

This document is the translation version of 「第 25 期定時株主総会招集ご通知」 (“NOTICE OF THE 25<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS”) which is originally written in Japanese. This document is intended for reference-purpose only. In the event of any discrepancy between this translation and the original Japanese document, the original shall prevail. OSAKA Titanium technologies Co., Ltd. (hereinafter “the Company”) assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from this translation.

**Dear Shareholders,**

We would like to express our sincere gratitude to all our shareholders for their continued support.

While the global economy, which had fallen sharply as a result of the spread of the new coronavirus, is gradually recovering, Russia’s aggression against Ukraine has further pushed up resource and energy prices and, combined with disruptions in the global supply chain, the outlook remains uncertain.

In the Titanium business, our flagship operation, demand for titanium sponge in both the aerospace and general industrial sectors is on a recovery trend, and sales of high-purity titanium in the High-Performance Materials business expanded against the backdrop of the solid semi-conductor market. As a result, the Company’s sales increased in both the Titanium and High-Performance Materials businesses. However, the Company recorded a loss for the year due to the significant impact of soaring prices for various raw materials, including titanium ore, as well as rising unit electricity prices and significant increases in ocean freight costs.

In this difficult business environment, we are continuing to make company-wide efforts to rationalise production by improving production parameters, reducing labour costs, and cutting other expenditures, while improving product prices for titanium sponge and titanium tetrachloride as a priority issue in order to restore the profitability of the Titanium business. We are working hard to achieve this while seeking the understanding of customers. Through these efforts, we will strengthen our business base, secure stable earnings, and achieve an early recovery in our business performance. In addition, we are working to strengthen its business structure to ensure sustainable growth by quickly increasing the competitiveness of spherical titanium alloy powder (alloy TILOP) and silicon monoxide (SiO) anode material for LiBs (Lithium-ion Batteries), thus accelerating the transformation of the business portfolio. We will continue to promote the creation of new businesses for future new business development.

Moreover, the effects of climate change have become increasingly serious in recent years, and through sustainable management we will actively participate in resolving environmental issues such as global warming and other challenges to the realisation of a sustainable society from a social and economic perspective. Through these activities, we aim to increase our corporate value over the medium and long term.

From the financial result of the financial year under review, we regret to announce that we will forgo a dividend as in the previous financial year. We would like to express our deepest apologies to our shareholders and ask for your continued support and encouragement as we strive to resume dividend payments at the earliest time.

**Yasuaki Sugizaki**  
**Representative Director,**  
**Member of the Board & President**

**To All Shareholders with Voting Rights:**

Yasuaki Sugizaki  
Representative Director,  
Member of the Board & President  
OSAKA Titanium technologies Co., Ltd.  
1 Higashihama-cho,  
Amagasaki, Hyogo, Japan

**NOTICE OF  
THE 25<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the 25<sup>th</sup> Annual General Meeting of Shareholders of OSAKA Titanium technologies Co., Ltd. (the “Company”) will be held as follows:

- 1. Date and Time:** Wednesday, 22 June 2022, 10 am Japan time (doors open at 9 am).
- 2. Place:** Amagasaki Chamber of Commerce, Conference Room 701, 7th floor  
3-96 Showa Dori, Amagasaki, Hyogo, Japan
- 3. Meeting Agenda:**  
**Matters to be Reported** The Business Report and Financial Statements for the 25<sup>th</sup> Term  
(Financial Year ending 31 March, 2022)

**Matters to be Resolved**

- |               |   |
|---------------|---|
| <b>Item 1</b> | Partial Amendment to the Article of Incorporation   |
| <b>Item 2</b> | Appointment of four (4) Directors (excluding those who are Members of the Audit & Supervisory Committee)      |
| <b>Item 3</b> | Appointment of four (4) Directors who are Members of the Audit & Supervisory Committee                        |
| <b>Item 4</b> | Setting the Remuneration for Directors (excluding those who are Members of the Audit & Supervisory Committee) |
| <b>Item 5</b> | Setting the Remuneration for Directors who are Members of the Audit & Supervisory Committee                   |

The Business Report and Financial Statements are attached.

**In order to prevent the spread of new coronavirus infection, please exercise your voting rights in advance by mailing the enclosed voting form or online by the internet, and refrain from coming to the meeting on site as much as possible. Please review the enclosed Reference Documents for the Annual General Meeting of Shareholders and exercise your voting rights.**

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Notes:

If revisions are made to the Reference Documents for the Annual General Meeting of Shareholders or the Business Report by the day before the Annual General Meeting, the amended version will be posted on the Company’s website ([https://www.osaka-ti.co.jp/e/e\\_ir/general\\_meeting.html](https://www.osaka-ti.co.jp/e/e_ir/general_meeting.html)).

## Reference Documents for the Annual General Meeting of Shareholders

### Matters to be Resolved

#### **Item 1 Partial Amendment to the Articles of Incorporation**

##### **1. Reasons for Proposal**

- (1) In order to prepare for the expansion of the Company’s business and the diversification of its business in the future, necessary changes have been made to Article 2 (Purpose).
- (2) In order to respond to changes in the environment surrounding our business, we have decided to change from a “company with a board of corporate auditors” to a “company with an audit & supervisory committee” with the aim of further speeding up management decision-making, enhancing strategic discussions at board meetings on management policy, and strengthening the supervisory function of the Board of Directors. The Company will make changes necessary for the transition to a “company with an audit & supervisory committee”, including the establishment of new provisions relating to the Audit & Supervisory Committee and its Members, and the deletion of provisions relating to the Audit & Supervisory Board and its Members.
- (3) The amendment stipulated in the proviso of Article 1 of the Supplementary Provisions of the “Law Partially Amending the Companies Act” (Law No. 70 of 2019) will come into force on 1 September 2022. The following amendments are proposed to the Articles of Incorporation in order to prepare for the introduction of an electronic provision system for the General Meeting of Shareholders’ documents.
  - i. Paragraph 1 of Article 17 of the proposed changes provides for electronic provision of the information that is the content of the reference documents for the General Meeting of Shareholders.
  - ii. Paragraph 2 of Article 17 of the proposed changes would establish provisions to limit the scope of matters to be included in the document to be delivered to shareholders who have requested a printed document.
  - iii. The provision on internet disclosure of reference documents for the General Meeting of Shareholders and other documents (Article 17 of the current Articles of Incorporation) will be deleted as it is no longer necessary.
  - iv. In connection with the above new establishment and deletion, supplementary provisions regarding the effective date, etc. are to be established.

##### **2. Details of Changes**

The changes are as follows.

The amendments to the Articles of Incorporation in relation to this proposal will become effective at the conclusion of this Annual General Meeting.

*(Underlining indicates changes)*

Existing Articles of Incorporation	Proposed Changes
<b>Chapter 1 General provisions</b>	<b>Chapter 1 General provisions</b>
<b>Article 1</b> (Text omitted)	<b>Article 1</b> (as at present)
<b>Article 2</b> (Objectives) The purpose of the Company shall be to engage in the following businesses	<b>Article 2</b> (Objectives) (as at present).
(1) Production and sale of <u>rare metals</u> such as titanium metal	(1) Production and sale of <u>non-ferrous metals</u> such as titanium metal <u>and semiconductor materials</u>
(2) Production and sale of <u>rare metal</u> compounds, including titanium compounds	(2) Production and sale of <u>non-ferrous metal</u> compounds, including titanium compounds
<u>(3) Manufacture and sale of silicon and other semiconductor materials</u>	(Deleted)
<u>(4) Manufacture and sale of silicon compounds and</u>	(3) <u>Manufacture and sale of silicon compounds and</u>

Existing Articles of Incorporation	Proposed Changes
<p><u>chemicals</u> (Newly established)</p> <p>(5) Businesses incidental to the preceding items and all related activities.</p> <p><b>Article 3</b> (Text omitted)</p> <p><b>Article 4</b> (Establishment of institutions) In addition to the General Meeting of Shareholders and Directors, the Company has a <u>Board of Directors, Audit &amp; Supervisory Board Members, an Audit &amp; Supervisory Board and Accounting Auditors.</u></p> <p><b>Article 5</b> (Text omitted)</p>	<p><u>chemical and industrial chemical materials</u> (4) <u>Industrial and general waste treatment and reclamation services</u> (5) (as at present).</p> <p><b>Article 3</b> (as at present)</p> <p><b>Article 4</b> (Establishment of institutions) In addition to the General Meeting of Shareholders and Directors, the Company has the <u>following</u> bodies</p> <p>(1) <u>Board of Directors</u> (2) <u>Audit &amp; Supervisory Committee</u> (3) <u>Accounting Auditors</u></p> <p><b>Article 5</b> (as at present)</p>
<p style="text-align: center;"><b>Chapter 2: Shares</b></p> <p><b>Articles 6 to 11</b> (Text omitted)</p>	<p style="text-align: center;"><b>Chapter 2: Shares</b></p> <p><b>Articles 6 to 11</b> (as at present)</p>
<p style="text-align: center;"><b>Chapter 3 General meeting of shareholders</b></p> <p><b>Articles 12 - 16</b> (Text omitted)</p>	<p style="text-align: center;"><b>Chapter 3 General meeting of shareholders</b></p> <p><b>Articles 12 to 16</b> (as at present)</p>
<p><b>Article 17</b> (Internet disclosure of reference documents, etc.) <u>The Company may disclose information relating to matters to be stated or indicated in the reference documents for the General Meeting of Shareholders, the financial statements, the consolidated financial statements, and the business report on the Internet in accordance with the Ordinance of the Ministry of Justice.</u></p>	<p style="text-align: center;">(Deleted)</p>
<p style="text-align: center;">(Newly established)</p> <p style="text-align: center;"><b>Chapter 4 Directors and Board of Directors</b></p> <p><b>Article 18</b> (Number of directors) The Company shall have no more than <u>seven (7)</u> Directors.</p> <p style="text-align: center;">(Newly established)</p>	<p><b>Article 17</b> (Electronic provision measures, etc.) <u>1. When convening a General Meeting of Shareholders, the Company shall take measures to provide the information that is the content of the reference documents for the General Meeting of Shareholders, etc., electronically.</u> <u>2. The Company may not include all or part of the matters for which it takes electronic provision measures, which are specified in the Ordinance of the Ministry of Justice, in the document to be delivered to shareholders who have requested written delivery by the record date for voting rights.</u></p> <p style="text-align: center;"><b>Chapter 4 Directors and Board of Directors</b></p> <p><b>Article 18</b> (Number of directors) <u>1. The Company shall have no more than six (6) Directors (excluding those who are Members of the Audit &amp; Supervisory Committee).</u> <u>2. The Company shall have no more than five (5) Directors who are Members of the Audit &amp; Supervisory Committee.</u></p>

Existing Articles of Incorporation	Proposed Changes
<p><b>Article 19</b> (Election of directors)  1.The election of Directors is carried out at a General Meeting of Shareholders, where shareholders holding at least one third of the voting rights of shareholders entitled to exercise their voting rights are present, and where a majority of the voting rights of the shareholders present are required for the resolution for the election.</p> <p>2.The resolution for the election of Directors shall not be by cumulative voting.</p> <p><b>Article 20</b> (Term of office of directors)  The term of office of Directors shall expire at the conclusion of the Annual General Meeting of Shareholders relating to the last of the financial years ending within one year after their election.</p> <p style="text-align: center;">(Newly established)</p> <p style="text-align: center;">(Newly established)</p> <p><b>Article 21</b> (Directors with office and representative directors)  1.The Board of Directors may, by resolution, appoint one Chairman of the Board of Directors, one President of the Board of Directors and a few Vice Presidents of the Board of Directors.</p> <p>2.The Board of Directors shall, by resolution, select a few Representative Directors.</p> <p>3.The Representative Directors execute the business by resolution of the Board of Directors. However, day-to-day operations may be carried out exclusively by the representative director.</p> <p><b>Article 22</b> (Board of Directors)  1. Meetings of the Board of Directors are convened and chaired by <u>the President, Member of the Board. If the President is unable to act, the provisions of Article 14(2) shall apply mutatis mutandis.</u>  (Newly established)</p> <p>2. Notice of a meeting of the Board of Directors shall be</p>	<p><b>Article 19</b> (Election of directors)  1. The election of Directors, <u>distinguishing between those who are members of the Audit &amp; Supervisory Committee and those who are not, shall be</u> carried out at a General Meeting of Shareholders, where shareholders holding at least one-third of the voting rights of shareholders entitled to exercise their voting rights are present, and where a majority of the voting rights of the shareholders present are required for the resolution for the election.</p> <p>2. (As at present).</p> <p><b>Article 20</b> (Term of office of directors)  1. The term of office of Directors <u>(excluding those who are Members of the Audit &amp; Supervisory Committee)</u> shall expire at the conclusion of the Annual General Meeting of Shareholders relating to the last of the financial years ending within one year after their election.</p> <p>2. <u>The term of office of Directors who are Members of the Audit &amp; Committee shall expire at the conclusion of the Annual General Meeting of Shareholders relating to the last of the financial years ending within two years after their election.</u></p> <p>3. <u>The term of office of a Director who is a Member of the Audit &amp; Supervisory Committee appointed to fill in for a director who retires before the expiry of his term of office shall expire when the term of office of the retiring Director as a Member of the Audit &amp; Supervisory Committee expires.</u></p> <p><b>Article 21</b> (Directors with office and representative directors)  1.The Board of Directors may, by resolution, appoint one Chairman of the Board, one President and a few Vice Presidents <u>from among the Directors (excluding those who are Members of the Audit &amp; Supervisory Committee).</u></p> <p>2. The Board of Directors shall, by resolution, select a few Representative Directors <u>from among the Directors (excluding those who are Members of the Audit &amp; Supervisory Committee).</u></p> <p>3. (As at present).</p> <p><b>Article 22</b> <u>(Convening and chairing of the Board of Directors' meetings)</u>  1. <u>Except as otherwise provided by law,</u> meetings of the Board of Directors are convened and chaired by the <u>Director previously determined by resolution of the Board of Directors.</u></p> <p>2. <u>If the Director referred to in the preceding paragraph is unable to act, another Director shall take his/her place in an order previously determined by the Board of Directors.</u></p> <p>3. Notice of a meeting of the Board of Directors shall be</p>

Existing Articles of Incorporation	Proposed Changes
<p>given to each Director <u>and each Audit &amp; Supervisory Board Member</u> at least three days before the date of the meeting. However, this period may be shortened in urgent cases.</p>	<p>given to each Director at least three days before the date of the meeting. However, this period may be shortened in urgent cases.</p>
<p><b>Article 23</b> (<u>Omission of resolutions of the Board of Directors</u>) (Newly established)</p>	<p><b>Article 23</b> (<u>Method of resolution of the Board of Directors</u>)</p>
<p>The Company shall be deemed to have passed a resolution of the Board of Directors on the matter for the purposes of the resolution of the Board of Directors if the requirements of Article 370 of the Companies Act are met.</p>	<p><u>1. Resolutions of the Board of Directors shall be adopted by a majority of those present at a meeting where a majority of the Directors who are entitled to vote are present.</u> <u>2. The Company shall be deemed to have passed a resolution of the Board of Directors on the matter for the purposes of the resolution of the Board of Directors if the requirements of Article 370 of the Companies Act are met.</u></p>
<p>(Newly established)</p>	<p><b>Article 24</b> (<u>Delegation of important business decisions</u>)</p>
<p><b>Article 24</b> (Remuneration for Directors) Director’s remuneration, bonuses and other property benefits received from the Company in consideration of the performance of duties by the Directors (referred to as “Remuneration,” the same shall apply hereinafter.) shall be determined by resolution of the General Meeting of Shareholders.</p>	<p><u>Pursuant to Article 399-13(6) of the Companies Act, the Company may, by resolution of the Board of Directors, delegate all or part of the decisions on the execution of important business affairs (excluding the matters listed in the items of paragraph 5 of Article 399-13) to the Directors.</u></p> <p><b>Article 25</b> (Remuneration of Directors) Director’s remuneration, bonuses and other property benefits received from the Company in consideration of the performance of duties by the Directors (referred to as “Remuneration,” the same shall apply hereinafter.) , <u>distinguishing between those who are Members of the Audit &amp; Supervisory Committee and those who are not,</u> shall be determined by resolution of the General Meeting of Shareholders.</p>
<p><b>Article 25</b> (Exemption of Directors from liability) 1. The Company may, by resolution of the Board of Directors, exempt directors (including persons who were previously directors) from liability for damages to the Company to the extent provided for by law. 2. The Company may enter into an agreement with an Outside Director to limit his or her liability for damages to the Company to an amount determined by law.</p>	<p><b>Article 26</b> (Exemption of Directors from liability) 1. (As at present).  2. The Company may enter into agreements with <u>Directors (other than those who are Executive Directors, etc.) to the effect that their liability for damages to the Company shall be limited to the amount stipulated by law.</u></p>
<p style="text-align: center;"><b><u>Chapter 5 Audit &amp; Supervisory Board and its Members</u></b></p> <p><b>Article 26</b> (<u>Number of Audit &amp; Supervisory Board Members</u>) <u>The Company shall have no more than five (5) auditors.</u></p> <p><b>Article 27</b> (<u>Appointment of Audit &amp; Supervisory Board Members</u>) <u>The election of Audit &amp; Supervisory Board Members is carried out at the General Meeting of Shareholders, which is attended by shareholders holding at least one-</u></p>	<p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p>

Existing Articles of Incorporation	Proposed Changes
<p><u>third of the voting rights of shareholders entitled to exercise their voting rights, and the resolution for their election is adopted by a majority of the votes of the shareholders present.</u></p>	
<p><b><u>Article 28</u></b> (Term of office of Audit &amp; Supervisory Board Members)  <u>1.The term of office of an Audit &amp; Supervisory Board Member shall expire at the conclusion of the Annual General Meeting of Shareholders relating to the last of the financial years ending within four years after their election.</u>  <u>2.The term of office of an Audit &amp; Supervisory Board Member appointed to fill the vacancy of an auditor who retires before the expiry of his or her term of office shall expire at the end of the term of office of the retiring auditor.</u></p>	(Deleted)
<p><b><u>Article 29</u></b> (Full-time Audit &amp; Supervisory Board Members and Senior Audit &amp; Supervisory Board Members)  <u>1. The Audit &amp; Supervisory Board shall, by resolution, select a full-time Audit &amp; Supervisory Board Member.</u>  <u>2.The Audit &amp; Supervisory Board may, by resolution, appoint a few Senior Audit &amp; Supervisory Board Member.</u></p>	(Deleted)
<p><b><u>Article 30</u></b> (Audit &amp; Supervisory Board)  <u>1. Notice of a meeting of the Audit &amp; Supervisory Board shall be given to each member at least three days before the date of the meeting. However, this period may be shortened in urgent cases.</u>  <u>2. Resolutions of the Audit &amp; Supervisory Board are adopted by a majority of the Audit &amp; Supervisory Board members, except as otherwise provided by law.</u></p>	(Deleted)
<p><b><u>Article 31</u></b> (Remuneration for Audit &amp; Supervisory Board Member)  <u>The remuneration for Audit &amp; Supervisory Board Member shall be determined at the General Meeting of Shareholders.</u></p>	(Deleted)
<p><b><u>Article 32</u></b> (Exemption of Audit &amp; Supervisory Member from liability)  <u>1. The Company may, by resolution of the Board of Directors, exempt Audit &amp; Supervisory Board Members (including persons who were previously Members) from liability for damages to the Company to the extent provided for by law.</u>  <u>2. The Company may enter into an agreement with an Outside Audit &amp; Supervisory Board Member that limits his or her liability for damages to the Company to an amount determined by law.</u></p>	(Deleted)
<p>(Newly established)</p> <p>(Newly established)</p>	<p><b><u>Chapter 5: Audit &amp; Supervisory Committee</u></b></p> <p><b><u>Article 27</u></b> (Full-time Audit &amp; Supervisory Committee Members)</p>

Existing Articles of Incorporation	Proposed Changes
	<p><u>The Audit &amp; Supervisory Committee may, by resolution, select a full-time Member of the Audit &amp; Supervisory Committee.</u></p>
(Newly established)	<p><u><b>Article 28</b> (Convening of meetings of the Audit &amp; Supervisory Committee)</u>  <u>Notice of a meeting of the Audit &amp; Supervisory Committee shall be given to each Member of the Audit &amp; Supervisory Committee at least three days before the date of the meeting. However, this period may be shortened in urgent cases.</u></p>
(Newly established)	<p><u><b>Article 29</b> (Method of resolution of the Audit &amp; Supervisory Committee)</u>  <u>Resolutions of the Audit &amp; Supervisory Committee shall be adopted by a majority of those present at a meeting where a majority of the Audit &amp; Supervisory Committee Members who are entitled to vote are present.</u></p>
<p align="center"><b>Chapter 6 Accounting auditors</b></p> <p><b>Articles 33 to 34</b> (Text omitted).</p> <p><b>Article 35</b> (Remuneration for accounting auditors)  The remuneration for the accounting auditor is determined by the Representative Director with the consent of the <u>Audit &amp; Supervisory Board</u>.</p>	<p align="center"><b>Chapter 6 Accounting auditors</b></p> <p><b>Articles 30-31</b> (as at present)</p> <p><b>Article 32</b> (Remuneration for accounting auditors)  The remuneration for the accounting auditor is determined by the Representative Director with the consent of the <u>Audit &amp; Supervisory Committee</u>.</p>
<p align="center"><b>Chapter 7 Calculation</b></p> <p><b>Articles 36 to 39</b> (Text omitted).</p>	<p align="center"><b>Chapter 7 Calculation</b></p> <p><b>Articles 33 to 36</b> (as at present)</p>
(Newly established)	<p align="center"><u>Supplementary Provisions</u></p> <p><u><b>Article 1</b> (Transitional measures regarding exemption of Audit &amp; Supervisory Board Members from liability)</u>  <u>The exemption of auditors from liability under Article 423(1) of the Companies Act by a resolution of the Board of Directors arising prior to the conclusion of the 25th Annual General Meeting of Shareholders shall be in accordance with Article 32(1) of the Articles of Incorporation prior to the amendment.</u></p>
(Newly established)	<p><u><b>Article 2</b> (Transitional measures concerning electronic provision measures, etc.)</u></p> <p><u>1. The deletion of Article 17 (Internet Disclosure of Reference Documents, etc.) of the Articles of Incorporation before amendment and the establishment of Article 17 (Electronic provision measures, etc.) of the Articles of Incorporation after amendment shall take effect from 1 September 2022, the date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the Supplementary Provisions of the Law Amending Part of the Companies Act (Law No. 70 of 2019).</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 17 of the Articles of Incorporation before amendment remains in force for the General Meeting of Shareholders whose date is within six months</u></p>

Existing Articles of Incorporation	Proposed Changes
	<p>of 1 September 2022.</p> <p>3. This Article shall be deleted on the later date of either the expiry of six months from 1 September 2022 or three months from the date of the General Meeting of Shareholders referred to in the preceding paragraph.</p>

## **Matters to be Resolved**

### **Item 2 Appointment of four (4) Directors (excluding those who are Members of the Audit & Supervisory Committee)**

Subject to the resolution of the Item 1 (Partial Amendment to the Articles of Incorporation), the Company will transition to a company with the Audit & Supervisory Committee. Therefore, as the terms of office of all six Directors will expire at the conclusion of this General Meeting of Shareholders, the appointment of four (4) Directors (excluding those who are Members of the Audit & Supervisory Committee), is proposed.

This Item will become effective when the Item 1 (Partial Amendment to the Articles of Incorporation) takes effect.

The candidates for Directors (excluding those who are Members of the Audit & Supervisory Committee) are as follows:

<List of Candidates for Directors (excluding those who are Members of the Audit & Supervisory Committee)>

Candidate No.	Name		Current Position and Responsibilities at the Company
1	Yasuaki Sugizaki	Reappoint	Representative Director, Member of the Board & President
2	Satoru Takahashi	Reappoint	Director, Member of the Board & Senior Managing Executive Officer Oversees the Corporate Planning & Finance, the General Affairs & Human Resources, and the Raw Materials & Purchasing Departments
3	Masayuki Tsuji	Reappoint	Director, Member of the Board & Senior Managing Executive Officer Oversees the Sales & Marketing and the High-Performance Materials Departments. General Manager of Tokyo Office.
4	Junji Kawafuku	Reappoint	Director, Member of the Board & Managing Executive Officer Oversees the Safety, Environment & Disaster Management, the Production Control, the Quality Assurance, the Technology, the Testing & Analysis, the Facilities, and the Titanium Manufacturing Departments

(Notes)

1. There are no special interests between each candidate and the Company.

2. The Company has entered into a liability insurance contract with an insurance company for all Directors, Members of the Board, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance policy shall cover any loss that may arise as a result of an insured Director being held liable for the performance of his or her duties or being subject to a claim in respect of such liability. In the event that each candidate is appointed as a director, he or she will become an insured person under the relevant insurance policy and the policy will be renewed during the term of office.

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
1	Yasuaki Sugizaki (17 May, 1957)  <b>Reappoint</b>	<p>April 1988 Joined Kobe Steel, Ltd.</p> <p>April 2011 Executive Officer, General Manager of Research &amp; Development Planning Department, Technical Development Group, Kobe Steel, Ltd.</p> <p>April 2013 Managing Executive Officer, General Manager of Technical Development Group, Kobe Steel, Ltd.</p> <p>June 2014 Managing Director, General Manager of Technical Development Group, Kobe Steel, Ltd.</p> <p>April 2015 Senior Managing Director, Kobe Steel, Ltd.</p> <p>April 2016 Director, Senior Managing Executive Officer, Assistant to the President, Kobe Steel, Ltd.</p> <p>April 2016 Corporate Adviser, the Company</p> <p>June 2016 Representative Director, Member of the Board &amp; President, the Company (to present)</p>	<p>Number of Shares held in the Company: 12,100 shares</p> <p>Attendance at Board of Directors (FY2021): 12/12 (100%)</p>
<p><b>Reasons for Appointment as Director:</b>  He has been re-appointed as a candidate for Director because he has been working to enhance the corporate value of the Company as the Representative Director, Member of the Board &amp; President, and because he has been demonstrating strong leadership in building a strong corporate structure for the future of the Company. In particular, he has been involved in the improvement of the profitability of our Titanium business and the transformation of our business portfolio.</p>			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
2	Satoru Takahashi (7 January, 1960)  <b>Reappoint</b>	<p>April 1982    Joined Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION)</p> <p>April 2011    Department Manager of Production Control and Purchasing Department, the Company</p> <p>June 2012    General Manager of Raw Materials Department, the Company</p> <p>June 2015    Executive Officer, General Manager of Raw Materials Department, the Company</p> <p>April 2017    Executive Officer, General Manager of Corporate Planning Department, the Company</p> <p>April 2018    Managing Executive Officer, the Company</p> <p>June 2018    Director, Member of the Board, Managing Executive Officer, the Company</p> <p>April 2019    Director, Member of the Board, Senior Managing Executive Officer, the Company (to present)</p> <p><b>Responsibilities</b> Oversees the Corporate Planning and Finance, the General Affairs and Human Resources, and the Raw Materials and Purchasing Departments</p>	<p>Number of Shares held in the Company: 8,100 shares</p> <p>Attendance at Board of Directors (FY2021): 12/12 (100%)</p>
<p><b>Reasons for Appointment as Director:</b> He has been re-appointed as a candidate for Director because he has a wealth of experience and a wide range of insights in accounting, corporate planning, and raw materials business, and because he has played an important role of top executive in the Finance as well as in the General Affairs and Human Resources Departments, thus enhancing the Company's corporate governance and contributing to the improvement of corporate value of the Company.</p>			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
3	Masayuki Tsuji (13 May, 1958)  <b>Reappoint</b>	<p>April 1982    Joined the Company</p> <p>July 2006    Department Manager of Sales and Marketing Department, the Company</p> <p>June 2008    General Manager of Sales and Marketing Department, the Company</p> <p>June 2015    Executive Officer, General Manager of Sales and Marketing Department, the Company</p> <p>July 2017    Executive Officer, the Company</p> <p>April 2018    Managing Executive Officer, Company</p> <p>April 2019    Managing Executive Officer, General Manager of Tokyo Office, the Company</p> <p>June 2019    Director, Member of the Board, Managing Executive Officer, General Manager of Tokyo Office, the Company</p> <p>April 2020    Director, Member of the Board, Senior Managing Executive Officer, General Manager of Tokyo Office, the Company (to present)</p> <p><b>Responsibilities</b> Oversees the Sales and Marketing and the High-Performance Materials Departments. General Manager of Tokyo Office</p>	<p>Number of Shares held in the Company: 17,400 shares</p> <p>Attendance at Board of Directors (FY2021): 12/12 (100%)</p>
		<p><b>Reasons for Appointment as Director:</b> He has been re-appointed as a candidate for Director because he has many years of experience in the sales division, taking a leadership role in developing sales strategies to meet the growing demand for titanium by developing long-term relationships with customers in Japan and overseas, thus making a significant contribution to expanding sales of titanium sponge. At present, he takes charge of the sales division of the Company as a whole, not only our Titanium segment but also including our High-Performance Materials segment. All these achievements of his would lead to the enhancement of the Company's corporate value.</p>	

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
4	<p>Junji Kawafuku (1 April, 1960)</p> <p><b>Reappoint</b></p>	<p>April 1985 Joined Kobe Steel, Ltd.</p> <p>April 2010 Manager of Titanium Plant and Head of Plant Control department, Titanium Division, Iron &amp; Steel business, Kobe Steel, Ltd.</p> <p>April 2013 Head of Titanium Division, Iron &amp; Steel business, Kobe Steel, Ltd.</p> <p>April 2014 Senior General Manager, Head of Titanium Division, Iron &amp; Steel business, Kobe Steel, Ltd.</p> <p>April 2018 Senior General Manager, Assistant Executive Officer of Titanium Division, Iron &amp; Steel business, Kobe Steel, Ltd.</p> <p>April 2020 Managing Executive Officer, the Company</p> <p>June 2020 Director, Member of the Board, Managing Executive Officer, the Company (to present)</p> <p><b>Responsibilities</b> Oversees the Safety, Environment and Disaster Management, the Production Control, the Quality Assurance, the Technology, the Testing and Analysis, the Facilities, and the Titanium Manufacturing Departments</p>	<p>Number of Shares held in the Company: 2,400 shares</p> <p>Attendance at Board of Directors (FY2021): 12/12 (100%)</p>
<p><b>Reasons for Appointment as Director:</b> He has been re-appointed as a candidate for Director because he has contributed to the enhancement of the Company's corporate value by leading the manufacturing and engineering divisions of the Company with his broad insight and management skills. He held several important positions in the Titanium Division at Kobe Steel, Ltd.</p>			

## **Matters to be Resolved**

### **Item 3 Appointment of four (4) Directors who are Members of the Audit & Supervisory Committee**

Subject to the resolution of the Item 1 (Partial Amendment to the Articles of Incorporation), the Company will transition to a company with the Audit & Supervisory Committee. Therefore, the appointment of four (4) Directors who are Members of the Audit & Supervisory Committee is proposed.

This Item will become effective when the Item 1 (Partial Amendment to the Articles of Incorporation) takes effect.

The candidates for Directors who are Members of the Audit & Supervisory Committee are as follows:

<List of Candidates for Directors who are Members of the Audit & Supervisory Committee>

Candidate No.	Name		Current Position and Responsibilities at the Company
1	Nobuhide Shimamoto	Newly-appoint	Full-time Audit & Supervisory Board Member
2	Nae Iijima	Newly-appoint Outside Independent	Outside Director, Member of the Board
3	Shigehisa Yamaguchi	Newly-appoint Outside Independent	Outside Director, Member of the Board
4	Masashi Murata	Newly-appoint Outside Independent	Outside Audit & Supervisory Board Member

(Notes)

1. There are no special interests between each candidate and the Company.
2. The Company has entered into a liability insurance contract with an insurance company for all Directors, Members of the Board, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance policy shall cover any loss that may arise as a result of an insured Director being held liable for the performance of his or her duties or being subject to a claim in respect of such liability. In the event that each candidate is appointed as a director, he or she will become an insured person under the relevant insurance policy and the policy will be renewed during the term of office.

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
1	Nobuhide Shimamoto (3 January, 1960)  Newly-appoint	<p>April 1982      Joined Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION)</p> <p>April 2009      Department Manager of the Accounting Department, Sumitomo Metal Industries, Ltd. (currently NIPPON STEEL CORPORATION)</p> <p>October 2012    General Manager of the Finance &amp; Accounting Department, the Company</p> <p>July 2013        General Manager, Head of the Finance &amp; Accounting Department, the Company</p> <p>July 2015        Chief Manager, the Company</p> <p>April 2016        Executive Officer, the Company</p> <p>August 2016     Executive Officer, General Manager of the Finance &amp; Accounting Department, the Company</p> <p>April 2018        Executive Officer, General Manager of the Corporate Planning Department, the Company</p> <p>April 2019        Managing Executive Officer, General Manager of the Corporate Planning Department, the Company</p> <p>November 2019   Managing Executive Officer, General Manager of the Corporate Planning and the Finance &amp; Accounting Departments, the Company</p> <p>April 2021        Corporate Adviser, the Company</p> <p>June 2021        Full-time Audit &amp; Supervisory Board Member, the Company (to present)</p>	<p>Number of Shares held in the Company: 5,100 shares</p> <p>Attendance at Board of Directors (FY2021): 9/9 (100%)</p>
<p><b>Reasons for Appointment as Director who is a Member of the Audit &amp; Supervisory Committee:</b>  He has been appointed as a candidate for Director who is a Members of the Audit &amp; Supervisory Committee because he has been engaged in work related to finance and accounting for many years and has sufficient knowledge in this area, and is also familiar with the Company's business, such as being in charge of the Corporate Planning and the Finance &amp; Accounting Departments after assuming the position of Executive Officer of the Company, and he utilises his knowledge and experience in the supervision of business execution as an auditor and performs his duties appropriately.</p>			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
2	Nae Iijima (11 April, 1964)  Newly-appoint Outside Independent	<p>April 1994 Registered as Attorney-at-Law Joined Dojima Law Office</p> <p>October 2001 Joined Kirkland &amp; Ellis LLP, Washington, D.C., USA</p> <p>January 2002 Registered as Attorney-at-Law in New York State Bar Association</p> <p>September 2002 Returned to Dojima Law Office (to present)</p> <p>June 2003 Outside Audit and Supervisory Committee Member, NAVITAS Co., LTD. (currently SiriusVision Co., Ltd.)</p> <p>April 2013 Visiting Professor, Kyoto University Law School</p> <p>June 2015 Outside Director, Member of the Board, the Company (to present)</p> <p>June 2016 Outside Director (Audit &amp; Supervisory Committee Member), NAVITAS Co., LTD. (currently SiriusVision Co., Ltd.)</p> <p>April 2019 Vice president, the Osaka Bar Association</p> <p>March 2022 Outside Director (Audit and Supervisory Committee Member), Okura Industrial Co., Ltd (to present)</p>	<p>Number of Shares held in the Company: 0 shares</p> <p>Term of office as Outside Director, Member of the Board (at the close of AGM): 7 years</p> <p>Attendance at Board of Directors (FY2021): 12/12 (100%)</p>
<p><b>Reasons for Appointment as Director who is a Member of the Audit &amp; Supervisory Committee and Expected Roles:</b></p> <p>She has been appointed as a candidate for Outside Director who is a Member of the Audit &amp; Supervisory Committee because she is expected to continue to provide appropriate advice to the Company and supervise the execution of business from the perspective of legal risk and compliance with the law, based on her knowledge and experience as a legal professional. Although she has no experience of being involved in the management of a company other than as an outside director, she has performed appropriately her duties by supervising the execution of business from an independent standpoint by applying her expertise and broad insight cultivated as a legal professional.</p>			
<p><b>Special Notes on the Candidate as an Outside Director:</b></p> <p>(1) She is a candidate for Outside Director, Member of the Board, and has been registered as an Independent Director to Tokyo Stock Exchange, Inc. If this appointment is resolved and she becomes an Outside Director, Member of the Board, she will continue to serve as an Independent Director.</p> <p>(2) In the event that this Item is resolved, and she is appointed as an outside director, the Company will enter into a liability limitation agreement with her up to the amount stipulated in Article 425(1) of the Companies Act.</p>			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
3	Shigehisa Yamaguchi (11 June, 1952)  <div style="border: 1px solid black; padding: 2px; width: fit-content;">             Newly-appoint              Outside  <span style="background-color: #cccccc;">Independent</span> </div>	April 1975 Joined Anritsu Electric Co., Ltd. (currently Anritsu Corporation) June 1999 General Manager of Sales Department No. 2, Overseas Sales Division No. 1, Anritsu Corporation July 2002 General Manager of Global Marketing Division, Anritsu Corporation April 2003 Executive Officer, General Manager of Global Business Division, Anritsu Corporation June 2003 Director, Member of the Board, Executive Officer, General Manager of Global Business Division, Anritsu Corporation April 2007 Director, Member of the Board, Managing Executive Officer, General Manager of Global Business Division, Anritsu Corporation April 2008 Director, Member of the Board, Managing Executive Officer, General Manager of Sales and CRM Group, Anritsu Corporation April 2010 Director, Member of the Board, Managing Executive Officer, General Manager of Corporate Planning Office, Anritsu Corporation April 2011 Director, Member of the Board, Anritsu Corporation June 2011 Full-time Audit & Supervisory Board Member, Anritsu Corporation June 2020 Outside Director, Member of the Board, the Company (to present)	Number of Shares held in the Company: 0 shares  Term of office as Outside Director, Member of the Board (at the close of AGM): 2 years  Attendance at Board of Directors (FY2021): 12/12 (100%)
<b>Reasons for Appointment as Director who is a Member of the Audit &amp; Supervisory Committee and Expected Roles:</b> He has been appointed as a candidate for Outside Director who is a Member of the Audit & Supervisory Committee because he is expected to continue to provide appropriate advice to the Company and supervise the execution of business based on the knowledge and experience, he has cultivated through his wide range of work experience, including management experience. He has a high level of insight and a wealth of experience as a management executive, having held key positions in overseas business, corporate planning, and other departments at Anritsu Corporation, and he also has deep knowledge of corporate governance, having served as a corporate auditor at Anritsu Corporation. He has used his knowledge and experience to supervise the execution of business from an independent standpoint and has performed his duties appropriately.			
<b>Special Notes on the Candidate as an Outside Director:</b> (1) He is a candidate for Outside Director, Member of the Board, and has been registered as an Independent Director to Tokyo Stock Exchange, Inc. If this appointment is resolved and he becomes an Outside Director, Member of the Board, he will continue to serve as an Independent Director. (2) In the event that this Item is resolved, and he is appointed as an outside director, the Company will enter into a liability limitation agreement with him up to the amount stipulated in Article 425(1) of the Companies Act.			

Candidate No.	Name (Date of Birth)	Personal History, Positions & Responsibilities, and Important Concurrent Positions	
4	Masashi Murata (19 March, 1958)  <div style="border: 1px solid black; padding: 2px; width: fit-content;"> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Newly-appoint</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Outside</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; background-color: #cccccc;">Independent</div> </div>	<p>April 1983      Joined Asahi Glass Co., Ltd. (currently AGC Inc.)</p> <p>March 1995      Group Leader of Marketing Group, Electronic business, Asahi Glass Co., Ltd.</p> <p>August 1998      General Manager, Office of the President, Santen Pharmaceutical Co., Ltd.</p> <p>September 2001      General Manager, Strategic Planning Group, Sales &amp; Marketing Division, Prescription Pharmaceuticals, Santen Pharmaceutical Co., Ltd.</p> <p>July 2002      General Manager, Ophthalmic Marketing Group, Sales &amp; Marketing Division, Prescription Pharmaceuticals, Santen Pharmaceutical Co., Ltd.</p> <p>January 2005      General Manager, Strategic Planning &amp; Controlling Group, Sales &amp; Marketing Division, Prescription Pharmaceuticals, Santen Pharmaceutical Co., Ltd.</p> <p>April 2007      General Manager, Corporate Planning Group, Santen Pharmaceutical Co., Ltd.</p> <p>July 2011      Santen Inc. CAO(Chief Administrative Officer)</p> <p>January 2014      General Manager, Office of Corporate Auditors, Santen Pharmaceutical Co., Ltd.</p> <p>June 2016      Audit &amp; Supervisory Board Member, Santen Pharmaceutical Co., Ltd.</p> <p>June 2020      Senior Advisor, Santen Pharmaceutical Co., Ltd.</p> <p>June 2021      Outside Audit &amp; Supervisory Board Member, the Company (to present) Outside Director, TOA Corporation (to present)</p>	<p>Number of Shares held in the Company: 0 shares</p> <p>Term of office as Audit &amp; Supervisory Board Member (at the close of AGM): 1 year</p> <p>Attendance at Board of Directors (FY2021): 9/9 (100%)</p>
<p><b>Reasons for Appointment as Director who is a Member of the Audit &amp; Supervisory Committee and Expected Roles:</b></p> <p>He has a wealth of knowledge and experience in a wide range of fields including corporate planning, business planning and marketing at Santen Pharmaceutical Co., Ltd. Since his appointment as an Outside Audit &amp; Supervisory Board Member of the Company, he has been appropriately performing his duties by utilising his knowledge and experience in the supervision of business execution from an independent standpoint. He is expected to continue to provide appropriate advice and supervise business execution based on the knowledge and experience he has gained through his wide range of work experience.</p>			
<p><b>Special notes on the candidate as Outside Audit &amp; Supervisory Board Member:</b></p> <p>(1) He is a candidate for Outside Director, Member of the Board, and has been registered as an Independent Director to Tokyo Stock Exchange, Inc. If this appointment is resolved and he becomes an Outside Director, Member of the Board, he will continue to serve as an Independent Director.</p> <p>(2) In the event that this Item is resolved, and he is appointed as an outside director, the Company will enter into a liability limitation agreement with him up to the amount stipulated in Article 425(1) of the Companies Act.</p>			

**(Reference) Outline of the Criteria for determining the Independence of Independent Directors**

The Company has established criteria for determining the independence of Independent Directors based on the independence standards set by Tokyo Stock Exchange, Inc. Its summary is given below. For more information, please visit our website at <https://www.osaka-ti.co.jp/ir/pdf/cg.pdf>. (Available only in Japanese language)

In order to be considered independent, an outside Director of the Company must not fall under any of the following categories.

- (1) Spouse or relatives within the second degree of kinship to Directors, Members of the Board, or important employees of the Company
- (2) Major shareholders of the Company
- (3) Directors or officers, or employees of the Company's major shareholders or lenders
- (4) Main clients of the Company or their managing officers
- (5) Those who have received payments, donations, or grants from the Company in excess of a certain amount
- (6) Those who have fallen under any of the above (2) to (5) in the past 5 years
- (7) Those whose spouse or relatives within the second degree of kinship fall into any of the above categories (2) to (5)

## **Matters to be Resolved**

### **Item 4 Setting the Remuneration for Directors (excluding those who are Members of the Audit & Supervisory Committee)**

Subject to the resolution of Item 1 “Partial Amendment to the Articles of Incorporation,” the Company will transition to a company with the Audit & Supervisory Committee.

The amount of remuneration for the Company’s Directors was resolved at the 18th Annual General Meeting of Shareholders held on 19 June 2015 to be no more than JPY 24 million per month (including no more than JPY 2 million per month for Outside Directors) and has remained this way to date. If Item 1 is resolved as proposed, the number of Directors (excluding those who are Members of the Audit & Supervisory Committee) will be reduced to six or less, thus the Company proposes that the amount of remuneration for Directors (excluding those who are Members of the Audit & Supervisory Committee) be set at no more than JPY 23 million per month (including no more than JPY 1 million per month for Outside Directors).

The details of the policy for determining the content of remuneration for each individual Director of the Company are set out on pages 34 to 35 of the Business Report in section 4) “Matters relating to the Policy for Determining the Details of Remuneration for Directors, Member of the Board.” As the content of this policy is considered to remain appropriate as the policy for determining the content of remuneration for directors if the proposal is resolved, no substantive changes to this policy are planned.

The above remuneration amounts are deemed to be reasonable as they are in accordance with the said policy and have been consulted with the Nomination and Remuneration Committee.

The above remuneration amounts do not include salaries paid to employee directors for their services as employees.

If Item 1 “Partial Amendment to the Articles of Incorporation” and Item 2 “Appointment of four (4) Directors (excluding those who are Members of the Audit & Supervisory Committee)” are resolved as proposed, the number of directors (excluding those who are Members of the Audit & Supervisory Committee) will be four.

This Item will become effective when Item 1 “Partial Amendment to the Articles of Incorporation” takes effect.

## **Matters to be Resolved**

### **Item 5 Setting the Remuneration for Directors who are Members of the Audit & Supervisory Committee**

Subject to the resolution of Item 1 “Partial Amendment to the Articles of Incorporation,” the Company will transition to a company with the Audit & Supervisory Committee.

It is therefore proposed that the amount of Remuneration for Directors who are Members of the Audit & Supervisory Committee be set at no more than JPY 7 million per month.

The above remuneration amounts have been set, taking into account the responsibilities of the Directors who are Members of the Audit & Supervisory Committee and are considered to be reasonable under the proposal.

If Item 1 “Partial Amendment to the Articles of Incorporation” and Item 3 “Appointment of four (4) Directors who are Members of the Audit & Supervisory Committee” are resolved as proposed, the number of Directors who are Members of the Audit & Supervisory Committee will be four.

This Item will become effective when Item 1 “Partial Amendment to the Articles of Incorporation” takes effect.

(Reference) Main Experiences of Candidates for Items 2 and 3

	Name	Reappoint/Newly-appoint	Full-time/Outside	Independent	Current Position	Business Unit Management	Finance and Accounting	Governance and Legal Affairs	Global Business	Sales and Marketing	Technology
Item 2	Yasuaki Sugizaki	Reappoint	Full-time	—	Representative Director, Member of the Board & President	○		○			○
	Satoru Takahashi	Reappoint	Full-time	—	Director, Member of the Board & Senior Managing Executive Officer		○	○	○		
	Masayuki Tsuji	Reappoint	Full-time	—	Director, Member of the Board & Senior Managing Executive Officer	○			○	○	
	Junji Kawafuku	Reappoint	Full-time	—	Director, Member of the Board & Managing Executive Officer	○				○	○
Item 3	Nobuhide Shimamoto	Newly-appoint	Full-time	—	Full-time Audit & Supervisory Board Member		○	○			
	Nae Iijima	Newly-appoint	Out-side	✓	Outside Director, Member of the Board			○	○		
	Shigehisa Yamaguchi	Newly-appoint	Out-side	✓	Outside Director, Member of the Board	○		○	○		
	Masashi Murata	Newly-appoint	Out-side	✓	Outside Audit & Supervisory Board Member			○	○	○	

(Notes) 1. Subject to the resolution of Items 2 and 3, the proportion of independent outside directors on the Board of Directors of the Company will be more than one-third.

2. Key skills (up to three) are indicated.

## **Business Report (Financial Year ending 31 March, 2022)**

### **1. Company Overview**

#### **(1) Business Progress and Results**

During the year under review, the Japanese and overseas economies were on a gradual recovery path, although the impact of the new coronavirus infection remained severe. However, the outlook for the domestic and overseas economies remained uncertain, as the economic recovery was accompanied by a sharp rise in prices of various raw materials, fuels, and ocean freight rates.

In our Titanium business, although aviation demand is still in the process of recovery, sales of export titanium sponge, mainly for aircraft applications, increased by 80.8% year-on-year due to a gradual increase in order intake. In addition, domestic titanium sponge demand, mainly for general industrial applications, also recovered gradually and increased by 65.7% year-on-year. As a result, sales in the titanium business amounted to JPY 25,020 million (up 74.9% year-on-year).

In our High-Performance Materials business, sales of high-purity titanium for sputtering targets continued to increase as semiconductor-related demand remained strong, and together with increased sales of high-quality spherical titanium powder (TILOP), sales were JPY 3,217 million (up 30.9% year-on-year).

In addition, the sale of the remaining inventory from the Polycrystalline Silicon business, from which the Company withdrew in 2018, was completed in the current financial year.

As a result of the above, sales in the financial year under review amounted to JPY 28,549 million (up 67.4% year-on-year).

As for profit and loss, despite efforts to increase sales volume in the Titanium business, rationalisation such as improvement of production parameters, reduction of labour costs and reduction of overhead costs, etc., due to the continuation of low operation to optimise inventory, soaring raw material and fuel prices and a sharp increase in ocean freight costs, the Company recorded an operating loss of JPY 1,914 million (compared with a loss of JPY 3,425 million in the previous year), an ordinary loss of JPY 1,719 million (compared with a loss of JPY 2,843 million in the previous year) and a net loss of JPY 3,112 million (compared with a net loss of JPY 5,083 million in the previous year). Deferred tax assets of JPY 1,292 million were reversed in the year under review.

Note that securing long-term stable funding, a syndicated loan of JPY 11,500 million was refinanced as well as long-term loans with respective financial institutions.

## (2) Capital Investments

Total capital investment in the year under review amounted to JPY 1,964 million.

This was mainly for the maintenance and improvement of titanium production facilities.

## (3) Capital Procurement

The funds required for capital investment in the year under review were appropriated from the Company's own funds and borrowings.

## (4) Business Results and Asset Trends

*(Japanese Yen in millions, except per share amounts)*

	FY2018 (22 <sup>nd</sup> Term)	FY2019 (23 <sup>rd</sup> Term)	FY2020 (24 <sup>th</sup> Term)	FY2021 (under review)
Sales	43,666	38,189	17,053	28,549
Ordinary profit (loss)	2,422	1,322	(2,843)	(1,719)
Net income (loss)	(1,322)	736	(5,083)	(3,112)
Basic net income (loss) per share	(35.95)	20.02	(138.15)	(84.57)
Total assets	80,928	76,518	77,743	76,586
Total equity	34,305	34,921	29,708	26,509

### (Notes)

1. Net income (loss) per share is calculated based on the average number of shares outstanding during the period.
2. Changes in accounting policies have been made from the FY2020 and the figures for the FY 2019 (the 23<sup>rd</sup> Term) have been retrospectively adjusted.

## (5) Issues to be Addressed

The global spread of the new coronavirus infection that began the year before last has led to a sharp decline in demand for titanium in the aircraft industry, and also in the general industrial sector. Although there is now a gradual recovery in demand for titanium in both sectors, it has not reached the scale of demand prior to the coronavirus outbreak, and a full recovery is expected to take some time.

In this business environment, the Company is working on thorough cost reductions, including personnel reduction, in order to achieve a recovery in business performance, while maintaining low titanium sponge production responding to sluggish demand. We are also focusing on strengthening our profit structure and are working to expand sales of products in the High-Performance Materials business, particularly high-purity titanium, which is expected to be

highly profitable in the fast-growing semiconductor market.

However, although demand for titanium is recovering in line with the upturn in the global economy, which once fell sharply due to the Corona disaster, the outlook remains uncertain, as logistics stagnation in North America and continued increases in ocean freight rates, in addition to soaring titanium ore and fuel prices, which have been further pushed up by Russia's aggression against Ukraine.

Currently, with soaring raw material prices and other factors constraining the recovery of business performance, the Company is promoting sales price improvement while seeking the understanding of customers in order to improve the profitability of the Titanium business. In addition, we are continuing company-wide efforts to rationalise cost structure by taking various measures such as improving production parameters, and reducing labour costs and overheads.

At the same time, despite the difficult business environment, the Company is promoting the early business growth of spherical titanium alloy powder (alloy TILOP) and the commercialisation of SiO (Silicon Monoxide) anode material for LiBs (Lithium-ion Batteries) in order to strengthen its business structure, which is one of the medium- to long-term management challenges. By continuously investing management resources, albeit to a limited extent, in new businesses that will contribute to sustainable growth, we will also work to transform our business portfolio while drawing up a long-term vision. Through these efforts, we will secure stable earnings in the Titanium business and accelerate the growth of the High-Performance Materials business and will work to quickly restore our financial soundness and rebuild a foundation for stable growth.

At present, basic policies have been set and are being diligently implemented to address the following management issues.

**[Management Task]**

- ✓ Restoration of the profitability of the Titanium business through price improvement and thorough cost reductions
- ✓ Reinforcing the profit structure and accelerating the growth strategy by strengthening the business structure
- ✓ Restoring a stable growth platform by quickly ensuring financial strength.

**[Basic Policies]**

- ✓ Rebuild the profitability of the core Titanium business and quickly return to a growth trajectory by steadily capturing recovering demand
- ✓ Enhancing the growth potential and securing the profitability of the High-Performance Materials business in order to transform the Company's business structure
- ✓ Continuous development of new businesses to accelerate the transformation of the business portfolio
- ✓ Promote multifaceted activities to reduce environmental load, including carbon neutral compliance
- ✓ Proactive use of IT technology (business reforms by DX, advanced production technology using AI, etc.)

The challenges in each of the business segments are as follows.

**1. *Titanium Business***

1) Strengthening the Revenue Base

- ✓ Improvement of the sales price and sales mix to a level that ensures long-term business continuity
- ✓ Modification of the cost structure and contribution to the reduction of environmental impact through the development of innovative technologies
- ✓ Maintaining a stable and competitive raw material procurement scheme and strengthening technologies for the use of low-quality raw materials

2) Pursuit of an Optimum Production

- ✓ Upgrading of the optimal production planning in line with sales volumes and establishment of a product mix to maximise profitability
- ✓ Active introduction of AI and other mathematical engineering approaches for the advancement of production technology

**2. *High-Performance Materials Business***

- 1) Expanding High-Purity Titanium Business by Strengthening Customer-response Capabilities
  - ✓ Strengthening customer responsiveness and increasing market share through strategic products by strengthening the technical-sales capabilities
  - ✓ Developing distinctive products that anticipate cutting-edge needs and capture ongoing growth opportunities
  - ✓ Further strengthening of profitability by expanding sales of high value-added products and reducing loss costs
- 2) Strengthening the Business Base of Spherical Titanium Alloy Powder (alloy TILOP)
  - ✓ Building a business foundation by fully utilising the new alloy TILOP plant
  - ✓ Improving the ability to make proposals and deepening cooperation with customers
  - ✓ Continuous process technology development and bringing differentiated products to market
- 3) Accelerating the Commercialisation of SiO Anode Materials for LiBs
  - ✓ Promoting early commercialisation through detailed and timely response to customer needs by the dedicated organisation
  - ✓ Verification of quality and manufacturing technology through the pilot plant and set-up of business infrastructure
- 4) Continuous Efforts to Create “High-Quality Menus”
  - ✓ Search for new businesses that utilise our proprietary technologies and study their commercialisation through a company-wide cross-sectional structure

### ***3. Company-wide Initiatives***

- 1) Consolidating the Cost Structure
  - ✓ Reduction of indirect personnel through operational efficiency and organisational integration
  - ✓ Promoting flexible organisational reforms for business portfolio transformation
- 2) Consolidating our Technology Development Capabilities
  - ✓ Consolidating the organisational structure dedicated to the advancement of production process technology and collaboration with external research organisations
  - ✓ Continuously exploring the possibility for new products and businesses
- 3) Development of Human Resources
  - ✓ Enhancing measures for human resource development to achieve a systematic training of the coming generation leaders

- ✓ Handing down skills to the coming generation and fostering technical experts through visualisation and sharing of the experience and know-how of skilled personnel
- 4) Promotion of DX (Digital Transformation)
- ✓ Promoting work restructuring through the renewal of core information system
  - ✓ Further stabilising the quality of products and improving the production efficiency by proactive use of accumulated data
- 5) ESG Initiatives
- ✓ Contribution to the reduction of environmental load
  - ✓ Creating a safe and healthy working environment
  - ✓ Human resource development and promotion of diversity
  - ✓ Sustainable growth through corporate governance
  - ✓ Contribution to a sustainable society through the development and provision of environment-friendly advanced materials

## (6) Major Business Operations (As of 31 March, 2022)

### *Titanium Business*

Titanium Sponge, Titanium Ingots, Titanium Tetrachloride, Titanium Tetrachloride Aqueous Solution

### *High-Performance Materials Business*

High-Purity Titanium, SiO, TILOP (spherical titanium powder), Titanium Powder

## (7) Major Offices and Plants (As of 31 March, 2022)

<b>Headquarters / Amagasaki Plant</b>	Amagasaki, Hyogo
<b>Tokyo Office</b>	Minato-ku, Tokyo
<b>Kishiwada Works</b>	Kishiwada, Osaka

## (8) Employees (As of 31 March, 2022)

Number of Employees	Change from end of the Previous Financial Year	Average Age	Average Number of Service Years
655	(29)	43.1	15.3

### (Notes)

- The number of employees excludes those employees temporarily transferred out of the Company and includes those employees temporarily transferred into the Company.
- In addition to the number of employees in 1. above, there are 19 temporary employees (average number of employees during the financial year).

## (9) Important Parent Company and Subsidiaries (As of 31 March, 2022)

Not applicable

**(10) Major Lenders** (As of 31 March, 2022)

(Japanese Yen in millions)

Lenders	Balance of Loan
Syndicated Loans	18,500
Sumitomo Mitsui Banking Corporation	1,500
Sumitomo Mitsui Trust Bank, Limited	4,000
The Senshu Ikeda Bank, Ltd.	5,000
Development Bank of Japan Inc.	3,000

(Note) Syndicated loans: co-financing with Sumitomo Mitsui Banking Corporation as a managing bank.

**2. Status of Shares** (As of 31 March, 2022)

- (1) **Total Number of Shares Authorised to be Issued** **125,760,000 shares**
- (2) **Total Number of Shares Issued** **36,800,000 shares**  
(include 1,336 shares of treasury shares)
- (3) **Number of Shareholders** **16,685 persons**
- (4) **Top 10 Shareholders**

(Number of shares in thousands, except ratio)

Name of Shareholder	Number of Shares held	Shares held against the Total No. of Shares Issued (%)
Kobe Steel, Ltd.	5,500	14.95
Nippon Steel Corporation	5,488	14.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,843	7.73
SUMITOMO CORPORATION	864	2.35
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	775	2.11
Custody Bank of Japan, Ltd. (Trust Account)	590	1.61
STATE STREET BANK AND TRUST COMPANY FOR STATE STREET BANK INTERNATIONAL GMBH, LUXEMBOURG BRANCH ON BEHALF OF ITS CLIENTS: CLIENT OMNI OM25	460	1.25
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE - AC)	457	1.24
BNS ASIA LIMITED	400	1.09
CENTRAL TANSHI CO., LTD.	380	1.03
Total	17,759	48.26

(Note) Figures for shares held are calculated after excluding treasury share from the total number of shares issued.

### 3. Matters relating to Share Subscription Rights

Not applicable

### 4. Company Officers

#### (1) Directors, Member of the Board and Audit & Supervisory Board Members

(As of 31 March, 2022)

Position	Name	Responsibilities at the Company and Important Concurrent Positions
Representative Director, Member of the Board, and President*	Yasuaki Sugizaki	
Director, Member of the Board, and Senior Managing Executive Officer*	Satoru Takahashi	Oversees the Corporate Planning and Finance, the General Affairs and Human Resources, and the Raw Materials and Purchasing Departments
Director, Member of the Board, and Senior Managing Executive Officer*	Masayuki Tsuji	Oversees the Sales and Marketing and the High-Performance Materials Departments. General Manager of Tokyo Office
Director, Member of the Board, and Managing Executive Officer*	Junji Kawafuku	Oversees the Safety, Environment and Disaster Management, the Production Control, the Quality Assurance, the Technology, the Facilities, and the Titanium Manufacturing Departments
Director, Member of the Board	Nae Iijima	Attorney-at-Law and Partner of Dojima Law Office Outside Director (Audit & Supervisory Committee Member), Okura Industrial Co., Ltd
Director, Member of the Board	Shigehisa Yamaguchi	
Audit & Supervisory Board Member (Full Time)	Nobuhide Shimamoto	
Audit & Supervisory Board Member	Koichiro Anzai	General Manager of Group Companies Planning Division, NIPPON STEEL CORPORATION
Audit & Supervisory Board Member	Ryosaku Kadowaki	Executive Officer, Kobe Steel, Ltd.
Audit & Supervisory Board Member	Masashi Murata	Outside Director, TOA Corporation

- (Notes)
1. Asterisks (\*) indicate titles for Executive Officers.
  2. Directors, Members of the Board, Nae Iijima and Shigehisa Yamaguchi are Outside Directors, Member of the Board, as stipulated in Article 2, Paragraph 15 of the Companies Act.
  3. Audit & Supervisory Board Members Koichiro Anzai, Ryosaku Kadowaki and Masashi Murata are Outside Audit & Supervisory Board Members as stipulated in Article 2, Paragraph 16 of the Companies Act.
  4. The Company has designated Directors, Members of the Board, Nae Iijima and Shigehisa Yamaguchi, and Audit & Supervisory Board Member, Masashi Murata, as Independent Directors/Auditors as stipulated by

the Tokyo Stock Exchange, Inc. and has registered them at the aforementioned Exchange.

5. Audit & Supervisory Board Member, Nobuhide Shimamoto, has many years of experience in operations of accounting and finance, and has an adequate level of knowledge in those sectors.
6. At the 24<sup>th</sup> Annual General Meeting of Shareholders held on 18 June, 2021, Nobuhide Shimamoto and Masashi Murata were newly elected as Audit & Supervisory Board Members and assumed their respective positions.
7. As of the closing of the 24<sup>th</sup> Annual General Meeting of Shareholders held on 18 June, 2021, Fumio Sugizaki retired upon the expiration of their terms of office and an Audit & Supervisory Board Member Masayuki Okano resigned.
8. The Company established regulations regarding liability limitation agreements with Outside Directors, Members of the Board and Outside Audit & Supervisory Board Members in its Articles of Incorporation. Based on these regulations, the Company has concluded liability limitation agreements with all Outside Directors, Member of the Board and Outside Audit & Supervisory Board Members that limit the amount of liability to the total of each item in Article 425, Paragraph 1 of the Companies Act should the Company be harmed as a result of the execution of duties by Outside Directors, Members of the Board or Outside Audit & Supervisory Board Members, as long as they perform their duties unknowingly and without gross negligence .
9. The Company has concluded a directors' and officers' liability insurance policy, as stipulated in Article 430-3(1) of the Companies Act, insuring all Directors, Audit & Supervisory Board Members and Executive Officers, with the premiums fully borne by the Company. The insurance policy covers damages that may arise as a result of the insured person being held liable for the performance of his/her duties or being subject to claims in respect of such liability. In addition, the insurance policy has certain exclusions of liability, such as not covering claims for damages arising from intentional violations of laws and regulations or criminal acts, as a measure to ensure that the proper execution of duties is not impaired.

## **(2) Remuneration for Directors, Members of the Board and Audit & Supervisory Board Members**

### **1) Total Amount of Remuneration by Category of Officer, by Type of Remuneration, and Number of Eligible Officers**

*(Japanese Yen in millions, except number of officers )*

Category of Officers	Total Amount of Remuneration	Total Amount of Remuneration by Type			Number of Officers Eligible
		Base Remuneration	Performance-based Remuneration, etc.	Non-monetary Remuneration, etc.	
Directors, Member of the Board (of which, Outside Directors)	110 (12)	110 (12)	–	–	6 (2)
Audit & Supervisory Board Members (of which, Outside Members)	21 (6)	21 (6)	–	–	4 (2)
TOTAL (of which, Outside Officers)	131 (18)	131 (18)	–	–	10 (4)

### **2) Company Performance-based Remuneration**

Company performance-based remuneration is determined by taking into account the performance and dividend levels of the previous financial year and the company performance and dividend forecast of the current financial year. The Company has chosen this index in order to share the same values with its shareholders.

The level of company performance in the previous and current financial year is shown in section (4) “Business Results and Asset Trends” on page 25. As in the previous financial year, dividends are not paid out in the current financial year.

### **3) Matters relating to the Resolution at the Annual General Meeting on the Remuneration for Directors, Members of the Board, and Audit & Supervisory Board Members**

At the 18<sup>th</sup> Annual General Meeting held on 19 June 2015, it was resolved that the remuneration for Directors, Members of the Board, shall be no more than JPY 24 million per month (including JPY 2 million for Outside Directors). The number of Directors, Member of the Board, at the close of that Annual General Meeting was seven (7) (including two (2) Outside Directors).

At the 9<sup>th</sup> Annual General Meeting held on 23 June 2006, it was resolved that the remuneration for Audit & Supervisory Board Members shall be no more than JPY 5 million per month. The number of Audit & Supervisory Board Members at the close of that Annual General Meeting was four (4) (including two (2) outside Auditors).

### **4) Matters relating to the Policy for Determining the Details of Remuneration for Directors, Members of the Board**

The Board of Directors of the Company, at its board meeting held on 25 February 2021, resolved

a policy for determining the details of remuneration for individual Directors, Members of the Board (hereinafter referred to as “the Policy for Determining the Content of Directors’ Remuneration”), and following the establishment of the Nomination and Remuneration Committee, “the Policy for Determining the Content of Directors’ Remuneration” was revised by the Board of Directors on 26 April 2022.

In addition, the Board of Directors has confirmed that the method of determining the remuneration and the content of the remuneration determined are consistent with the decision-making policy resolved by the Board of Directors with regard to the remuneration for individual Directors during the year under review, and that decisions on remuneration for Directors are made after explaining the policy on remuneration for Directors to independent Outside Directors and obtaining their opinions prior to the Board of Directors’ resolution in accordance with the decision policy before the revision. The Company has confirmed that the policy is in accordance with its decision-making policy.

The details of revised Policy for Determining the Content of Directors’ Remuneration are as follows:

**a) Basic Policy on Remuneration for Individual Directors (hereinafter referred to as “Remuneration”)**

- i. Directors’ Remuneration is paid on a monthly basis.
- ii. Remuneration for Executive Directors consists of a fixed remuneration and a performance-linked remuneration which is determined based on comprehensive consideration of performance and dividend in each financial year.
- iii. Remuneration for Outside Directors is fixed.

**b) Policy on Determining the Method of Calculating the Remuneration for Executive Directors**

**i. Composition of Remuneration**

Remuneration for Directors consists of a fixed base remuneration and the Company’s performance-based remuneration linked to the performance achievements.

**ii. Method of Calculating Remuneration**

**1)Basic Remuneration (base remuneration)**

The base remuneration is fixed by position, taking into account the level commensurate with the required ability and responsibility

**2)Company’s Performance-based Remuneration**

Performance-based remuneration is determined by taking into account the Company’s performance and dividend levels of the previous financial year as well as the Company’s expected performance and dividend of the current financial year. In particular, ranges are

set according to the level of the Company's performance and dividends, and the amount to be paid for each position is determined for each range. The ratio of performance-based remuneration against total amount of remuneration ranges from 0% to 50%, depending on the level of the Company's performance and dividends.

**c) Matters relating to the Determination of the Details of Remuneration for Directors, Member of the Board**

The policy on Remuneration for Directors, Members of the Board, (the determination of the level of Remuneration for each individual and the concept of the ratio of performance-linked Remuneration, etc.) is explained to the Nomination and Remuneration Committee. The Committee's opinions are obtained prior to the resolution by the Board of Directors. The amount of Remuneration for each individual Director, Member of the Board, is resolved at a meeting of the Board of Directors based on the payment formula determined by the Nomination and Remuneration Committee, taking into account the calculation method, the Company performance, the ratio of performance-based remuneration, and trends in remuneration for other executives and employees.

**5) Matters relating to the Determination of the Amount of Individual Remuneration for Audit & Supervisory Board Members**

The amount of individual Remuneration for each Audit & Supervisory Board Member is determined by consultation with the auditors.

### (3) Outside Officers (As of 31 March, 2022)

#### 1) Important Concurrent Positions held at Other Companies and Relationship between the Company and Other such Companies

Category	Name	Company where Concurrent Position is Held	Description of Concurrent Position	Relationship
Outside Director, Member of the Board	Nae Iijima	Dojima Law Office	Attorney-at-Law and Partner	There are no significant relationships between either Dojima Law Office or Okura Industrial Co., Ltd and the Company
		Okura Industrial Co., Ltd	Outside Director (Audit and Supervisory Committee Member)	
Outside Audit & Supervisory Board Member	Koichiro Anzai	NIPPON STEEL CORPORATION	General Manager of Group Companies Planning Division	There are relationships between NIPPON STEEL CORPORATION and the Company: the Company sells metal titanium, etc. to NIPPON STEEL CORPORATION.
Outside Audit & Supervisory Board Member	Ryosaku Kadowaki	Kobe Steel, Ltd.	Executive Officer	There are relationships between Kobe Steel, Ltd., and the Company: the Company sells metal titanium, etc. to Kobe Steel, Ltd..
Outside Audit & Supervisory Board Member	Masashi Murata	TOA Corporation	Outside Director	There are no significant relationships between TOA Corporation and the Company

#### 2) Main Activities of Outside Officers

##### (i) Outside Officers' Attendance and Comments at Board of Directors Meetings and Audit & Supervisory Board Meetings

Classification	Name	Attendance and Comments
Outside Director, Member of the Board	Nae Iijima	Participated in 12 of the 12 Board of Directors meetings during the financial year under review and made comments as necessary primarily from the point of view for ensuring appropriate discussion of proposals based on expert legal knowledge cultivated through professional practice as an attorney-at-law.
Outside Director, Member of the Board	Shigehisa Yamaguchi	Participated in 12 of the 12 Board of Directors meetings during the financial year under review and made comments as necessary primarily from the point of view for ensuring appropriate discussion of proposals based on insight and abundant experience as company manager, and experience as an Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Koichiro Anzai	Participated in 11 of the 12 Board of Directors meetings and 13 of the 13 Audit & Supervisory Board meetings during the financial year under review, and adequately made comments as an Audit & Supervisory Board Member primarily based on his knowledge of the Company's business with his insight on overall corporate management.

Classification	Name	Attendance and Comments
Outside Audit & Supervisory Board Member	Ryosaku Kadowaki	Participated in 12 of the 12 Board of Directors meetings and 13 of the 13 Audit & Supervisory Board meetings during the financial year under review, and adequately made comments primarily based on his knowledge of the Company's business and views as an Audit & Supervisory Board Member with views on overall corporate management.
Outside Audit & Supervisory Board Member	Masashi Murata	After election at the Annual General Meeting of Shareholders held in June 2021, participated in 9 of the 9 Board of Directors meetings and 9 of the 9 Audit & Supervisory Board meetings during the financial year under review and made comments as an Audit & Supervisory Board Member primarily based on his knowledge of corporate planning and marketing .

**(ii) Activities regarding Expected Roles of Outside Director, Member of the Board**

Classification	Name	Activities regarding Expected Roles
Outside Director, Member of the Board	Nae Iijima	At the discussion about the Medium-term Management Plan and the Compliance and Risk Management Committee, made advice and suggestions, from the perspective of legal risk and compliance, based on legal knowledge and experience cultivated through professional practice as an attorney-at-law.
Outside Director, Member of the Board	Shigehisa Yamaguchi	At the discussion about the Medium-term Management Plan and the Compliance and Risk Management Committee, made advice and suggestions based on knowledge and experience cultivated through broad experience including company management.



reappointment of the accounting auditor concerned that will be submitted by the Company to the Annual General Meeting of Shareholders in cases when it is deemed difficult for the accounting auditor to execute duties appropriately, such as the occurrence of events that impair the competency of the accounting auditor, or in cases when a change of accounting auditor is deemed to be appropriate.

## **6. Development of Systems to Ensure the Appropriateness of Business Operations**

The Company has adopted the following resolution on the basic policy of the internal control system.

### **(1) Our Basic Approach to the Internal Control System**

The Board of Directors has adopted resolutions on systems to ensure that the execution of duties by the Company's Directors, Members of the Board, complies with laws and regulations and the Articles of Incorporation, and other systems stipulated by the Ministry of Justice as necessary to ensure the appropriateness of business operations of a stock company. The details of those resolutions are as follows.

### **(2) Systems to ensure that the Execution of Duties by Directors, Members of the Board, Complies with Laws and Regulations and the Articles of Incorporation**

The Company's Board of Directors is composed of Directors, Members of the Board, who are familiar with the Company's business and Outside Directors, Members of the Board, who have excellent insight into general management or legal expertise and have no vested interest in the Company, in order to maintain and improve management efficiency and strengthen the supervisory function. At the same time, we are working to maintain and strengthen the transparency and soundness of our management by enhancing our auditing functions, including those of our Outside Audit & Supervisory Board Members.

In line with this corporate structure, the Board of Directors has resolved the Corporate Code of Conduct, which is a fundamental imperative in the conduct of the Company's business activities and stipulates that compliance with this Code is the responsibility of all directors, officers, and employees.

The Compliance and Risk Management Committee has been established for the purpose of ensuring compliance with laws, regulations, and social norms, as well as to take preventive measures against risks surrounding the company's business and to make prompt and appropriate decisions and responses when such risks arise. We have also set up internal and external Compliance Consultation and Reporting Desks to receive constructive suggestions and

suggestions from employees (including directors, auditors, and executive officers) on matters that could seriously affect the company's reputation for compliance.

We have also established a Compliance Manual, which briefly describes the basic rules that directors, auditors, executive officers, and other employees should observe in the conduct of their corporate activities.

Under this structure, we are committed to encouraging compliance on a daily basis.

### **(3) System for ensuring the Appropriateness of Business Operations**

#### **1) System for the Storage and Management of Information relating to the Execution of Duties by Directors, Members of the Board**

Information concerning the execution of duties by Directors, Members of the Board, is recorded in the minutes of the Board of Directors meetings, approval documents and other documents. This information is stored and managed appropriately through the establishment of internal regulations, such as the Approval Documents Regulation, the Authority Standard Regulation, the Document Management Regulation, and the Electronic Information Management Regulations.

#### **2) Rules and other Systems for Managing the Risk of Loss**

Each division of the Company identifies and grasps the risks associated with its business activities and makes regular efforts to minimise these risks. In addition, the Compliance and Risk Management Committee confirms the status of company-wide risks that could have a significant impact on management. We also have a system of contingency plans in place in the unlikely event of a risk occurring.

#### **3) System to Ensure the Efficient Execution of Duties by Directors, Member of the Board**

The Company has introduced an executive officer system to separate the management decision-making and supervisory functions from the business execution functions, so that the Board of Directors can make decisions quickly and efficiently.

We have also established appropriate decision-making rules through the Division Duties Regulation, the Authority Standard Regulation, and other internal regulations, and have put in place a system to ensure the proper and efficient execution of duties.

The Board of Directors makes decisions on important management matters after deliberation by the necessary members of the Management Committee and other committees as necessary.

#### **4) System to Ensure that the Execution of Duties by Employees Complies with Laws and Regulations and the Articles of Incorporation**

As described in (2) above, the Company has developed such a system by establishing the Corporate Code of Conduct and the Compliance and Risk Management Committee. In addition, the Company has established a compliance consultation and reporting system to prevent misconduct.

Also, Audit & Supervisory Board Members and the Internal Auditing Department regularly monitor and verify the legality and appropriateness of the execution of duties.

**5) System for Ensuring the Appropriateness of Business Operations of the Corporate Group consisting of the Company and its Parent Company and Subsidiaries**

The Company has no parent company. The Company assumes responsibility for its own management and manages its business independently.

The Company does not have a corporate group corresponding to a subsidiary.

**6) Matters relating to Employees who are Requested by Audit & Supervisory Board Members to Assist Them in their Duties**

In accordance with the Audit & Supervisory Board Members Audit Regulations, the Company shall, at the request of the Audit & Supervisory Board Members and after consultation between the two parties, appoint assistants to the Audit & Supervisory Board Members.

In the case of appointing assistants, the Company shall consider matters necessary to ensure the independence of such assistants, such as the authority of such assistants, the organization to which they belong, the right of Audit & Supervisory Board Members to direct and order such assistants, and the right of Audit & Supervisory Board Members to consent to the appointment of such assistants, and shall ensure the effectiveness of Audit and Supervisory Board Members' instructions to such assistants.

**7) Systems of Reporting to the Audit & Supervisory Board Members by Directors, Members of the Board and Employees and other Systems for Reporting to the Audit & Supervisory Board Members**

Audit & Supervisory Board Members attend the Board of Directors meetings, as well as any other meetings concerning important management matters, the Compliance and Risk Management Committee and other important meetings. They receive reports from directors, executive officers, and other employees on the execution of their duties.

Directors, Members of the Board, Executive Officers, and other employees are required to report promptly to Audit & Supervisory Board Members when they discover any facts that may cause significant damage to the Company.

In the event of a consultation or report through the compliance consultation and reporting system, the details of the consultation or report shall be promptly reported to the Audit & Supervisory Board Members.

The Employment Regulations prohibits any disadvantageous treatment of those who report, consult, or inform as above.

## **8) Other Systems to Ensure that Audits by Audit & Supervisory Board Members are Conducted Effectively**

The Audit & Supervisory Board Members and the Representative Director, Member of the Board & President, regularly exchange opinions and communicate with each other regarding the management of the company.

Audit & Supervisory Board Members carry out regular audits in close cooperation with the Internal Auditing Department. Directors, Members of the Board, Executive Officers, and the relevant Departments provide explanations of the status of business operations and management, as well as issues that need to be addressed. The results of these audits are reported to the Board of Directors.

In the event that the Audit & Supervisory Board Members conduct on-site investigations to ascertain the actual state of overall business operations, the relevant Directors, Members of the Board, Executive Officers, and relevant Departments respond promptly and appropriately to ensure effective auditing.

In addition, when an Audit & Supervisory Board Member or the Audit & Supervisory Board makes a request for expenses required for the execution of an audit, the request shall be met unless the expenses are deemed not to be necessary for the execution of duties.

## **7. Overview of the Operation Status of the System to Ensure the Appropriateness of Business Operations**

### **(1) Status of Initiatives regarding the Execution of Duties by Directors, Members of the Board**

Since the introduction of the executive officer system in June 2015, we have been working to optimize the number of Directors, Members of the Board, including increasing the number of independent Outside Directors. At the same time, we have been reviewing the criteria of matters to be resolved and reported at the Board of Directors' meetings as appropriate, in order to strengthen the functions of the Board of Directors by enhancing and accelerating decision-making and strengthening its supervisory function.

We have conducted a self-evaluation of the effectiveness of the Board of Directors by means of a questionnaire for all Directors, Members of the Board, and Audit & Supervisory Board Members, including outside officers, focusing on the operation and deliberations of the Board of Directors. The results show that appropriate measures are being taken to ensure sufficient deliberation at the Board of Directors' meetings, and that improvements have been made in the promotion of discussion and the provision of information. We have confirmed that the effectiveness of the Board of Directors is generally ensured.

## **(2) Efforts to Ensure the Effectiveness of Audits by Audit & Supervisory Board Members**

The Audit & Supervisory Board of the Company discussed and decided audit policies and audit plans, and exchanged opinions, deliberated, and verified the legality and appropriateness of management. If necessary, we obtain reports from the accounting auditors and the Internal Auditing Department on matters that have come to our attention during the audit. In addition, in accordance with the audit policy and audit plan, we attended important internal meetings, such as the Board of Directors' meetings and the Management Committee meetings, either in person or online, and also inspected approval documents and contracts to monitor management and provide advice and recommendations on the status of Directors', Members of the Board, performance of their duties and compliance with laws and regulations.

## **(3) Status of Compliance Initiatives**

The Company has established the Corporate Code of Conduct, which consists of compliance with laws and regulations and social norms. In this context, we have prepared a list of laws and regulations that are relevant to our business activities, and we monitor changes in laws and regulations and confirm the status of compliance.

In addition, we have established compliance consultation and reporting desks both internally and externally, with the aim of ensuring that our corporate activities comply with laws and regulations, conform to social norms, and improve the working environment.

The President himself makes a direct appeal to employees about the importance of compliance. The Company also publishes Compliance News from time to time, which explains in simple terms what we should do as members of society and what topics we should be aware of internally and externally and distribute case studies of general compliance violations. The Company also continues to implement company-wide compliance awareness activities such as the display of posters and ongoing compliance training for all levels.

In addition, department compliance chiefs and section and group compliance leaders have been

appointed, and compliance training plans for each department have been formulated to promote activities to raise awareness according to the actual situation of workplaces. The results has been summarized at the end of this financial year and reflected to the training plans of next financial year.

In the financial year under review, training was conducted for directors, general managers, and others on legal and practical knowledge, including compliance in overseas transactions based on practical experience, with Outside Director Iijima, who is a lawyer, as a lecturer.

#### **(4) Status of Risk Management Initiatives**

The Company holds the Compliance and Risk Management Committee on a regular basis to make it a scheme for checking, focusing more on company-wide risks that may have a material impact on management, while continuing its efforts to minimise risks concerning the business activities of each department. In particular, in response to new coronavirus infection, we are working to thoroughly implement various infection prevention measures and prevent the spread of infection through the announcements by the Committee in the financial year under review.

The Environment and Disaster Prevention Committee has also been working on risk assessment activities according to the business characteristics of the Company.

Furthermore, in order to ensure the continuity of our business in the event of a disaster, we have formulated a Business Continuity Plan Regulation, which includes an initial response in the event of an earthquake or tsunami, the establishment of a Disaster Response Headquarters, and action plans for each department. During the financial year under review, as part of a training exercise to check the effectiveness of the Business Continuity Plan, a night-time earthquake drill was conducted.

About cyberattack, the Company has monitored the situation of unauthorised access and our system officers investigate and respond to suspicious e-mails from outside the company, and we have a system in place to detect and delete viruses from our personal computers.

#### **8. Policy regarding the Exercise of the Right to Determine Dividends from the Company Surplus**

The Company is committed to strengthening its management base in order to increase its corporate value in the future. At the same time, we regard the return of profits to shareholders as a top management priority.

In terms of the distribution of profits, we aim to maintain sufficient internal reserves to invest for sustainable growth and to stabilise and strengthen our financial position. Our policy is to maintain a dividend pay-out ratio of 25% to 35%, while giving due consideration to stability.

We regret to inform you that we have decided not to pay a year-end dividend for the current financial year in view of the business results for the current financial year. As no interim dividend was paid, the annual dividend will be JPY 0.

**Balance Sheet**  
(As of 31 March, 2022)

(Japanese Yen in millions)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>41,515</b>	<b>Current liabilities</b>	<b>15,306</b>
Cash and deposits	10,666	Trade notes payable	-
Trade accounts receivable	13,507	Trade accounts payable	2,727
Finished products	10,655	Short-term bank loans	9,700
Work in process	2,091	Accounts payable - other	141
Raw materials and supplies	4,375	Income taxes payable	71
Advance payment	45	Accrued consumption taxes	1,279
Prepaid expenses	118	Accrued expenses	215
Accounts receivable-other	52	Deposits received	34
Other	6	Provision for bonuses	215
Allowance for doubtful receivables	(3)	Notes payable – facilities	-
<b>Fixed assets</b>	<b>35,071</b>	Accounts payable - facilities	920
<b>Property, plant, and equipment</b>	<b>33,091</b>	Other	0
Buildings	9,058	<b>Long term liabilities</b>	<b>34,770</b>
Structures	218	Long-term debt	30,800
Machinery and equipment	8,224	Provision for retirement benefits	1,909
Vehicles	18	Deferred tax liabilities	454
Tools, furniture, and fixtures	204	Asset retirement obligations	1,490
Land	14,823	Other	117
Construction in progress	543	<b>Total liabilities</b>	<b>50,077</b>
<b>Intangible assets</b>	<b>822</b>	<b>(Equity)</b>	
Software	392	<b>Shareholders' equity</b>	<b>26,454</b>
Other	429	<b>Share capital</b>	<b>8,739</b>
<b>Investments and other assets</b>	<b>1,157</b>	<b>Capital surplus</b>	<b>8,943</b>
Investment securities	155	Additional paid-in capital	8,943
Shares of subsidiaries and associates	-	<b>Retained earnings</b>	<b>8,781</b>
Long-term prepaid expenses	0	Legal retained earnings	38
Prepaid pension cost	945	Unappropriated	8,743
Deferred tax assets	-	Retained earnings brought forward	8,743
Other	55	Treasury stock	(10)
		<b>Valuation and translation adjustments</b>	<b>55</b>
		Unrealized gain on available-for-sale securities	55
		<b>Total equity</b>	<b>26,509</b>
<b>Total assets</b>	<b>76,586</b>	<b>Total liabilities and equity</b>	<b>76,586</b>

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

## Statement of Operations

Financial Year ending 31 March, 2022

*(Japanese Yen in millions)*

Description	Amount	
<b>Net sales</b>		<b>28,549</b>
<b>Cost of sales</b>		<b>26,229</b>
<b>Gross profit</b>		<b>2,320</b>
<b>Selling, general and administrative expenses</b>		<b>4,235</b>
<b>Operating profit (loss)</b>		<b>(1,914)</b>
<b>Non-operating profit</b>		
Interest and dividend income	6	
Foreign exchange profit – net	476	
Gain on sale of disused goods	122	
Insurance income	-	
Subsidy income	-	
Subsidy for employment adjustment income	128	
Reversal of allowance for business withdrawal loss	-	
Other	68	803
<b>Non-operating expenses</b>		
Interest expense	176	
Depreciation of inactive non-current assets	82	
Extra retirement expense	44	
Syndicated loans commission	291	
Other	14	608
<b>Ordinary profit (loss)</b>		<b>(1,719)</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	88	88
Loss before income taxes		(1,807)
Income taxes-current	11	
Income taxes-deferred	1,292	1,304
<b>Net income (loss)</b>		<b>(3,112)</b>

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

## Statement of Changes in Shareholders' Equity

Financial Year ending 31 March, 2022

(Japanese Yen in millions)

	Shareholders' equity					Total Shareholders' Equity
	Capital	Capital Surplus	Retained Earnings		Treasury Shares	
		Capital Reserves	Legal Retained Reserves	Other Retained Earnings		
<b>Balance as of 31 March, 2021</b>	<b>8,739</b>	<b>8,943</b>	<b>38</b>	<b>11,903</b>	<b>(10)</b>	<b>29,614</b>
<b>Cumulative Effect of a Change in Accounting Policy</b>				(48)		(48)
Beginning Balances of the Financial Year under Review	8,739	8,943	38	11,855	(10)	29,566
<b>Changes of Items during the Period</b>						
Cash Dividends						
Profit (Loss)				(3,112)		(3,112)
Changes in Items other than Shareholders' Equity						
<b>Total Changes during the Period</b>	-	-	-	<b>(3,112)</b>	-	<b>(3,112)</b>
<b>Balance at the end of the Financial Year under Review</b>	<b>8,739</b>	<b>8,943</b>	<b>38</b>	<b>8,743</b>	<b>(10)</b>	<b>26,454</b>

	Valuation and Translation Adjustments		Total Net Assets
	Unrealized Gains on Securities	Total Valuation and Translation Adjustments	
<b>Balance as of April 1, 2020</b>	<b>93</b>	<b>93</b>	<b>29,708</b>
Cumulative Effect of a Change in Accounting Policy			(48)
<b>Beginning Balances of the Financial Year under Review</b>	<b>93</b>	<b>93</b>	<b>29,660</b>
<b>Changes of Items during the Period</b>			
Cash Dividends			
Profit (Loss)			(3,112)
Changes in Items other than Shareholders' Equity	(38)	(38)	(38)
<b>Total Changes during the Period</b>	<b>(38)</b>	<b>(38)</b>	<b>(3,150)</b>
<b>Balance at the end of the Financial Year under Review</b>	<b>55</b>	<b>55</b>	<b>26,509</b>

## Notes to the Financial Statements

### Significant Accounting Policies

#### (1) Basis and Method for Valuation of Assets

Basis and method for evaluation of securities

Other available-for-sale securities

Securities with market prices

Market value method based on market prices at the account closing date (Net unrealized gains or losses are comprehensively included in equity, and the cost of securities sold is determined by the moving-average method.)

Securities without market prices

Stated at cost determined by the moving-average method.

Derivatives transactions

Fair value method.

Basis and method of evaluation of inventories

Cost accounting method based on the periodic average method (the method of reducing book value when the contribution of inventories to profitability declines).

#### (2) Depreciation Methods for Fixed Assets

Property, plant, and equipment (excluding leased assets): Straight-line method

The useful lives of major fixed assets are as follows.

Buildings (including facilities attached to buildings) : 3-50 years.

Machinery and equipment: 5-14 years.

Intangible assets (excluding leased assets): Straight-line method.

Software products used by the Company are amortised over a projected usage periods that are of 5 years.

Leased assets:

Finance leases that transfer ownership of the leased assets

By the same method as the owned fixed assets.

Finance leases that do not transfer ownership of the leased assets

By the straight-line method over the lease term with no residual value.

Long-term prepaid expenses: Straight-line method.

### **(3) Accounting Standards for Allowances and Provisions**

#### **Allowances for Doubtful Accounts Receivables:**

In order to prepare for losses due to bad debts, general receivables are evaluated based on the historical bad debt ratio. For specific receivables, such as doubtful accounts receivable, an estimated uncollectible amount is recorded after considering the possibility of collection for each individual account.

#### **Provisions for Bonuses:**

In order to provide for bonuses to be paid to employees, the amount to be paid in the current financial year is estimated and recorded.

#### **Allowances for Retirement Benefits:**

To provide for the payment of retirement benefits to employees, an allowance is provided based on the projected retirement benefit obligation and pension assets at the end of the current financial year.

##### **(i) Method of Attributing Estimated Retirement Benefits to the Period**

The method of attributing the estimated amount of retirement benefits to the period up to the end of the current financial year is based on the benefit calculation method.

##### **(ii) Accounting Treatment of Actuarial Gains/Losses and Past Service Costs**

Actuarial gains and losses are amortised from the financial year following the year in which they are incurred, and past service costs are amortised from the financial year in which they are incurred using the straight-line method over a certain number of years (13 years) within the average remaining service period of employees.

### **(4) Basis for Recording Income and Expenses**

The Company manufactures and sells titanium sponge and various other products made from titanium sponge. For the sale of such products, a performance obligation to deliver the product to the customer is assumed under the sales contract with the customer. The performance obligation is deemed to be satisfied when the customer acquires control over the product at the point of delivery to the customer and revenue is recognised at the point of delivery.

The consideration for these performance obligations is generally received within approximately one year after fulfilment of the performance obligation, according to payment terms determined separately. They do not contain any significant financial elements.

## (5) Hedge Accounting Methods

### Methods

In principle, deferred hedge accounting is applied.

Forward exchange contracts that qualify for the allocation method are accounted for using the allocation method. In addition, interest rate and currency swaps that meet the requirements for integral treatment (allocation method, special treatment) are treated as one component.

### Hedging Instruments and Hedged Items

**Hedging Instruments:** Foreign exchange forwards, interest rate swaps, and interest rate and currency swaps

**Hedged Items:** Foreign exchange transactions, interest payments, and loans denominated in foreign currencies

### Hedging Policy

Forward foreign exchange contracts are used to hedge risks arising from fluctuations in foreign exchange rates.

It is the Company's policy to limit transactions to those based on actual demand and not to engage in speculative transactions for the purpose of earning trading profits. The Company also uses interest rate swaps to hedge against the risk of interest rate fluctuations on borrowings and interest rate and currency swaps to hedge against the risk of interest rate and currency fluctuations. Hedged items are identified on an individual contract basis.

### Method of Assessing Hedge Effectiveness

The effectiveness of interest rate swaps is assessed on a semi-annual basis by comparing the cumulative amount of interest rate fluctuations on interest payments on borrowings with the cumulative amount of interest rate fluctuations on interest rate swaps. However, the assessment of the effectiveness of forward exchange contracts and interest rate and currency swaps that are accounted for using the allocation method and the special treatment is omitted.

## Notes on Changes in Accounting Policies

### < Application of Accounting Standards for Revenue Recognition >

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (hereinafter referred to as “ASBJ”) Statement No. 29, 31 March 2020. Hereinafter referred to as “Accounting Standard for Revenue Recognition” ) is applied from the beginning of the current financial year and revenue is recognised at the amount that is expected to be received in exchange for

the promised goods or services when title of the promised goods or services has been transferred to the customer.

As a result, for export sales transactions, goods or services are transferred to the customer in accordance with the terms of the contract with the customer and revenue is recognised when the performance obligation has been fulfilled.

The transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition is applied to revenue recognition accounting standards. The cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the current financial year is added to or deducted from retained earnings at the beginning of the current financial year, and the new accounting policy is applied from the opening balance of the current financial year.

As a result, net sales increased by ¥ 360 million, cost of sales increased by ¥ 340 million, and operating loss, ordinary loss and net loss before taxes decreased by ¥ 20 million each in the current financial year.

The retained earnings balance at the beginning of the period decreased by ¥ 48 million.

#### < Application of Accounting Standards for the Calculation of Market Value >

Accounting Standard for Fair Value Calculation (ASBJ Statement No. 30, 4 July 2019. Hereafter referred to as “Accounting Standard for Fair Value Calculation.”) etc. has been applied from the beginning of the current financial year.

In accordance with the transitional treatment set out in Paragraph 19 of the Accounting Standard for Fair Value Calculation and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, 4 July 2019), the new accounting policy stipulated by the Accounting Standard for Fair Value Calculation is to be applied prospectively.

### Notes to Significant Accounting Estimates

#### <Impairment of Fixed Assets>

##### (1) Amounts Recorded in the Financial Statements for the Current Financial Year

###### **Tangible Fixed Assets**

Buildings	9,058 million yen
Structures	218 million yen
Machinery and equipment	8,224 million yen
Vehicles and transportation equipment	18 million yen
Tools, furniture, and fixtures	204 million yen
Land	14,823 million yen
Construction in progress	543 million yen

###### **Intangible Fixed Assets**

Software	392 million yen
Other assets	429 million yen

## **(2) Other Information that Contributes to the Financial Statement Users' Understanding of the Nature of the Accounting Estimate**

### **(i) Key Assumptions Used in the Estimates**

Among the assumptions used in the accounting estimates, those that were deemed important were the future business plan, which forms the basis of estimating future cash flows for the consideration of whether an impairment loss should be recognised, and the expected changes in sales and raw material costs used in the formulation of the business plan.

In addition, the titanium business of the Company is expected to be affected by a decrease in demand for aircraft and a slowdown in production activities in the supply chain due to the curtailment of economic activities caused by new coronavirus infection, which has been continuing since the previous financial year. For the time being, based on the information available, the Company has made an accounting estimate based on the assumption that the impact of the decline in demand for titanium sponge would continue until the following financial year.

While the impact of Russia's invasion of Ukraine on the Company's business is expected to be complex and varied from the following financial year onwards, accounting estimates have been made based on information available at the present time.

### **(ii) Process of Reviewing the Impairment of Fixed Assets**

As mentioned in (i) above, a decrease in titanium sponge demand continued due to the spread of new coronavirus infection, an operating loss of ¥1,914 million (operating loss of ¥1,196 million for the Titanium business) was recorded for the current financial year.

In view of these circumstances, we recognised that there were indications of impairment of fixed assets throughout the company, including those used in our Titanium business. The Company considered whether an impairment loss should be recognised, using various assumptions, including the key assumption in (i) above.

As a result of the review, it was decided that no impairment loss was required as the total undiscounted future cash flows expected to be generated from the fixed assets over the remaining useful life of the assets exceeded their carrying amount.

### **(iii) The Effect of the Accounting Estimate on the Following Financial Year**

Such accounting estimates and the assumptions used in making them are based on information available at the end of the current financial year, and if it becomes necessary to review the above (i), there may be an impairment loss on fixed assets.

## <Realizability of Deferred Tax Assets>

### (1) Amount Recorded in the Financial Statements for the Current Financial Year

Deferred Tax Assets

-- million yen

### (2) Other Information that Contributes to the Financial Statement User's Understanding of the Nature of the Accounting Estimate

#### (i) Key Assumptions Used in the Estimates

Among the assumptions used in the accounting estimates, those that were deemed important were the future business plan, which forms the basis of the estimate of future taxable income for the consideration of the realizability of deferred tax assets, and the expected changes in sales and raw material costs used in the formulation of the business plan.

In addition, the titanium business of the Company is expected to be affected by a decrease in demand for aircraft and a slowdown in production activities in the supply chain due to the curtailment of economic activities caused by new coronavirus infection, which has been continuing since the previous financial year. For the time being, based on the information available, the Company has made an accounting estimate based on the assumption that the impact of the decline in demand for titanium sponge would continue until the following financial year.

While the impact of Russia's invasion of Ukraine on the Company's business is expected to be complex and varied from the following financial year onwards, accounting estimates have been made based on information available at the present time.

#### (ii) Process of Reviewing the Realizability of Deferred Tax Assets

As a result of examining the realizability of deferred tax assets related to temporary differences and tax loss carry-forwards based on various assumptions, including the significant assumptions mentioned in (i) above, and the "Guidelines for the Realizability of Deferred Tax Assets", it was determined that some deferred tax assets are not realizable, thus the deferred tax assets were reversed by ¥1,292 million in the current financial year.

The status of deferred tax assets and tax loss carry-forwards at the end of the current financial year is shown in the "Notes to the Financial Statements: Notes on Tax Effect Accounting."

#### (iii) The Effect of the Accounting Estimate on the Following Financial Year

Such accounting estimates and the assumptions used in making them are based on information available at the end of the current financial year, and if it becomes necessary to review the above (i), the amount of deferred tax assets may be affected.

## Notes to the Balance Sheet

### (1) Accumulated Depreciation of Property, Plant and Equipment

¥73,922 million

### (2) Contingent Liabilities

Joint Liabilities on Guarantees for Employees' Housing Loans	¥68 million
Contracts for the Reservation of the Purchase of Raw Materials	¥2,090 million*

\* This represents the balance of goods reserved for purchase for which ownership has not been transferred to the Company. If there is an unpurchased balance, the Company may suffer a loss depending on the circumstances of resale from the contracting party to a third party.

### (3) Commitment Line Agreement

In light of the spread of new coronavirus infection, the Company has entered into a commitment line agreement for the purpose of securing a flexible and stable means of financing.

Unexercised Balance	¥5,100 million
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### (4) Notes on Financial Covenants

The Company has entered into loan agreements with financial covenants (syndicated loan) in order to raise funds. The commitment line agreement mentioned in (3) also contains the following financial covenants, with which the borrower is required to comply.

#### **Syndicated Loan Agreement dated 26 March, 2021, with Sumitomo Mitsui Banking Corporation as managing bank**

##### **(Financial Covenants)**

- 1) The amount of net assets shall be no less than the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the financial year ending 31 March, 2021, or the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the most recent financial year, whichever is higher.
- 2) The Company shall not post a deficit in cash flow from operating activities for two consecutive financial years, as stated in the non-consolidated statement of cash flows in the report at the end of the financial year ending 31 March, 2021 and each financial year thereafter.

- 3) The amount of segment profit of the Titanium business stated in the report at the end of March 2022 shall be equal to or greater than the amount of segment profit of the Titanium business stated in the report at the end of March 2021.
- 4) No operating loss shall be recorded in the non-consolidated profit and loss account in the report at the end of the financial year ending 31 March, 2023 and at the end of each financial year thereafter.

**Commitment line agreement dated 26 March, 2021, with Sumitomo Mitsui Banking Corporation as managing bank**

**(Financial covenant)**

- 1) The amount of net assets shall be no less than the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the financial year ending 31 March, 2021, or the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the most recent financial year, whichever is higher.
- 2) The Company shall not post a deficit in cash flow from operating activities for two consecutive financial years, as stated in the non-consolidated statement of cash flows in the report at the end of the financial year ending 31 March, 2021 and each financial year thereafter.
- 3) The amount of segment profit of the Titanium business stated in the report at the end of March 2022 shall be equal to or greater than the amount of segment profit of the Titanium business stated in the report at the end of March 2021.
- 4) No operating loss shall be recorded in the non-consolidated profit and loss account in the report at the end of the financial year ending 31 March, 2023 and at the end of each financial year thereafter.

**Syndicated Loan Agreement dated 24 February, 2022, with Sumitomo Mitsui Banking Corporation as managing bank**

**(Financial Covenants)**

- 1) The amount of net assets stated in the balance sheet at the end of financial year ending 31 March, 2022 and at the end of each financial year thereafter shall be no less than the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the financial year ending 31 March, 2021, or the amount equivalent to 75% of the total amount of net assets stated in the non-consolidated balance sheet at the end of the most recent financial year, whichever is higher.
- 2) The Company shall not post a deficit in cash flow from operating activities for two consecutive financial years, as stated in the non-consolidated statement of cash flows in

the report at the end of the financial year ending 31 March, 2022 and each financial year thereafter.

## Notes to the Statement of Operations

### (1) Write-down of Inventories included in Cost of Sales due to Reduced Profitability:

△¥439 million

## Notes to the Statement of Changes in Equity

### (1) Number of Shares Issued

Type of Shares	Beginning of the Financial Year under Review	Increase	Decrease	End of the Financial Year under Review
Common Shares	36,800,000 shares	–	–	36,800,000 shares

### (2) Treasury Shares

Type of Shares	Beginning of the Financial Year under Review	Increase	Decrease	End of the Financial Year under Review
Common Shares	1,336 shares	–	–	1,336 shares

### (3) Dividends

#### 1) Amount of Dividends Paid

Not applicable

#### 2) Dividends for which the Record Date falls in the current financial year, but the Effective Date falls after the current financial year

Not applicable.

## Notes to Tax-Effect Accounting

### Principal Components of Deferred Tax Assets and Deferred Tax Liabilities

(Japanese Yen in millions)

<b>Deferred tax assets</b>	
Provision for bonuses	65
Enterprise tax	18
Loss on valuation of inventories	325
Liability for retirement benefits	583
Business withdrawal loss reserves	21
Depreciation	184
Asset retirement obligations	455
Impairment loss	1,025
Carry forward deficit	3,829
Other	122
Subtotal deferred tax assets	6,627
Valuation allowance	(6,632)
Total deferred tax assets	--
<b>Deferred tax liabilities</b>	
Property, plant, and equipment (Asset retirement obligations)	140
Prepaid pension cost	289
Unrealized gain on available-for-sale securities	24
Total deferred tax liabilities	454
Net of deferred tax assets	454

## Notes on Financial Instruments

### (1) Status of Financial Instruments

The Company limits the management of funds to short-term deposits, etc. and raises funds by borrowing from banks and other financial institutions. Customer credit risk in relation to accounts receivable is mitigated in accordance with credit management rules. Investment securities are mainly equities, and the market value of listed equities is recognised on a quarterly basis. Borrowings are used for working capital (mainly short-term) and capital investment (long-term). Some of these loans have floating interest rates and are therefore exposed to the risk of interest rate fluctuations.

It is the Company's policy to use derivative financial instruments as the need arises, including forward exchange contracts to hedge against the risk of exchange rate fluctuations on accounts receivable denominated in foreign currencies, interest rate swaps to hedge against the risk of fluctuations in interest payments on long-term loans payable, and interest rate and currency swaps to hedge against the risk of exchange rate fluctuations on loans payable denominated in foreign currencies and against the risk of fluctuations in interest payments. Derivative transactions are carried out in accordance with internal management regulations, within the scope of actual demand and not for speculative purposes.

## (2) Fair Values of Financial Instruments

Balance sheet amounts (B/S amounts), fair values and their differences on 31 March 2022 (the balance sheet date for the current financial year) are as follows.

*(Japanese Yen in millions)*

Items	B/S Amounts (*1)	Fair values (*1)	Difference
1) Investment securities	155	155	–
2) Long-term debt	(39,000)	(38,895)	△104

\*1 Items recorded under liabilities are shown in parentheses.

\*2 Notes have been omitted for cash and items whose fair value approximates their carrying amount due to their short maturities.

### (Notes) Description of valuation techniques and inputs used in the calculation of market value

The fair value of financial instruments is classified into the following three levels, depending on the observability and materiality of the inputs used to calculate fair value.

Level 1 Fair Value	Fair value calculated based on (unadjusted) quoted prices in active markets for identical assets or liabilities
Level 2 Fair Value	Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs
Level 3 Fair Value	Fair value calculated using significant unobservable inputs

Where multiple inputs are used that have a significant impact on the calculation of fair value, the fair value is classified to the lowest priority level in the calculation of fair value among the levels to which each of these inputs belongs.

#### 1) Investment Securities

Listed shares are valued using quoted market prices. As listed shares are traded in active markets, their fair value is classified as Level 1 fair value.

#### 2) Long-Term Debt

Long-term debt is calculated using the discounted present value method based on the total amount of principal and interest and an interest rate that takes into account the remaining term of the debt and credit risk and is classified as Level 2 fair value.

### Notes to Per Share Information

(1) Net assets per share                      **¥720.40**

(2) Net profit (loss) per share            **(¥84.57)**

## Notes on Revenue Recognition

### (1) Information on the Breakdown of Revenues Arising from Contracts with Customers

*(Japanese Yen in millions)*

	Segment			Other (*)	TOTAL
	Titanium	High- Performance	Sub-TOTAL		
Japan	9,255	1,508	10,763	—	10,763
U.S.A.	8,770	567	9,337	—	9,337
China	4,941	743	5,685	311	5,996
Other	2,053	398	2,452	—	2,452
Revenue arising from contracts with customers	25,020	3,217	28,238	311	28,549
Other revenues	—	—	—	—	—
Sales to external customers	25,020	3,217	28,238	311	28,549

(Note) The sales listed in the “Other” column are due to the sale of remaining inventories relating to the Polycrystalline Silicon business, which has ceased production.

### (2) Information that Provides a Basis for Understanding the Revenue Arising from Contracts with Customers

As stated in “(4) Basis for Recording Income and Expenses (Significant Accounting Policies)” in the “Notes to the Financial Statements.”

For sales of products in Japan, revenue is recognised at the time of shipment as the period from the time of shipment to the time when title of the product is transferred to the customer is a normal period.

### (3) Information to Understand the Amount of Earnings in the Current and the Subsequent Financial Years

Not applicable

\*\*\*\*END OF DOCUMENT\*\*\*\*