asset recorded on Consolidated Statements of Financial Position	4,732
Amounts recorded on Consolidated Statements of Financial Position	
Retirement benefit liability	-8,968
Retirement benefit asset	13,700
Net amount of liability and asset recorded on Consolidated Statements of Financial Position	4,732

(2) Major actuarial assumptions

Major actuarial assumption used in the calculation of the present value of defined benefit obligations is as follows.

Discount rate	1.74%
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(3) Sensitivity analysis of defined benefit obligations

Sensitivity analysis of defined benefit obligations to the fluctuations in weighted-average major actuarial assumptions is as follows.

(Unit: Millions of yen)		
Discount rate	In case of 0.5% increase	-2,089
	In case of 0.5% decrease	2,322

Sensitivity analysis shown above is the result of fluctuation in one assumption, assuming that all other assumptions are invariable. In actuality, multiple assumptions may change by interacting each other.

In the calculation of sensitivity of defined benefit obligations to major actuarial assumptions, the same method for calculating the defined benefit obligations to be recognized in the Consolidated Statements of Financial Position (present value of defined benefit obligations calculated using the projected unit credit method as of the end of the reporting period) has been applied.

◆ **Notes to Consolidated Statements of Financial Position**

(Unit: Millions of yen)

1.	Accumulated depreciation and accumulated impairment losses on property, plant, and equipment	560,492
2.	Collateral assets and secured liabilities:	
	Assets pledged as collateral	281
	Cash and cash equivalents	8
	Property, plant, and equipment	273
	Obligations corresponding to the above items	366
	Trade payables	21
	Borrowings	345
3.	Allowance for doubtful accounts directly deducted from assets	318
4.	Balance of guaranteed debt, etc.	
	Balance of guaranteed debt	1,837
	Balance of guaranteed debt includes 918 million yen of debt that has been re-guaranteed by other companies.	

◆ **Notes to Consolidated Statements of Profit or Loss**

Impairment of non-financial assets

The Group groups its assets in the smallest units that generate largely independent cash flows based on the classification of business. For assets that are not expected to be used in the future, individual properties are grouped as a single unit.

1. NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD.

In the current fiscal year, the Group recorded an impairment loss of 971 million yen for property, plant, and equipment held by NISSHOKU CHEMICAL INDUSTRY (ZHANGJIAGANG) CO., LTD. (hereinafter “NISSHOKU CHEMICAL INDUSTRY”), a consolidated subsidiary of the Company under the Materials business segment.

In the superabsorbent polymer market in China, where NISSHOKU CHEMICAL INDUSTRY is located, profitability has deteriorated due to a decline in demand for disposable diapers resulting from a drop in the birth rate, as well as the rise of Chinese suppliers. In light of this severe business environment for superabsorbent polymers in China, the Group reviewed NISSHOKU CHEMICAL INDUSTRY’s business plan and examined the future recoverability of property, plant, and equipment held by NISSHOKU CHEMICAL INDUSTRY. As a result, the carrying amounts of buildings and structures, machinery and equipment, etc. were reduced to their memorandum values in the current fiscal year. The impairment loss recognized is included in “other operating expenses” in the Consolidated Statements of Profit or Loss. The recoverable amount is based on value in use measured at a discount rate of 11.0%, and the key assumptions used in measuring value in use are sales volumes and sales prices.

The breakdown of impairment loss of 971 million yen is as follows:

(Unit: Millions of yen)

Segment	Type	Amount
Materials	Buildings and structures	376
	Machinery and equipment	464
	Other	130
	Total	971

2. NIPPON SHOKUBAI (ASIA) PTE. LTD.

In the current fiscal year, the Group recorded an impairment loss of 1,644 million yen for property, plant, and equipment held by NIPPON SHOKUBAI (ASIA) PTE. LTD. (hereinafter “NSA”), a consolidated subsidiary of the Company under the Materials business segment.

In response to the decline in profitability of NSA's acrylic acid production equipment due to the withdrawal of some major customers from the business, the Group reviewed NSA's business plan and examined the future recoverability of property, plant, and equipment held by NSA. As a result, the carrying amounts of buildings and structures and machinery and equipment were reduced to their recoverable amounts in the current fiscal year. The impairment loss recognized is included in "other operating expenses" in the Consolidated Statements of Profit or Loss. The recoverable amount is based on value in use of 1,428 million yen measured at a discount rate of 9.5%. The key assumptions used in measuring value in use are sales volumes, sales prices and discount rate.

The breakdown of impairment loss of 1,644 million yen is as follows:

(Unit: Millions of yen)		
Segment	Type	Amount
Materials	Buildings and structures	247
	Machinery and equipment	1,396
	Total	1,644

### 3. Products used in detergents

In the current fiscal year, the Company recorded an impairment loss of 775 million yen for property, plant, and equipment related to certain products used mainly in detergents in the Solutions business segment.

As a result of reviewing the business plan for products with declining profitability due to changes in the business environment, such as lower sales for high value-added products and intensifying price competition in overseas markets, and examining the future recoverability of property, plant, and equipment, the carrying amounts of buildings and structures, machinery and equipment, etc. were reduced to their recoverable amounts in the current fiscal year. The impairment loss recognized is included in "other operating expenses" in the Consolidated Statements of Profit or Loss. The recoverable amount is based on value in use of 262 million yen measured at a discount rate of 7.1%. The key assumptions used in measuring value in use are sales volumes and sales prices. Sales volumes and sales prices are set based on information obtained from customers, future market forecasts, and other information.

The breakdown of impairment loss of 775 million yen is as follows:

(Unit: Millions of yen)		
Segment	Type	Amount
Solutions	Buildings	8
	Structures	99
	Machinery and equipment	668
	Tools, furniture and fixtures	1
	Total	775

◆ **Notes to Consolidated Statements of Changes in Equity**

1. Matters related to class and total number of shares issued

Class of shares	Number of shares at the beginning of the current fiscal year	Number of shares increased in the current fiscal year	Number of shares decreased in the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	40,800,000 shares	–	1,800,000 shares	39,000,000 shares

- Notes:
1. The number of shares of common stock issued decreased by 1,800,000 shares from the end of the previous fiscal year. The decrease in the number of shares is due to the cancellation of treasury shares in accordance with the resolution of the Board meeting held on November 7, 2023.
  2. The Company conducted a four-for-one stock split of its common stock effective from April 1, 2024. The above item is based on the number of shares prior to the stock split.

2. Matters related to class and number of treasury shares

Class of shares	Number of shares at the beginning of the current fiscal year	Number of shares increased in the current fiscal year	Number of shares decreased in the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	1,486,000 shares	701,000 shares	1,803,000 shares	384,000 shares

- Notes:
1. The increase in the number of treasury shares was due to the purchase of 700,000 treasury shares based on the resolution of the Board meeting held on November 7, 2023 and the purchase of 1,000 shares of less than one unit of shares.
  2. The decrease in the number of treasury shares was due to the cancellation of 1,800,000 treasury shares in accordance with the resolution of the Board meeting held on November 7, 2023 and the payment of 3,000 shares under the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers.
  3. The Company conducted a four-for-one stock split of its common stock effective from April 1, 2024. The above item is based on the number of shares prior to the stock split.

3. Matters related to distribution of retained earnings

(1) Dividend payment

Resolution	Class of Shares	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2023	Common stock	3,543	90.00	March 31, 2023	June 22, 2023
The Board meeting held on November 7, 2023	Common stock	3,543	90.00	September 30, 2023	December 5, 2023

- Notes:
1. The total amount of dividends resolved at the General Meeting of Shareholders held on June 21, 2023 includes a 4 million yen dividend for the Company's shares held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers.
  2. The total amount of dividends resolved at the Board meeting held on November 7, 2023 includes a 4 million yen dividend for the Company's shares held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers.

(2) Dividends with a record date in the fiscal year 2023 but an effective date in the following fiscal year

Resolution	Class of Shares	Source of Dividends	Total Amount of Dividends (¥ millions)	Dividend Per Share (¥)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 20, 2024	Common stock	Retained earnings	3,479	90.00	March 31, 2024	June 21, 2024

Notes:

1. The total amount of dividends includes a 4 million yen dividend for the Company's shares held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers.
2. The Company conducted a four-for-one stock split of its common stock effective from April 1, 2024. The amount of dividends with a record date of March 31, 2024 is based on the number of shares prior to the stock split.

## ◆ Notes to Financial Instruments

### 1. Conditions of financial instruments

The Group's business activities may be affected by various risks, including market risk, credit risk, and liquidity risk. While recognizing the possibility of occurrence of such risks, the Group makes every possible effort to prevent their occurrence and to manage them if they occur. Furthermore, at the Board meetings, the Group implements company-wide measures as appropriate in response to its exposure to various risks.

#### (1) Market risk

##### 1) Foreign exchange risk

As the Group operates its business globally, it owns trade receivables and payables denominated in foreign currencies. These trade receivables and payables are exposed to the risk of fluctuations of foreign exchange rates. The Group enters into forward exchange contracts to hedge the risk of the trade receivables and the payables denominated in foreign currencies.

##### 2) Interest rate risk

The Group covers working capital and capital expenditures using its own capital, bonds, and borrowings. As certain interest rates on its borrowings are floating rates, the Group is exposed to the risk of changes in interest rates. The Group enters into interest rate swap contracts to reduce such risk as necessary.

The effect of changes in market interest rates on the Group's operating profit is immaterial.

##### 3) Share price fluctuation risk

As the Group owns shares of business partners for reinforcing business collaboration or capital tie-ups, it is exposed to the risk of market price fluctuations.

To reduce such risk, the Group periodically assesses the market value and financial condition of issuers (business partners) and continually reviews the shareholding status by considering its relationships with business partners.

##### 4) Derivative transactions

The Group enters into forward exchange contracts to hedge the risk of fluctuation in foreign exchange rates pertaining to trade receivables and payables denominated in foreign currencies, and interest rate swap contracts to hedge the risk of fluctuation in interest rates related to borrowings. The Finance & Accounting Division, etc. is responsible for managing derivative contracts and report the status of such transactions to directors in charge every month.

#### (2) Credit risk

Credit risk is the risk of incurring losses where an obligor, an issuer of financial assets owned by the Group, fails to honor its obligations. With regard to trade receivables, each business division regularly monitors the condition of major business partners, manages due dates and balances for each business partner, and assesses the credit condition of major business partners every six months. The consolidated subsidiaries also manage their credit risk in accordance with the above-mentioned procedures.

With regard to derivative transactions, the Group judges that credit risk is minimal since the counterparties are financial institutions with high credit ratings.

There is no excessive concentration of the credit risk that requires special management.

The carrying amount of financial assets after deducting provisions for doubtful accounts in the consolidated statement of financial position is the maximum exposure to the credit risk of the Group's financial assets that does not take into account collateral held and other credit enhancements.

### (3) Liquidity risk

Liquidity risk is the risk that the Group will be unable to perform its repayment obligations for financial liabilities on the due date. Each Group company manages liquidity risk by preparing their funding plans in a timely manner.

## 2. Fair value of financial instruments

The carrying amount and fair value of financial assets and financial liabilities measured at amortized cost are as follows:

Financial assets whose carrying values approximate their fair values are not included in the table below.

(Unit: Millions of yen)

	Carrying amount	Fair value
Financial liabilities measured at amortized cost		
Long-term borrowings	30,017	29,816
Total financial liabilities	30,017	29,816

The fair value of long-term borrowings is calculated by discounting the total amounts of principal and interest to the present value using the incremental borrowing rate, and is classified as Level 2 as indicated in 3. below.

## 3. Matters relating to the breakdown of financial instruments by level of fair value, etc.

The following table presents an analysis of financial instruments carried at fair value. Each level is defined as follows.

Level 1: Fair value measured at quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured using direct or indirect observable inputs other than those in Level 1

Level 3: Fair value measured using unobservable inputs

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Debt instruments	782	—	—	782
Other	—	142	774	916
Financial assets at measured fair value through other comprehensive income				
Equity financial instruments	41,903	—	2,243	44,146
Other	—	—	0	0
Total assets	42,686	142	3,017	45,844
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	219	—	219
Total liabilities	—	219	—	219

Fair value of listed shares is measured at quoted market prices on the stock exchange and is classified as Level 1 of the fair value hierarchy.

Fair value of derivative transactions is measured at an estimated value calculated using observable inputs such as exchange rates provided by counterparty financial institutions, and is classified as Level 2 of the fair value hierarchy.

Fair value of unlisted shares is measured using valuation techniques based on net asset value and is classified as Level 3 of the fair value hierarchy. The reasonableness of such valuations is verified by



the Accounting Department and approved by the department manager. No significant changes in fair value due to changes in unobservable inputs are expected.

No material transfers between Level 1 and Level 2 of the fair value hierarchy were made during the current fiscal year.

The following table presents a reconciliation from the beginning balance to the ending balance of fair value measurements classified as Level 3 of the fair value hierarchy.

(Unit: Millions of yen)

	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Total
Beginning balance	3,172	816	3,988
Purchase	570	125	695
Profit (loss)	–	-165	-165
Other comprehensive income	-1,500	–	-1,500
Other	–	-2	-2
Ending balance	2,243	774	3,017

Profit (loss) related to the above financial assets is included in “finance income” and “finance costs” in the Consolidated Statements of Profit or Loss.

#### ◆ Notes to Per Share Information

Equity attributable to owners of parent per share: ¥2,482.45

Basic profit per share: ¥70.48

Note: The Company carried out a four-for-one stock split effective from April 1, 2024.

Therefore, equity attributable to owners of parent per share and basic profit per share are calculated on the assumption that the stock split was conducted at the beginning of the current fiscal year.

#### ◆ Notes to Significant Subsequent Events

(Stock split and associated amendment to the Articles of Incorporation)

The Company carried out a stock split and an amendment of the Articles of Incorporation in connection with said stock split effective from April 1, 2024 in accordance with the resolution of the Board meeting held on December 18, 2023.

##### (1) Purpose of stock split

By conducting a stock split and lowering the amount per unit of investment, the Company aims to create a more investment-friendly environment, improve the liquidity of the Company’s shares, and expand its investor base.

##### (2) Outline of stock split

###### 1) Method of stock split

The Company conducted a four-for-one stock split of the Company’s common stock held by shareholders listed or recorded in the Company’s shareholder registry as of the end of March 31, 2024 (Sunday) (effectively March 29, 2024 (Friday), as that date was a holiday for the shareholder registry administrator).

2) Number of shares increased by stock split

Total number of shares issued and outstanding before stock split	39,000,000 shares
Number of shares increased by this stock split	117,000,000 shares
Total number of shares issued and outstanding after stock split	156,000,000 shares
Total number of authorized shares after stock split	508,800,000 shares

3) Schedule of stock split

Date of publication of the record date	March 15, 2024 (Friday)
Record date	March 31, 2024 (Sunday)
Effective date	April 1, 2024 (Monday)

(3) Amendment to the Articles of Incorporation

1) Reason for amendments

In accordance with the above stock split, the total number of authorized shares in Article 6 of the Company's Articles of Incorporation was amended effective April 1, 2024, pursuant to Article 184, Paragraph 2 of the Companies Act.

2) Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Before Amendments	After Amendments
Article 6. (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>127,200,000</u> .	Article 6. (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>508,800,000</u> .

3) Schedule of amendments

Date of resolution of the Board meeting	December 18, 2023 (Monday)
Effective Date	April 1, 2024 (Monday)

(4) Other

1) Change in amount of capital stock

There will be no change in the amount of capital stock as a result of this stock split.

2) Dividends

Since the stock split is effective from April 1, 2024, the year-end dividend for the fiscal year ended March 31, 2024 will be based on the number of shares before the stock split.

The effect of this stock split on per share information is described in the "Notes to Per Share Information" in the Notes to Consolidated Financial Statements.

(Purchase of treasury shares)

The Company announced that it resolved at a Board of Directors Meeting held on May 13, 2024 the following items in regard to a purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

(1) Reasons for the purchase of treasury shares

In order to improve the shareholder return as well as capital efficiency and to implement flexible capital policy in response to change in the business environment.

(2) Details of purchase

- 1) Class of shares to be purchased: Common stock
- 2) Total number of shares to be purchased: 4,000,000 shares (upper limit)  
(2.6% of the total number of issued shares (excluding treasury shares))
- 3) Total amount of purchase costs of the shares: 5,000 million yen (upper limit)
- 4) Purchase period: Monday, May 13, 2024 through Friday, February 28, 2025
- 5) Method of purchase: Market purchase (discretionary trading by securities companies) and off-auction own share repurchase trading (ToSTNeT-3) on the Tokyo Stock Exchange

◆ Notes to Revenue Recognition

1. Revenue disaggregation

The Group's organization consists of divisions by business, namely Materials business and Solutions business, whose operating results are reviewed regularly by the Board meetings of the Company in order to allocate management resources and assess performance of operations. Earnings to be recorded from these businesses are presented as revenue. Revenue is disaggregated by region, according to the customers' locations. The relationship between disaggregated revenue and revenue posted under each of the reporting segments is as follows.

(Unit: Millions of yen)

	Japan	Asia	Europe	North America	Others	Total
Materials	102,326	76,636	60,931	29,051	14,864	283,808
Solutions	70,371	22,556	3,419	9,312	2,542	108,201
Total	172,697	99,192	64,350	38,364	17,406	392,009

Notes: 1. Revenue is classified by the customer's location, and country and regional segmentation is based on geographical proximity.

2. Major countries and regions of each area:

- (1) Asia: East and South East Asian countries
- (2) Europe: European countries
- (3) North America: North American countries
- (4) Others: Countries and regions except Asia, Europe, North America, and Japan

In the sales of products in the Materials business and the Solutions business, mainly when the control of product is transferred to the customer; that is, when the product is delivered to the customer, the legal and physical ownership of the product and material risks and rewards of ownership of such product are transferred to the customer, and the Group becomes entitled to receive payment from the customer. Therefore, revenue is recognized at that timing. Revenue from the sales of these products is measured at the transaction price according to the contract with customers. In addition, consideration for transactions is received within a year after satisfying performance obligations, and does not involve significant financial elements.

## 2. Contract balance outstanding

(Unit: Millions of yen)

Receivables arising from contract with customers	
Notes and accounts receivable - trade	96,737
Electronically recorded monetary claims - operating	1,457
Contract liability	129

For the current fiscal year, there is no materiality in the amount of revenue recognized from the performance obligation satisfied in past periods.

# Nonconsolidated Balance Sheets

(As of March 31, 2024)

(Unit: Millions of yen)

[Assets]	
<b>Current assets</b>	<b>161,018</b>
Cash and deposits	28,359
Notes receivable - trade	134
Accounts receivable - trade	72,502
Merchandise and finished goods	29,121
Work in process	5,660
Raw materials and supplies	15,406
Prepaid expenses	294
Short-term loans receivable from subsidiaries and associates	4,684
Accounts receivable - other	2,860
Other	2,297
Allowance for doubtful accounts	-300
<b>Non-current assets</b>	<b>200,054</b>
<b>Property, plant, and equipment</b>	<b>80,482</b>
Buildings	19,482
Structures	7,793
Machinery and equipment	23,528
Vehicles	48
Tools, furniture, and fixtures	2,925
Land	24,196
Construction in progress	7,559
Accumulated depreciation	-5,049
<b>Intangible assets</b>	<b>5,424</b>
Patent right	244
Leasehold right	120
Software	3,734
Telephone subscription right	15
Right of using facilities	5
Other	1,306
<b>Investments and other assets</b>	<b>114,148</b>
Investment securities	42,049
Shares of subsidiaries and associates	50,028
Investments in capital of subsidiaries and associates	9,696
Long-term loans receivable	8
Long-term loans receivable from subsidiaries and associates	341
Long-term prepaid expenses	1,303
Lease and guarantee deposits	412
Prepaid pension cost	10,110
Other	228
Allowance for doubtful accounts	-26
<b>Total assets</b>	<b>361,072</b>

<b>[Liabilities]</b>	
<b>Current liabilities</b>	<b>65,440</b>
Accounts payable - trade	40,067
Current portion of long-term loans payable	3,634
Accounts payable - other	13,626
Accrued expenses	668
Income taxes payable	167
Advances received	72
Deposits received	345
Provision for bonuses	2,751
Provision for directors' bonuses	128
Provision for repairs	3,596
Other	386
<b>Non-current liabilities</b>	<b>26,592</b>
Long-term borrowings	15,341
Deferred tax liabilities	2,427
Provision for share-based payments	51
Provision for retirement benefits	8,051
Other	721
<b>Total liabilities</b>	<b>92,032</b>
<b>[Net assets]</b>	
<b>Shareholders' equity</b>	<b>251,742</b>
Capital stock	25,038
Capital surplus	22,071
Legal capital surplus	22,071
Retained earnings	206,922
Legal retained earnings	3,920
Other retained earnings	203,002
Reserve for dividends	760
Reserve for advanced depreciation of non-current assets	482
General reserve	157,665
Retained earnings brought forward	44,096
Treasury shares	-2,290
<b>Valuation and translation adjustments</b>	<b>17,298</b>
Valuation difference on available-for-sale securities	17,298
<b>Total net assets</b>	<b>269,040</b>
<b>Total liabilities and net assets</b>	<b>361,072</b>

Note: Amounts in the Nonconsolidated Financial Statements are rounded to the nearest million yen.

## Nonconsolidated Statements of Income

(April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

<b>Net sales</b>	<b>229,275</b>
Cost of sales	183,478
<b>Gross profit</b>	<b>45,797</b>
Selling, general, and administrative expenses	37,198
<b>Operating profit</b>	<b>8,599</b>
<b>Non-operating income</b>	<b>7,120</b>
Interest and dividend income	3,647
Miscellaneous income	3,473
<b>Non-operating expenses</b>	<b>4,114</b>
Interest expenses	219
Miscellaneous loss	3,895
<b>Ordinary profit</b>	<b>11,605</b>
<b>Extraordinary income</b>	<b>1,905</b>
Gain on sales of investment securities	1,379
Gain on sale of non-current assets	526
<b>Extraordinary losses</b>	<b>3,113</b>
Loss on valuation of shares of subsidiaries and associates	1,065
Loss on valuation of investment securities	1,061
Impairment losses	987
<b>Profit before income taxes</b>	<b>10,397</b>
<b>Income taxes</b>	<b>2,341</b>
Income taxes - current	1,747
Income taxes - deferred	594
<b>Profit</b>	<b>8,056</b>

Note: Amounts in the Nonconsolidated Statements of Income are rounded to the nearest million yen.

Nonconsolidated Statements of Changes in Equity  
(April 1, 2023 to March 31, 2024)

(Unit: Millions of yen)

	Shareholders' equity									
	Capital stock	Capital Surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other Retained earnings				Total Retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	25,038	22,071	—	22,071	3,920	760	483	157,665	54,006	216,833
Changes of items during period										
Dividends of surplus				—					-7,085	-7,085
Profit				—					8,056	8,056
Reversal of reserve for advanced depreciation of non-current assets				—			-1		1	—
Purchase of treasury shares				—						—
Cancellation of treasury shares				—					-10,882	-10,882
Share-based payment transactions				—						—
Net changes of items other than shareholders' equity				—						—
Total changes of items during period	—	—	—	—	—	—	-1	—	-9,910	-9,911
Balance at end of current period	25,038	22,071	—	22,071	3,920	760	482	157,665	44,096	206,922



(Unit: Millions of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-9,226	254,716	11,839	11,839	266,555
Changes of items during period					
Dividends of surplus		-7,085		—	-7,085
Profit		8,056		—	8,056
Reversal of reserve for advanced depreciation of non-current assets		—		—	—
Purchase of treasury shares	-3,966	-3,966		—	-3,966
Cancellation of treasury shares	10,882	—		—	—
Share-based payment transactions	20	20		—	20
Net changes of items other than shareholders' equity		—	5,459	5,459	5,459
Total changes of items during period	6,936	-2,975	5,459	5,459	2,484
Balance at end of current period	-2,290	251,742	17,298	17,298	269,040

Note: Amounts in the Nonconsolidated Statements of Changes in Equity are rounded to the nearest million yen.

## Notes to Nonconsolidated Financial Statements

### ◆ Significant Accounting Policies

#### 1. Basis and methods of valuation of assets

##### (1) Basis and methods of valuation of securities

###### 1) Shares of subsidiaries and associates:

Stated at cost, determined by the moving- average method.

###### 2) Other securities:

Securities other than nonmarketable securities, etc.:

Carried at fair value, based on market prices at fiscal year-end. (Unrealized holding gain or loss, net of the applicable income taxes, is reported as a separate component of net assets. Cost of securities sold is primarily determined by the moving average method).

Nonmarketable securities, etc.:

Primarily stated at cost, determined mainly by the moving average method.

##### (2) Basis and methods of valuation of inventories:

Inventories held for sale in the ordinary course:

Valued at cost, determined by the moving-average method (The book values are written down due to decreased profitability).

#### 2. Depreciation methods applicable to depreciable assets

##### (1) Property, plant, and equipment:

By the straight-line method. Useful lives and residual values are calculated based on the same criteria as those stipulated under the Corporate Income Tax Law of Japan.

##### (2) Intangible assets:

By the straight-line method. Software (for internal use) is amortized by the straight-line method over the estimated useful life for internal use (five years).

#### 3. Method of providing allowances and provisions

##### (1) Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company reserves an amount based on the historical write-off ratio for normal accounts and amounts projected to be unrecoverable based on assessments for specific doubtful accounts such as claims with default possibility.

##### (2) Provision for bonuses:

To provide for payment of bonuses to employees, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

##### (3) Provision for directors' bonuses:

To provide for payment of bonuses to directors, amounts are recorded in the current fiscal year based on an estimate to be paid in the following fiscal year.

##### (4) Provision for repairs:

The Company provides an allowance for the cost of periodic repairs to large-scale production equipment based on estimates of the future cost of such repairs.

##### (5) Provision for share-based payments:

The Company provides an allowance for payments to Members of the Board and Executive Officers under the Performance-linked Stock Compensation Plan based on the estimated amount of benefits to be paid at the end of the current fiscal year.

##### (6) Provision for retirement benefits:

The Company provides an allowance for accrued retirement benefits to employees based on the retirement benefit obligation and the fair value of the pension plan assets as of the end of the fiscal year.

1) Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the way of attributing expected benefit to the periods up to this fiscal year-end.

2) Prior service cost is amortized by the straight-line method over a period (mostly over five years) which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized and charged to income in the year following the year in which such gain or loss is recognized by the straight-line method over a period (mostly over ten years) which is within the estimated average remaining years of service of the eligible employees.

4. Standard for recognizing revenues and expenses

The Company's main business includes manufacturing and sales of products in the Materials business and the Solutions business. The Company recognizes revenue from the sale of these products upon delivery of the products to the customer, since the performance obligation is fulfilled because the customer obtains control over such products upon delivery of the products. Revenue is measured at the amount obtained after deducting price reductions, rebates, and sales returns from the transaction price in the contract with the customer.

5. Other significant matters pertaining to the preparation of the financial statements

(1) Method of material hedge accounting

1) Hedging method:

Deferred hedge treatment is adopted.

2) Hedging instruments and risks hedged:

Hedging methods to which hedge accounting is applied and hedge targets are as follows.

a. Hedging instruments: Forward exchange contracts

Hedged risk: Foreign currency-denominated monetary assets and liabilities

b. Hedging instruments: Interest rate swaps

Hedged risk: Borrowing

3) Hedging policy:

Our policy is to establish hedges for risks associated with movements in foreign exchange rates and interest rates. Derivatives are not used for more than the actual amount of the associated transactions and are never used for speculation.

4) Evaluation method for the effectiveness of hedges:

The Company evaluates the effectiveness of hedges by directly linking the hedging instruments with market changes in hedging methods or changes in cash flows.

(2) Translation of assets and liabilities denominated in foreign currencies into Japanese Yen:

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate in effect at the consolidated balance sheet date, and any gains and losses resulting from the translation are credited or charged to income.

#### ◆ Notes to Accounting Estimates

(Impairment of non-current assets)

In the current fiscal year, the Company determined that there was indication of impairment for 851 million yen of property, plant, equipment, etc. related to some of its fuel cell materials products due to the worsening of spreads resulting from the postponement of the launch of new products for the convenience of customers and other factors. After assessing whether an impairment loss should be recognized, no impairment loss was recognized, because the undiscounted future cash flows of the asset group exceeded the carrying amount.

The key assumptions used in the valuation of such undiscounted future cash flows are sales volumes and sales prices. Future sales volumes and sales prices are based on information obtained from customers, future market forecasts, and other information. If the outlook of the future business environment differs from the assumptions, it may have a significant impact on the estimate of the recoverable amount of the above asset group.

#### ◆ Notes to Nonconsolidated Balance Sheets

1. Monetary claims and liabilities relating to subsidiaries and associates	
Short-term monetary claims:	28,838 million yen
Long-term monetary claims:	352 million yen
Short-term monetary liabilities:	9,522 million yen
Long-term monetary liabilities:	24 million yen
2. Accumulated depreciation on property, plant, and equipment:	308,963 million yen
3. Guarantee obligations and guarantee reservations and obligations	
Outstanding balance of guarantee obligations:	10,558 million yen
Outstanding balance of guarantee reservations and obligations:	1,469 million yen

With regard to 918 million yen within the guarantee obligations, reinsurance from another company has been secured.

#### ◆ Notes to Nonconsolidated Statements of Income

1. Balance of transactions with subsidiaries and associates	
Balance of operating transactions	
Net sales:	54,467 million yen
Total purchase of goods:	27,747 million yen
Balance of non-operating transactions:	6,796 million yen

#### 2. Impairment losses

The Company groups its assets in the smallest units that generate largely independent cash flows based on the classification of business. For assets that are not expected to be used in the future, individual properties are grouped as a single unit.

In the current fiscal year, the Company recorded an impairment loss of 775 million yen for property, plant, and equipment related to certain products used mainly in detergents in the Solutions business segment. As a result of reviewing the business plan for products with declining profitability due to changes in the business environment, such as lower sales for high value-added products and intensifying price competition in overseas markets, and examining the future recoverability of property, plant, and equipment, the carrying amounts of buildings and structures, machinery and equipment, etc. were reduced to their recoverable amounts in the current fiscal year. The recoverable amount is based on value in use of 262 million yen measured at a discount rate of 7.1%. The key assumptions used in measuring value in use are sales volumes and sales prices. Sales volumes and sales prices are set based on information obtained from customers, future market forecasts, and other information.

The breakdown of impairment loss is as follows:

(Unit: Millions of yen)

Segment	Location	Type	Amount
Solutions	Kawasaki Plant (Kawasaki, Kanagawa Prefecture)	Buildings	8
		Structures	99
		Machinery and equipment	668
		Tools, furniture and fixtures	1
		Total	775

◆ **Notes to Nonconsolidated Changes in Shareholder's Equity**

Class and number of treasury shares at end of current period

Common stock:

384,210 shares

- Notes:
1. The number of treasury shares of common stock includes 44,900 shares of the Company's stock held in trust for the Performance-linked Stock Compensation Plan for the Company's Members of the Board and Executive Officers.
  2. The Company conducted a four-for-one stock split of its common stock on April 1, 2024. The above item is based on the number of shares prior to the stock split.

## ◆ Notes to Tax Effect Accounting

### Major factors for deferred tax assets and liabilities

#### Deferred tax assets

Shares of subsidiaries and associates	8,806 million yen
Depreciation (including impairment loss)	1,322 million yen
Provision for repairs	1,100 million yen
Land	886 million yen
Provision for bonuses	842 million yen
Investment securities	870 million yen
Other	1,238 million yen
Deferred tax assets subtotal	15,064 million yen
Valuation allowance	-9,568 million yen
Total deferred tax assets	5,497 million yen

#### Deferred tax liabilities

Valuation difference on available-for-sale securities	-7,081 million yen
Reserve for advanced depreciation of non-current assets	-212 million yen
Other	-630 million yen
Total deferred tax liabilities	-7,924 million yen

Deferred tax assets (liabilities), net -2,427 million yen

## ◆ Notes to Business Partners

### Subsidiaries and associates

Type	Subsidiary			Associates	
Name	NIPPON SHOKUBAI EUROPE N.V.	PT. NIPPON SHOKUBAI INDONESIA		Umicore Shokubai Japan Co., Ltd.	
Location	Antwerp, Kingdom of Belgium	Banten, Indonesia		Tokoname City, Aichi Prefecture, Japan	
Paid-in capital or equity stake	€243,000,000	US\$120,000,000		3,000 million yen	
Business description	Manufacturing of chemicals	Manufacturing of chemicals		Wholesale of chemicals	
Holding/held ratio of voting rights	Ownership Direct 100.0%	Ownership Direct 99.9%		Ownership Indirect 40.0%	
Relationship	Guarantor of obligations Concurrent director (1 director)	Financial assistance Guarantor of obligations Concurrent director (1 director)		Supply of Nippon Shokubai Products (automotive catalysts) and related transactions	
Transactions	Guarantee reservations	Collection of loans	Guaranty of loans	Sale of automotive catalysts (Note 1)	Procurement of raw materials (Note 1)
Amount (millions of yen)	1,469	3,724	8,721	18,356	12,544
Category	—	Short-term loans receivable from subsidiaries and associates	Long-term loans receivable from subsidiaries and associates	—	Accounts receivable - trade
Amount at end of term (millions of yen)	—	3,634	341	—	5,613
					2,727

(Note 1) Sales of products and procurement of raw materials have been determined with negotiated prices in light of market prices and costs.

(Note 2) In the above amount, consumption tax and other taxes are not included in the transaction amount or loans at the end of the fiscal period. Consumption tax and other taxes are included in accounts receivable-trade and accounts payable-trade in the amount at the end of the fiscal period.

◆ **Notes to Information Per Share**

Net assets per share: 1,741.77 yen

Basic earnings per share: 51.58 yen

Note: The Company carried out a four-for-one stock split effective from April 1, 2024. Therefore, net assets per share and the amount of basic earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the current fiscal year.

◆ **Notes to Significant Subsequent Events**

(Stock split and associated amendment to the Articles of Incorporation)

The Company carried out a stock split and an amendment of the Articles of Incorporation in connection with said stock split effective from April 1, 2024 in accordance with the resolution of the Board meeting held on December 18, 2023.

(1) Purpose of stock split

By conducting a stock split and lowering the amount per unit of investment, the Company aims to create a more investment-friendly environment, improve the liquidity of the Company's shares, and expand its investor base.

(2) Outline of stock split

1) Method of stock split

The Company conducted a four-for-one stock split of the Company's common stock held by shareholders listed or recorded in the Company's shareholder registry as of the end of March 31, 2024 (Sunday) (effectively March 29, 2024 (Friday), as that date was a holiday for the shareholder registry administrator).

2) Number of shares increased by stock split

Total number of shares issued and outstanding before stock split	39,000,000 shares
Number of shares increased by this stock split	117,000,000 shares
Total number of shares issued and outstanding after stock split	156,000,000 shares
Total number of authorized shares after stock split	508,800,000 shares

3) Schedule of stock split

Date of publication of the record date	March 15, 2024 (Friday)
Record date	March 31, 2024 (Sunday)
Effective date	April 1, 2024 (Monday)

(3) Amendment to the Articles of Incorporation

1) Reason for amendments

In accordance with the above stock split, the total number of authorized shares in Article 6 of the Company's Articles of Incorporation was amended effective April 1, 2024, pursuant to Article 184, Paragraph 2 of the Companies Act.

## 2) Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Before Amendments	After Amendments
Article 6. (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>127,200,000</u> .	Article 6. (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>508,800,000</u> .

## 3) Schedule of amendments

Date of resolution of the Board meeting	December 18, 2023 (Monday)
Effective Date	April 1, 2024 (Monday)

## (4) Other

### 1) Change in amount of capital stock

There will be no change in the amount of capital stock as a result of this stock split.

### 2) Dividends

Since the stock split is effective from April 1, 2024, the year-end dividend for the fiscal year ended March 31, 2024 will be based on the number of shares before the stock split.

The effect of this stock split on per share information is described in the “Notes to Per Share Information” in the Notes to Nonconsolidated Financial Statements.

## (Purchase of treasury shares)

The Company announced that it resolved at a Board of Directors Meeting held on May 13, 2024 the following items in regard to a purchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

### (1) Reasons for the purchase of treasury shares

In order to improve the shareholder return as well as capital efficiency and to implement flexible capital policy in response to change in the business environment.

### (2) Details of purchase

- 1) Class of shares to be purchased: Common stock
- 2) Total number of shares to be purchased: 4,000,000 shares (upper limit)  
(2.6% of the total number of issued shares (excluding treasury shares))
- 3) Total amount of purchase costs of the shares: 5,000 million yen (upper limit)
- 4) Purchase period: Monday, May 13, 2024 through Friday, February 28, 2025
- 5) Method of purchase: Market purchase (discretionary trading by securities companies) and off-auction own share repurchase trading (ToSTNeT-3) on the Tokyo Stock Exchange



(Capital increase of subsidiary)

The Company resolved at the Board meeting held on March 29, 2024 to conduct a capital increase for NIPPON SHOKUBAI EUROPE N.V. (hereinafter, the “Subsidiary”) and implemented the capital increase as follows:

(1) Purpose of capital increase

The main purpose is to repay the interest-bearing debt of the Subsidiary and reduce interest payments, thereby strengthening the financial management base of the Subsidiary and the Group.

(2) Outline of subject company

- |             |                             |
|-------------|-----------------------------|
| 1) Name     | NIPPON SHOKUBAI EUROPE N.V. |
| 2) Location | Antwerp, Kingdom of Belgium |
| 3) Business | Manufacturing of chemicals  |

(3) Outline of capital increase

- |                               |                                     |
|-------------------------------|-------------------------------------|
| 1) Amount of capital increase | 37 million euro (6,040 million yen) |
| 2) Payment date               | April 15, 2024                      |

◆ **Notes to Revenue Recognition**

The information that forms the basis for understanding revenues arising from contracts with customers is omitted as the same information is provided in “Notes to Revenue Recognition” in the Notes to Consolidated Financial Statements.