

Sustainability Report 2021



About the Cover

Hydrogen fluoride (HF) is a raw material needed to produce Kanto Denka Kogyo's signature fluorochemical products. Fluorite, the mineral form of calcium fluoride (CaF₂), is a crucial resource for obtaining hydrogen fluoride. The cover motif is a photo that captures this fluorite sparkling brightly in a way that reflects the spirit of Kanto Denka Kogyo.



Safety & Environment Department, Technical Division

Yusen Building, 2-3-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Phone: +81-3-4236-8816

This report can also be viewed on the Company website at <https://www.kantodenka.co.jp/english/>



Published: December 2021



Kanto Denka Kogyo Co., Ltd. takes an environmentally friendly approach in its daily activities in order to protect people's healthy lifestyles.



Management Principles

Through the quest for eternal corporate growth and acquisition of optimum profits, Kanto Denka is working with all its shareholders, users and employees to create a successful company and prosperous society. To achieve this end, we are endeavoring to meet the requirements of our users with our unique technologies and customer-oriented services, and to build a trusted company based on our motto, "sincerity, creativity, prompt response and harmony with nature."

Principles of Conduct

- ◆ Put the customer first at all times, and act courteously and with passion.
- ◆ Observe relevant laws and regulations as well as company regulations, and act openly.
- ◆ Practice 5S (Sort, Set, Shine, Standardize, and Sustain) & PDCA, and make a commitment to efforts to develop a safe and people-friendly work environment.
- ◆ Strive to improve our own abilities while nurturing the next generation, and aim to be professionals at what we do.
- ◆ Develop products, using creative technology, that our customers can use with a feeling of security.
- ◆ Strive to conserve and act in harmony with the environment in order to develop an prosperous society.

We aim to be an innovative, development-driven company that supports the world's most advanced technologies and contributes to society, thereby contributing to the realization of a sustainable society.



Kanto Denka Kogyo is a reliable and historic company that has created a variety of products with its own unique technology. We were the first company in Japan to succeed in the development of hydrofluoric acid electrolysis by applying the electrolysis technology that we have possessed since our founding, and we have also accumulated unique technology and know-how in fluorine related technology. In this way, the Company's products have become indispensable as materials that support the world's most advanced technologies. We believe that our corporate value will be enhanced if our products and business activities are widely recognized by society as contributing to the realization of a sustainable society. To address this issue, we have established the Sustainability Promotion Committee in order to place sustainability at the core of our management policy, and are implementing corporate management that incorporates elements of the environment, society, and governance.

Currently, addressing the risks of climate change is a global challenge. In accordance with the TCFD approach, we will identify risks and opportunities related to climate change and proactively disclose information about them. In order to reduce greenhouse gas emissions and contribute to the realization of a sustainable society, we will expand the range of climate-change-responsive products that utilize our proprietary technologies, such as process gas products for semiconductors with a low global warming potential and the development of electrolytes and additives that are core materials for lithium-ion rechargeable batteries, which are essential for EVs (electric vehicles). In addition, we will continue to supply materials on a global scale to support the cutting-edge technologies of the growing semiconductor industry. As part of these efforts, we established Kanto Denka Fine Products KOREA Co., Ltd. in South Korea, our first overseas plant, in November 2017, and Xuancheng KDK Technology Co., Ltd. in China, which is expected to start operations in the spring of 2022.

Under the Medium-Term Management Plan Journey to 1000, which we have been implementing since FY2019, as where we want to be in 10 years, we aim to become an innovative, development-driven company that contributes to society by providing a safe and rewarding work environment for its employees and supporting the world's most advanced technologies with unique and superior products, based on a sound and profitable management foundation. Against this backdrop, we are promoting the growth of our fine chemicals business, represented by semiconductor gases and battery materials, and strengthening the foundation for growth with the aim of creating new businesses that contribute to a sustainable society.

One of the core measures in our current Medium-Term Management Plan is a shift to ESG-conscious management while increasing corporate value. We aim to enhance our corporate value not only through the pursuit of economic value, but also through activities aimed at solving social issues, and to develop and provide high-quality, safe, and environmentally friendly products that society demands. I hope you will continue to lend your support going forward as we continue to grow and contribute to society as an innovative, development-driven company.

Jun'ichi Hasegawa
President

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Editorial Policy

In December 2021, Kanto Denka Kogyo Group established the Basic Sustainability Policy and the Sustainability Promotion Committee to contribute to the creation of a prosperous society by increasing corporate value through activities aimed at solving social issues, including environmental and human rights problems, with the aim of realizing the SDGs (Sustainable Development Goals). In line with this change, we have changed the name of the RC Report to the Sustainability Report, and revised the content of the report to provide information on the Group's ESG (environmental, social and governance) policies, systems, and initiatives. Please refer to the website for information that is not stated here.

Report period: Although this report has been compiled using data regarding activities that took place between April 1, 2020 and March 31, 2021, content concerning matters from April 2021 and after has also been included due to its importance and urgency.

Report scope: Kanto Denka Kogyo Co., Ltd. and group companies

Kanto Denka Products for a Better Life

Kanto Denka products are used as materials for a wide range of products that modern society cannot live without.

Here we introduce these products using familiar scenes from our everyday lives.

Specialty gas products 1 2 3

We use our proprietary fluorination technology to supply products including various materials that are an essential for the manufacture of semiconductors, liquid crystals, etc.

Materials of batteries 4 5

The market for lithium-ion rechargeable batteries is forecast to expand and we produce electrolytic products that are used as materials for these batteries.

Ferrochemicals 10

We produce raw materials for the developer in copiers and printers that cater for a range of needs.

Fundamental chemicals 6 7 8 9

We produce compounds and raw materials for use in a variety of industries. These play an important role in industrial development and people's everyday lives.

5 Smartphones and mobile devices
 With product quality that is among the world's best, we are helping to improve the performance and lifespan of lithium-ion rechargeable batteries.

Materials of batteries Lithium hexafluorophosphate, Lithium tetrafluoroborate

9 Water treatment
 Our products are used in water treatment, providing safer drinking water and conserving the environment.

Fundamental chemicals Liquid caustic soda, Caustic soda flakes, Sodium hypochlorite

2 Flat display
 It is used as a cleaning gas for manufacturing equipment during the production of liquid crystal and organic EL, and plays an essential role in improving product yields.

Specialty gas products Nitrogen trifluoride

4 Electric vehicles
 We are contributing to realizing a more environmentally friendly society by supplying high-grade products that meet the strict requirements for rechargeable batteries.

Materials of batteries Lithium hexafluorophosphate, Lithium tetrafluoroborate

1 Semiconductor
 We supply specialty gas products used for etching, wiring, and cleaning during semiconductor manufacturing. We have a wide range of high-performance etching gases and environmentally friendly gases that support the high integration of semiconductors.

Specialty gas products Nitrogen trifluoride, Hexafluoro-1,3-butadiene, Tungsten hexafluoride, Carbonyl sulfide, etc.

7 Soaps and detergents
 We support sanitary living by providing the main materials for soaps, bleaches, and disinfectants.

Fundamental chemicals Liquid caustic soda, Caustic soda flakes, Sodium hypochlorite

3 Optical fibers
 We provide materials to fabricate the optical fibers that facilitate today's information-communication society.

Specialty gas products Silicon tetrafluoride

6 Paper and pulp
 We reach out to everyone through the raw materials we supply for making paper and pulp products, including newspapers, magazines and cardboard.

Fundamental chemicals Liquid caustic soda, Caustic soda flakes

10 Copiers and printers
 Our products are meeting the need for recording media capable of storing images with increasingly higher quality, including realizing developer that is highly durable. We also provide a line-up of environmentally friendly products that do not contain heavy metals.

Ferrochemicals Carrier, Magnetite

8 Flavor enhancers
 Our fundamental chemicals are also used in the manufacturing processes for flavor enhancers, making food even more delicious.

Fundamental chemicals Hydrochloric acid

The passion of the researchers who take charge of creative development of Kanto Denka Kogyo



Akiko Kuwabara
Manager
Development Planning Department
New Products Development Division

In the unit that creates new products, the fine chemicals, ferrochemicals, and fundamental chemicals business is at the core, while incorporating computational science, aiming to develop products for the environment and energy, electronics and telecommunications, and life science fields in the future.

As part of the recent ESG and SDGs initiatives, we are now required to develop environmentally friendly products, and we are working on development every day while searching for a direction.

In the Development Planning Department that I am a member of, my job is to find the seeds for developing products for the fields we are aiming for.

Although I often have a lot of thoughts and concerns, so far, I have been fortunate enough to be able to gain experience by working at three research institutes, so I have many people who can help me. They are a treasure to me!

R&D structure

Research & Development Center



We are working on the development of next-generation materials with the aim of creating new businesses that will lead our company into the future. By cultivating our core technologies, we are promoting development targeting the environment and energy, electronics and telecommunications, and life science fields. In addition, in consideration of the environment, the Center uses Gunma Prefecture's hydroelectric power for all of its electricity.

Research & Development Center
Shibukawa Branch



We are focusing on the development of specialty gases, which is our main business. In order to respond to the diversification and sophistication of materials and processes, as well as to environmental regulations, we are promoting the development of alternative gases and next-generation gases in an all-round manner.

Research & Development Center
Mizushima Branch



We are focusing on the development of battery material products, which is our main business. We are developing material products for lithium-ion batteries with the aim of increasing capacity, extending service life, and improving safety.

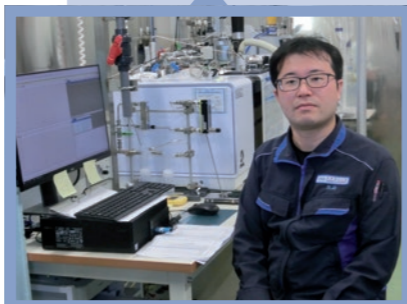
Ryo Kimura

Chief
Semiconductor Materials
Development Department
(stationed at Shibukawa Plant)
Business Division



I am engaged in the development of special materials gases that are indispensable for semiconductor manufacturing. Development includes synthesis, container selection, legal research, procurement of raw materials and equipment, and a wide range of other tasks that are necessary to supply products to customers. In recent years, there has been a growing demand for gases with higher quality and lower environmental impact, so we are striving to develop products with both of these factors in mind. We are committed to contributing to the development of industry and to being a member of the creation of a sustainable society.

Many of the semiconductor and battery materials that we manufacture and develop are highly reactive compounds, and there are many items that cannot be analyzed with commercially available equipment. The Analysis and Evaluation Group that I am a member of has developed our own analysis equipment to deal with the analysis of these compounds, and evaluates products and development products. I am attracted by the fact that I can work with engineers from various backgrounds, including manufacturing departments and analytical equipment manufacturers.



Shinichi Kawaguchi

Assistant Manager
Research & Development Center
New Products Development Division



I am currently in charge of basic development theme. The main theme will be to find the seeds of new products that can carry the next generation. Daily watering (experimenting) and observation (thinking and gathering information) are essential to make a small seed sprout into a big one. In my personal life, I am raising children, so I sometimes feel frustrated that I have to save my work. However, I really appreciate my colleagues who quickly take over my work when I have to leave early due to my child's sudden illness.

Dr. Naoko Nagumo

Assistant Manager
Shibukawa Branch
Research & Development Center
New Products Development Division



Dr. Yuki Goto

Assistant Manager
Research & Development Center and Market Development Department
New Products Development Division

My role is to listen to the real voices of our customers and link them to our development. We dig deeper into customer needs through engagement and use our technology to solve their problems. Valuable feedback from our customers helps us understand our strengths and challenges, and boosts the morale of our research and development team. Since I work both at the Research & Development Center and the Market Development Department, I am very busy and face many challenges, but I find it interesting to be able to propose my own development story and execute it.

Using our proprietary fluorination technology, we are conducting research to add new functionalities to materials and improve their properties. I find it very rewarding to work with customers to understand the physical properties they are looking for and consider how to realize them. Recently, the prototype that I am in charge of has progressed to mass production, which has given me a great sense of accomplishment. From a safety standpoint, we take the utmost care in handling fluorine. Every day, the group conducts hazard prediction (KY) for work to ensure that experiments can be conducted safely.

Hiroyuki Uehara

Assistant Manager
Shibukawa Branch
Research & Development Center
New Products Development Division



The Research & Development Center Mizushima Branch is developing organic and inorganic fluorine compounds. Our work ranges from synthesis studies, pilot plant design, expanded prototype creation, and material evaluation. To ensure the safe handling of highly hazardous reagents such as hydrogen fluoride, we also focus on safety activities such as daily hazard prediction (KY) and risk assessment. As a developer, I find the process of developing new products in cooperation with the manufacturing and sales departments to be extremely rewarding.



Noriyuki Kimura

Assistant Manager
Mizushima Branch
Research & Development Center
New Products Development Division

As a plant that is trusted by society, we place priority on safety and value our interactions with the people and communities around our factory.

The Shibukawa Plant manufactures special gases used in the manufacturing process of semiconductors and liquid crystal panels, as well as carriers that supply toner to photoreceptors inside copiers and printers. Although none of these products are in direct contact with the eyes of the general public, they support the world in ways that we cannot see, and contributing to society through manufacturing is the goal and pride of all our employees.

In order to continue to be a plant that is trusted by society, we will continue to prioritize safety over everything else, and continue to operate without accidents or disasters, while at the same time placing importance on interaction with residents and the local community around the factory. We will also proactively address social issues common to the world, represented by keywords such as carbon neutral and SDGs.

Taisuke Yonemura
Executive Officer, Shibukawa Plant Manager



This plant manufactures a wide range of products, ranging from specialty gas products used in semiconductors and LCD panels through to the carriers used in copiers and printers. Through its efforts to ensure safe and stable operation and to improve its production capacity, the plant is supporting the growth of the industry.

Certifications

ISO 9001/JQA-1009 (certified in October 1995)

A majority of the products are ISO certified.

ISO 14001/JQA-EM0438 (certified in May 1999)

ISO 45001/JQA-OH0087 (registration updated in July 2020)

OHSAS-compliant management from 2005 to 2020

Products

Ferrochemicals

- Carrier
- Magnetite

Specialty gas products

- Carbontetrafluoride
- Difluoromethane
- Ethane hexafluoride
- Hexafluoro-1,3-butadiene
- Carbonyl sulfide
- Tungsten hexafluoride
- Methyl fluoride
- Trifluoromethane
- Octafluoropropane
- Sulfur hexafluoride
- Nitrogen trifluoride
- Iodine pentafluoride
- Fluorine gas mixture



Location 1497, Shibukawa, Shibukawa City, Gunma, Japan
Plant area Approx. 138,000 m²
Number of employees 298 (as of March 31, 2021)

Shibukawa Plant Tour



1 Daily pre-work meeting

Meetings held in each workplace before work begins are always attended by staff from the Safety & Environment Department who give instructions on safety and thorough hazard prediction (The photo shows a meeting during shutdown maintenance. Meetings usually take place within the facility at each team's workplace).



2 Safety tower

Erected in hopes of achieving zero accidents and zero disasters and to represent our pledge of "Safety First."



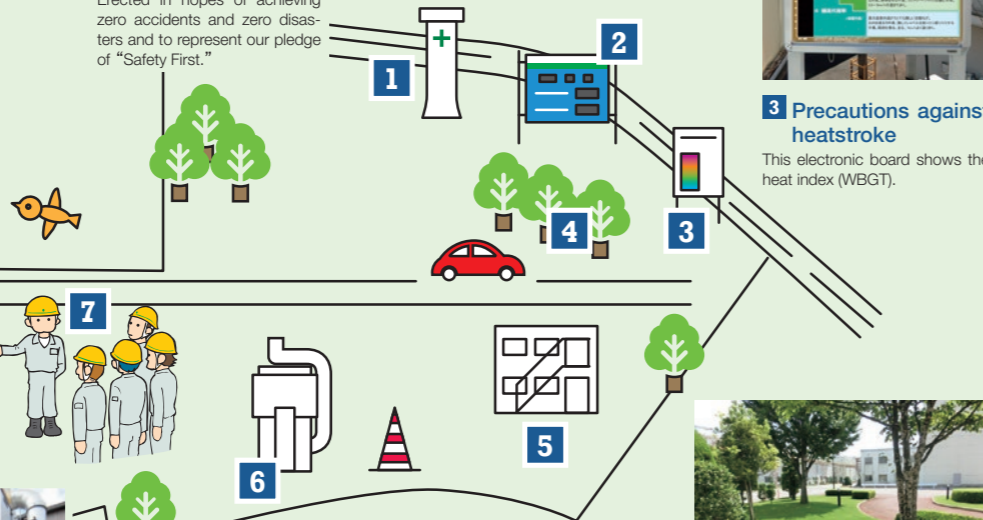
3 Safety message board

By highlighting the number of days of zero accidents and zero disasters, the board helps to improve safety awareness.



4 Precautions against heatstroke

This electronic board shows the heat index (WBGT).



5 Combustion abatement system

Striving to reduce emissions of environmentally harmful substances from the processes of producing specialty gas products and ferrochemicals.



6 Green workplace

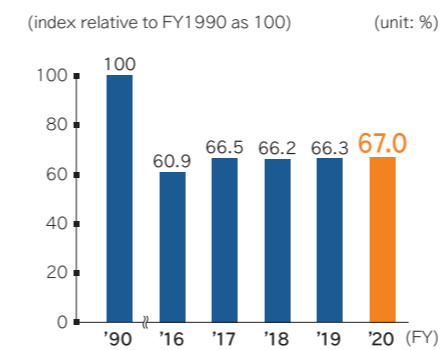
Making the workplace more pleasant and contributing to environmental conservation.



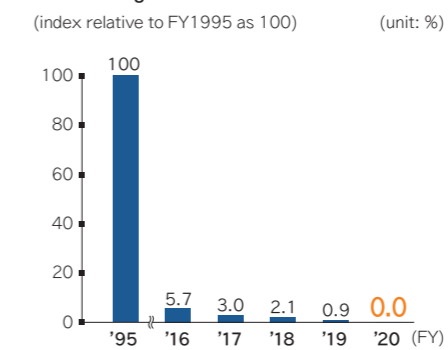
7 Risk awareness equipment

Employees are trained here to enhance their risk awareness and develop their ability to detect potential hazards in their day-to-day work.

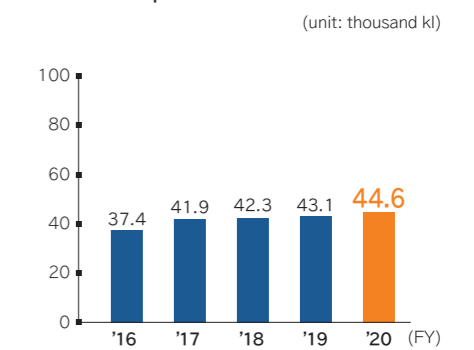
Trends in CO₂ Emissions



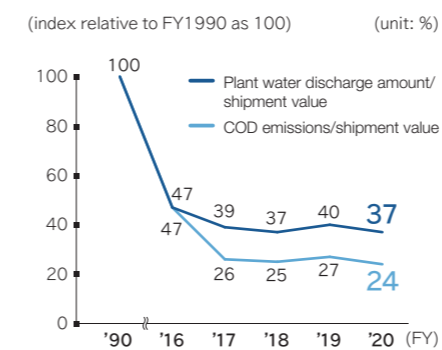
Trends in Emission Amounts of PRTR Target Substances



Trends in Energy Consumption in Crude Oil Equivalent



Trends in Plant Water Discharge and COD



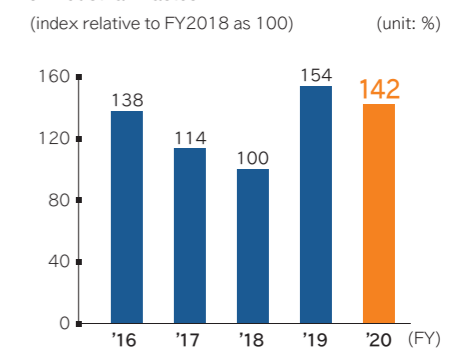
Trends in SO_x, NO_x, Soot and Dust Emissions

(index* relative to FY1993 as 100) (unit: %)

FY	'16	'17	'18	'19	'20
SO _x	0.00	0.00	0.00	0.00	0.00
NO _x	1.11	1.10	1.16	1.24	1.12
Soot and Dust	0.18	0.17	0.18	0.21	0.20

* Emission/shipment value

Trends in Final Disposal Amounts of Industrial Wastes



Under the slogan of “building a plant that can be trusted and be proud of,” we will strive to meet the expectations of our stakeholders.

The Mizushima Plant consists of basic chemical products and fluorochemical products. One of our main products, electrolytes for lithium-ion batteries, has the largest production plant in Japan, and demand for this product has been increasing significantly in response to the recent carbon neutral policy. In addition, demand for specialty gases for semiconductor manufacturing is increasing as the electronics industry expands. We are increasing the production capacity of these products to meet market demands, and at the same time, we are working to reduce our environmental impact. Under the slogan, “building a plant that can be trusted and be proud of,” we are also building good relationships with local residents and neighboring companies. We will continue to make every effort to meet your expectations.

Go Takikawa
Executive Officer, Mizushima Plant Manager



This plant supplies world-leading chemical products to assist in a wide range of manufacturing processes, including fundamental chemicals that are indispensable to industry and battery materials, an area in which demand is growing year by year. It also focuses on production innovations and the development of new and original technologies.

Certifications

ISO 9001/JQA-2254 (certified in March 1998)

A majority of the products are ISO certified.

ISO 14001/JQA-EM0437 (certified in May 1999)

ISO 45001/JQA-OH0190 (registration updated in January 2020)

OSHMS-compliant management from 2006 to 2011, and OHSAS-compliant management from 2011 to 2020

Products

Fundamental chemicals

- Liquid caustic soda
- Caustic soda flakes
- Sodium hypochlorite
- Hydrochloric acid
- Trichloroethylene
- Vinylidenechloride
- Perchloroethylene

Materials of batteries

- Lithium hexafluorophosphate
- Lithium tetrafluoroborate

Specialty gas products

- Silicon tetrafluoride
- Chlorine trifluoride
- Organic fluorine compounds



Location 4-4-8, Matsue, Kurashiki City, Okayama, Japan

Plant area Approx. 185,000 m²

Number of employees 199 (as of March 31, 2021)

Mizushima Plant Tour



1 Green workplace

Employees look after the plants and trees to make their workplace greener.



1 “Be Safe” message

A large sign at the plant entrance symbolizes our wish for a safe trip back and helps raise safety awareness.



2 Safety message board

By highlighting the number of days of zero accidents and zero disasters, the board helps to improve safety awareness.



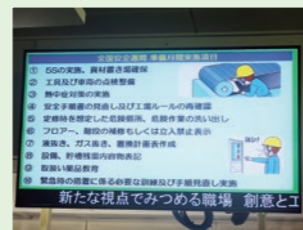
6 Precautions against heatstroke

To prevent heatstroke, candies and oral rehydration solutions are available at multiple locations in the plant.



5 Risk awareness equipment

Known as Kansui-Juku, this facility is used for risk awareness training to educate workers to recognize potential risk factors in the workplace.



4 Digital signage

Every workplace has a large LCD panel to draw greater attention to safety-related information.

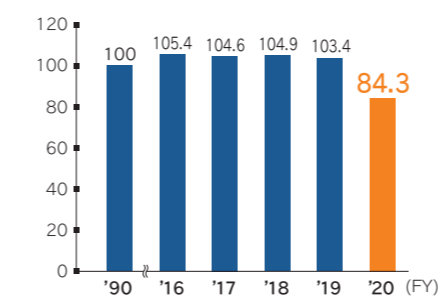


3 Safety tower

As a symbol of employees' commitment to safety, the tower watches over the Mizushima Plant as it strives to achieve zero accidents and zero disasters.

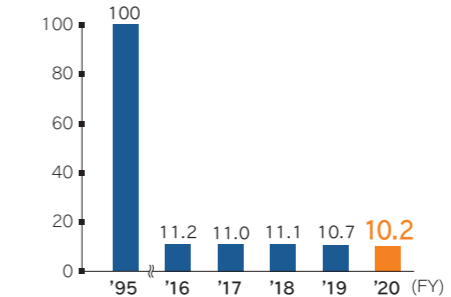
Trends in CO₂ Emissions

(index relative to FY1990 as 100) (unit: %)



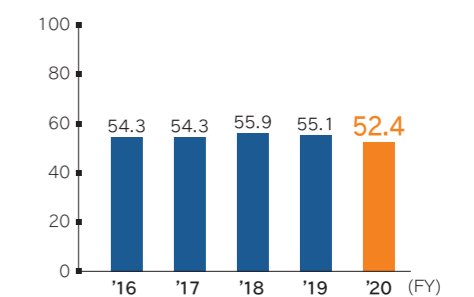
Trends in Emission Amounts of PRTR Target Substances

(index relative to FY1995 as 100) (unit: %)



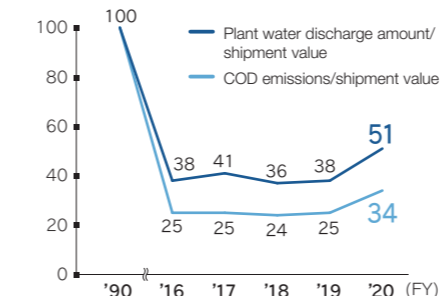
Trends in Energy Consumption in Crude Oil Equivalent

(unit: thousand kl)



Trends in Plant Water Discharge and COD

(index relative to FY1990 as 100) (unit: %)



Trends in SO_x, NO_x, Soot and Dust Emissions

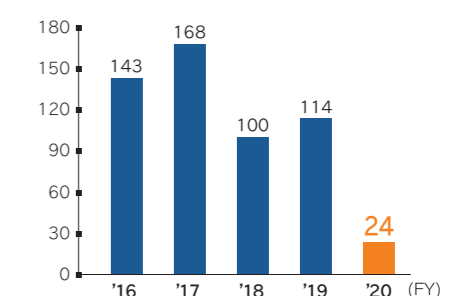
(index* relative to FY1993 as 100) (unit: %)

FY	'16	'17	'18	'19	'20
SO _x	1.51	1.13	0.93	1.06	1.52
NO _x	56.96	59.45	48.83	53.74	69.44
Soot and Dust	4.62	5.07	4.36	4.38	6.31

* Emission/shipment value

Trends in Final Disposal Amounts of Industrial Wastes

(index relative to FY2018 as 100) (unit: %)



Basic Philosophy and Basic Policy on the Environment and Safety Issues

Basic Philosophy

Recognizing that the preservation of the global environment is one of the common challenges facing humankind, we will, based on our own responsibility in our corporate activities, give consideration to the preservation of the environment and safety throughout the entire lifecycle of our products, from development through manufacturing, distribution, use, and disposal.

Basic Policy

1. Carry out comprehensive environmental and safety management in such areas as environmental protection, operational safety and disaster prevention, occupational health and safety, chemical product safety, logistics safety, and international trade safety.
2. Ensure the safety of employees and areas in the vicinity of company facilities by working to achieve zero accidents and zero disasters.
3. Make efforts to save energy and resources and reduce the amount of industrial waste generated as a result of operations.
4. Ensure the development and introduction of products and manufacturing processes that take environmental and safety issues into account.
5. Strictly comply with laws, regulations and agreements related to the environment and safety, as well as establish and meet our own stricter voluntary standards in these areas.
6. Promote logistics safety and safe chemical handling for customers.
7. Carry out the Environmental and Safety Audits.
8. Collect information on the environment and safety related to products, and thoroughly disseminate the information among employees and provide information to customers.
9. Take care to ensure the protection of the environment and safety in overseas operations, technology transfers and the international trade of chemical products.
10. Promote mutual understanding of risk by widely publicizing the details and results of our environmental and safety activities to local communities, investors, related organizations and others through environmental reports and other materials.

Audit System

Our RC audit system consists of three types of auditing: self-auditing, in which each facility evaluates its own performance; facility auditing, which is conducted by committees; and overall auditing, in which the RC Promotion Council discusses and assesses the results of facility audits. Continuous improvements are fostered as self-audit results are reflected in the next RC objectives and plans, while overall audit results are incorporated into management policies, objectives, and implementation plans for the following fiscal year.

Since FY2018, facility auditing conducted by the Safety and Environment Committee has been integrated with that conducted by the Quality Assurance Committee. We have introduced audit preparatory meetings and audit follow-up to implement an audit system that pays more attention to the PDCA process.



Organization

RC Promotion Council

The RC Promotion Council is chaired by the President and consists of the chairpersons of its committees and a few members appointed by the President. With the Safety & Environment Department serving as the secretariat, the Committee is responsible for formulating RC policies for each fiscal year and over the medium- to long-term, deliberating and deciding on important issues related to company-wide RC activities, overseeing three committees, and discussing and coordinating RC promotion and audit issues.

Safety and Environment Committee

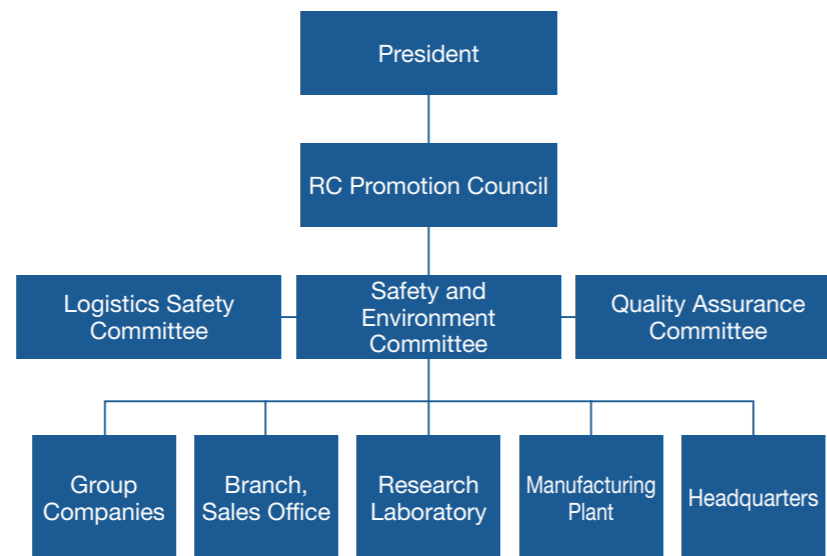
Promotion and audit of RC activities across all operational areas

Quality Assurance Committee

Promotion and audit of quality control issues, such as PL and quality assurance

Logistics Safety Committee

Promotion and audit of environmental and safety preparations related to the external transport of chemical products and customers' delivery facilities, and understanding the purpose of use



The 8th RC Action Targets

We will take the following measures to achieve the 8th RC Action Targets:

- ① **Actions for zero accidents and zero disasters:** Strengthen safety measures by effectively using the PDCA cycle based on the 5S (Sort, Set, Shine, Standardize, and Sustain) method
- ② **Energy-saving measures:** Foster improvements in the intensity of our high power-consuming facilities and promote the effective use of excess hydrogen
- ③ **Reduction of the final disposal of industrial waste:** Diversify recycling destinations and improve raw material consumption intensity associated with the generation of industrial waste
- ④ **Reduction of emissions of PRTR target substances:** Analyze the causes of increasing pollutants and enhance countermeasures
- ⑤ **Reduction of greenhouse gases emissions:** Implement measures to address detailed sources toward reducing emissions of substances with high global warming potential and power-conservation measures to cut CO₂ emissions

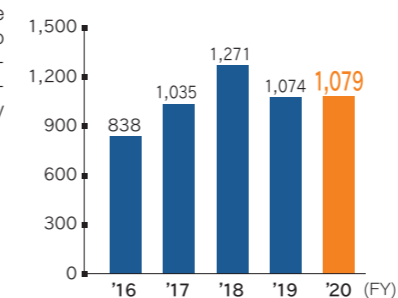
RC Action Target for FY2019–2021 (three-year plan)		Results in FY2020	
1 Actions for zero accidents and zero disasters 0 incident	<ul style="list-style-type: none"> • Zero Workplace Injuries • Zero Equipment Accidents 	Workplace Injuries: 0 Equipment Accidents: 0	Our activities include raising safety awareness, implementing hazard prediction (KY) before starting work each day, regularly receiving guidance from industrial safety consultants, and sharing close-call accidents. In FY2020, we successfully achieved zero equipment accidents and zero workplace injuries.
2 Energy-saving measures 3% reduction	Reduce energy consumption (crude oil equivalent) per unit of production volume by 3% of FY2018 levels. ...1% reduction per year	Shibukawa Plant: 0.7% increase Mizushima Plant: 0.9% reduction	Both plants strategically implement measures to conserve energy for their high energy-consuming facilities. When ramping up production, the Shibukawa Plant had to operate under a load exceeding the adequate level for energy conservation, which resulted in less energy-saving effects, falling short of the target. The Mizushima Plant slightly missed its target due to an increase in sales of products with a high energy use load, despite the effective contribution of energy-saving measures.
3 Reduction of the final disposal of industrial waste 15% reduction	Reduce the final disposal of industrial waste by 15% compared to FY2018 by improving the recycling rate ...5% reduction per year	65.4% reduction	The amount of industrial waste from the Mizushima Plant has been increasing in line with higher production. However, the development of new recycling sites has enabled us to significantly reduce the final disposal of industrial waste in FY2020.
4 Reduction of emissions of PRTR target substances 30% reduction	Reduce unit emissions of PRTR-designated chemical substances under the JCIA method by 30% compared to FY2018. ...10% reduction per year	22.5% reduction	A new combustion treatment system was installed to reduce the increasing emissions of organic solvents, which has significantly reduced emissions. We intend to continue reduction efforts.
5 Reduction of greenhouse gases emissions 10% reduction	Reduce CO ₂ equivalent greenhouse gas (GHG) emissions by 10% of FY2018 levels. ...3.3% reduction per year	23.9% reduction	To reduce emissions of substances with high global warming potential (GWP), we enhanced the collection equipment in individual processes and installed multiple abatement systems that use combustion treatment. This resulted in the successful achievement of the reduction target. We will continue measures to address detailed sources of emissions.

Investment for the Achievement of RC Action Targets

Investment in Safety Measures

Investments are focused on building a foundation to support safety measures. We continue to invest in safety in line with the "Giving the highest priority to safety" principle. We are committed to improving working environments and systematically upgrading facilities.

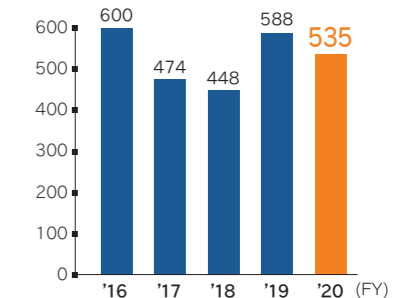
Trends in investment in safety measures (unit: million yen)



Investment in Environmental Measures

To conserve the environment, we continuously invest in necessary environmental measures such as promoting resource and energy saving, and reducing greenhouse gas emissions, PRTR target substances, environmental pollutants and the final disposal of industrial wastes.

Trends in investment in environmental measures (unit: million yen)



Sustainability Policy

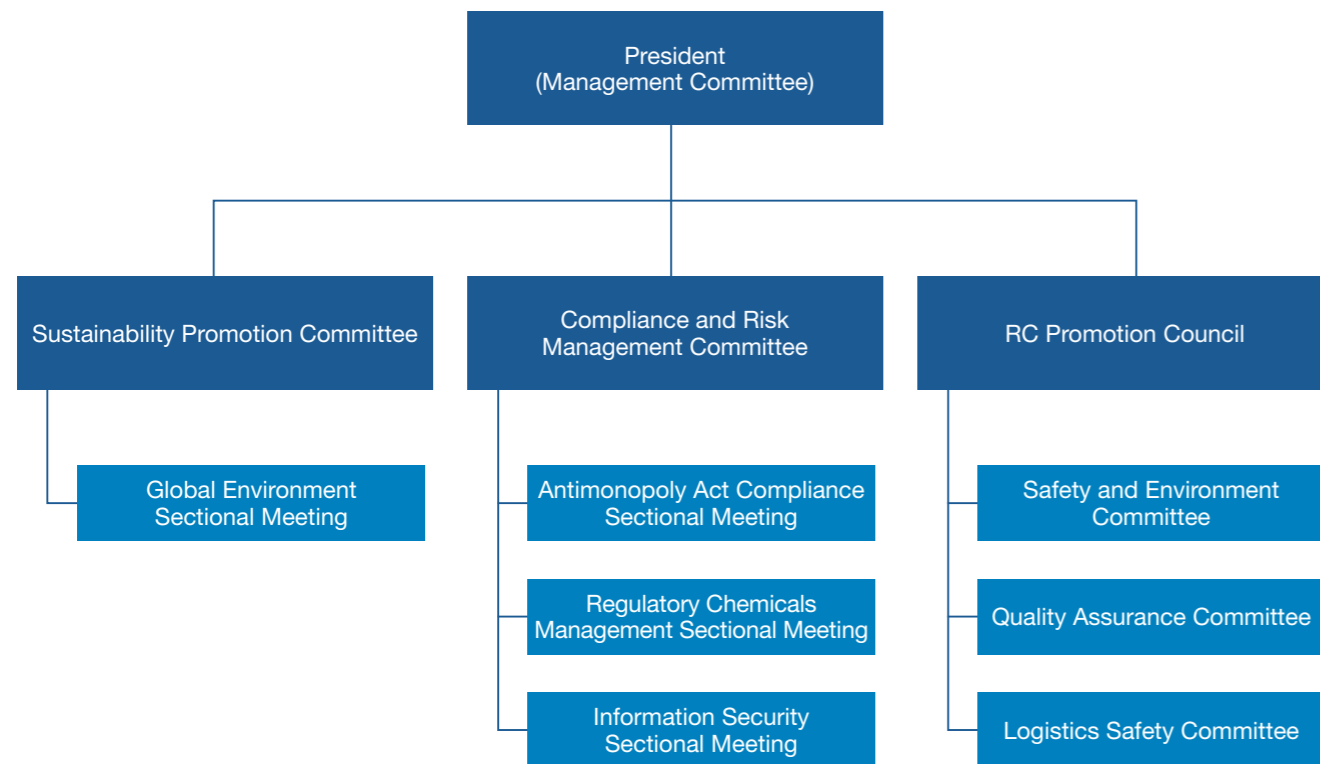
With the aim of realizing the SDGs (Sustainable Development Goals) adopted by the United Nations in September 2015, the Group will support the world's most advanced technologies on a global scale with its unique and superior products, and strive for sustainable development as an innovative, development-driven company. At the same time, the Group will earnestly address environmental and human rights issues in order to contribute to a sustainable society with

ESG (environmental, social and governance) in mind. We will build a safe and rewarding work environment, promote the 3Rs (reduce, reuse, recycle) in harmony with nature, reduce the emission of environmentally hazardous substances, promote the reduction of industrial waste and the effective use of resources, increase our corporate value through activities aimed at solving social issues, and contribute to the creation of a prosperous society.

Sustainability Promotion System

The Group has placed sustainability at the core of its management policy, and has established the Sustainability Promotion Committee, chaired by the President, to promote sustainability. We will work on individual sustainability issues in cooperation with the Compliance and Risk Management Committee, also chaired by the President, and the RC Promotion Council. In particular, we have established

the Global Environment Sectional Meeting under the Sustainability Promotion Committee to address important themes such as climate change and CO₂ reduction. In addition, the sustainability policy and the status of initiatives will be regularly discussed at the Board of Directors meetings and incorporated into the Medium-Term Management Plan and annual plan.



Environment

Response to Climate Change

In support of Agenda 21: Global Plan of Action for Sustainable Development, adopted at the United Nations Conference on Environment and Development, we are promoting responsible care (RC) activities, a voluntary initiative to implement and improve comprehensive safety measures for chemical substances.

It is the responsibility of a company to ensure that its corporate activities do not affect the environment of surrounding areas and the entire planet, and we will implement voluntary management activities to implement and improve safety, health, and environmental measures throughout the entire life cycle of chemical substances, from development through manufacturing, distribution, use, and final consumption to disposal.

Reduction of Greenhouse Gases

We produce various compounds from fluorine and chlorine obtained by electrolysis, and we consume a large amount of electricity to perform electrolysis, and in line with the government's goal of reducing greenhouse gas emissions by 46% from the FY2013 level by FY2030, we will continue to reduce our emissions.

We have been working to reduce greenhouse gas emissions from non-energy sources since 2009 with the introduction of detoxification equipment, and have made significant progress, achieving a 98.5% reduction in FY2020 compared to FY2013. Furthermore, in order to proactively tackle climate change, we are focusing on reducing energy sources greenhouse gas emissions, and in FY2020, we reduced energy sources greenhouse gas emissions by 14.9% compared to FY2013 by improving production efficiency. As a result, we have achieved an overall reduction of 86.2% in greenhouse gases.

We are currently working on calculating the amount of greenhouse gas emissions (Scope 3) throughout the supply chain, from the purchase of raw materials to their use and disposal by customers, and on that basis we will create a roadmap for carbon neutrality and work to reduce greenhouse gas emissions throughout the supply chain.

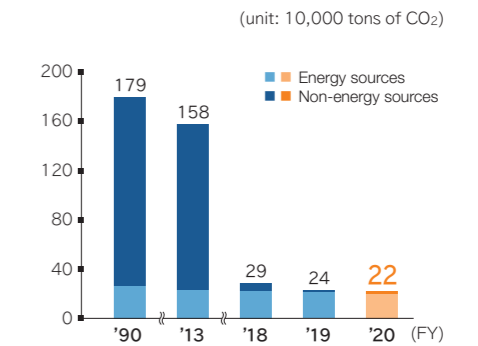
In order to expand the use of renewable energy, we are also planning to install solar cell power generation systems in plants.

The 8th RC Action Targets

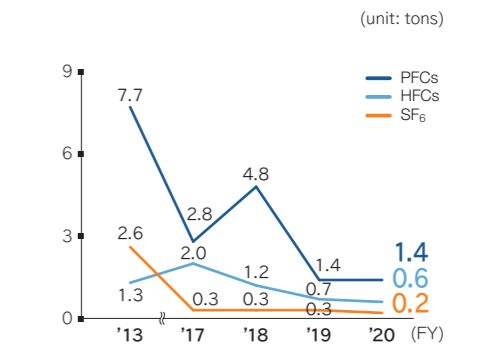
Target:
Reduce CO₂ equivalent greenhouse gas emissions by 10% compared to FY2018 levels (3.3% reduction per year).

Result:
23.9% reduction in FY2020 compared to FY2018 (86.2% reduction compared to FY2013)

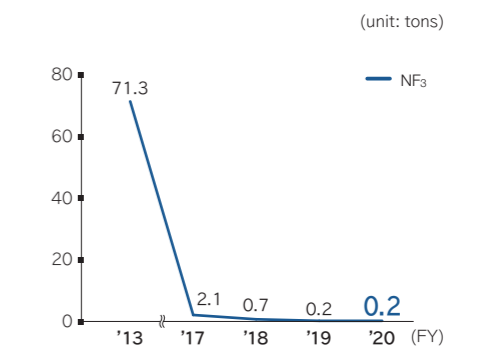
Greenhouse gas emissions



Emissions of PFCs, HFCs, and SF₆



Emissions of NF₃



Detoxification equipment for greenhouse gas

Improvement of Energy Consumption per Unit of Production

Although we are continuing to implement proactive activities such as improving power-hungry facilities and reducing steam intensity, the effects of these improvements were canceled out in FY2020, as production exceeded the operational load at which high-efficiency operation can be maintained in order to meet the rapid increase in demand for semiconductors.

The 8th RC Action Targets

Target:

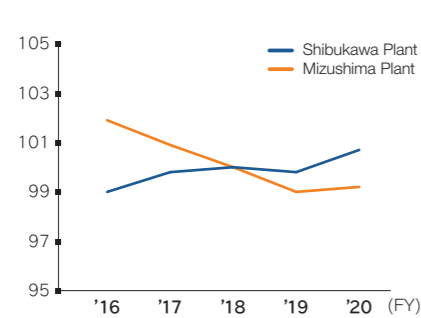
Reduce energy consumption (crude oil equivalent) per factory production volume by 3% compared to FY2018 (1% reduction per year).

Result:

Shibukawa Plant increased its production by 0.7% and the Mizushima Plant reduced its production by 0.9% in FY2020 compared to FY2018.

Trends in energy consumption per unit of production

Indicated with FY2018 as 100 (unit: %)



Reduction of Pollutant Emissions and Effective Use of Resources

We handle a wide variety of chemical substances, which we manage thoroughly in order to reduce environmental risks. We also promote the 3Rs (Reduce, Reuse, Recycle) to reduce waste and promote effective use of resources.

Reduction of the Final Disposal of Industrial Waste

As production continues to increase to meet rising demand, we have been working to reduce industrial waste. Moreover, from FY2018 onward, we have been promoting recycling of waste generated, thereby reducing the amount of final disposal of industrial waste, and in FY2020, we reduced the amount by 70% compared to the previous year.

Going forward, we will consider specific measures to recover resources from waste, and we will work to further reduce waste by building facilities for this purpose.

The 8th RC Action Targets

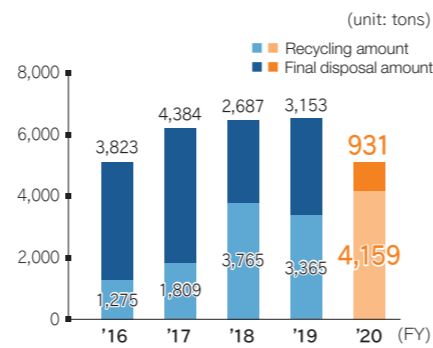
Target:

Reduce final disposal of industrial waste by 15% compared to FY2018 by improving the recycling rate (5% reduction per year).

Result:

65.4% reduction in FY2020 compared to FY2018.

Amount of industrial waste treated



Reduction of Emissions of PRTR Target Substances

Businesses are obligated to monitor and report to the government the amount of chemical substances released or transferred, and we use the JCIA method* to manage the chemical substances we handle. In FY2020, Kanto Denka handled 28 PRTR target substances with a total weight of 205,000 tons. Emissions into the environment totaled 12.7 tons, which equates to 62 grams of unit emissions per ton handled.

* The JCIA method covers a greater number of substances than PRTR target substances under the law and requires more stringent management.

The 8th RC Action Targets

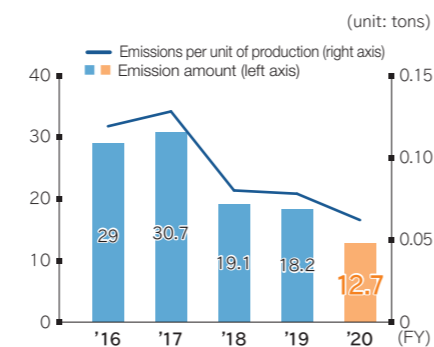
Target:

Reduce unit emissions of PRTR-designated chemical substances under the JCIA method by 30% compared to FY2018 (10% reduction per year)

Result:

22.5% reduction in FY2020 compared to FY2018.

Emissions of PRTR target substances

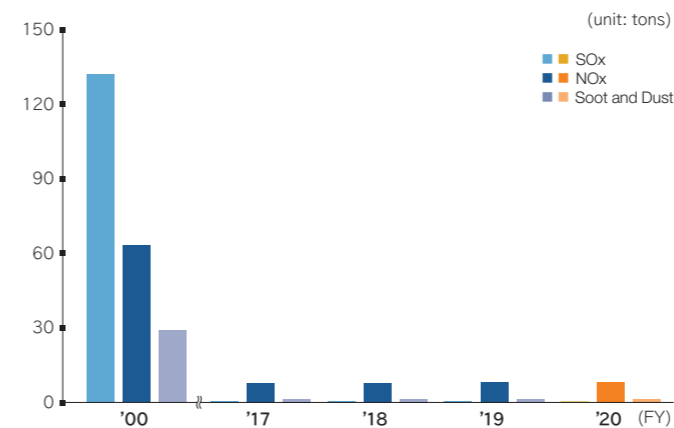


Detoxification equipment for environmental pollutants

Reduction of Emissions of Air Pollutants

We are working to reduce the emissions of atmospheric pollutants, namely SOx (sulfuroxides), NOx (nitrogen oxides) and Soot and Dust through fuel conversion and stable operation of abatement equipment. Going forward, we will continue to enhance facility management and operations management so that we can maintain low emissions levels.

Emissions of air pollutants



Reduction of Water Pollutant Emissions

To prevent environmental impact, we conduct thorough wastewater management based on in-house standards that are stricter than those stipulated by environmental laws and regulations.

[Amount of pollutants in wastewater]

	FY2018	FY2019	FY2020
COD	28.49	28.43	28.44
Total nitrogen	53.49	39.10	37.85
Total phosphorus	0.86	0.89	0.92

Conservation of Water Resources

Our manufacturing plants are located in Shibukawa City in Gunma Prefecture and Kurashiki City in Okayama Prefecture, and we are working to reduce water intake by promoting the use of recycled cooling water.

Shibukawa Plant

With the exception of a few byproducts, the products manufactured at the Shibukawa Plant do not contain any water, and the water withdrawn is mainly used for cooling and heating the manufacturing process, and almost all of it is discharged under strict water quality control by reducing the amount of water withdrawn through recycling.

[Water intake]

	FY2018	FY2019	FY2020
Service water	254	270	300
Industrial water	11,594	11,500	11,384
Ground water	1,274	1,277	1,279
Total	13,122	13,047	12,963

Mizushima Plant

The Mizushima Plant, like the Shibukawa Plant, uses most of its industrial water for cooling its facilities. Cooling water is circulated using cooling towers to reduce the amount of water taken.

[Water intake and discharge]

	FY2018	FY2019	FY2020	
Water intake	Service water	44	45	41
	Industrial water	786	783	842
	Total	830	828	883
Water discharge	747	752	829	
Water consumption volume*	83	76	54	

*Water consumption volume = water intake - water discharge

Biodiversity

Based on our management philosophy of meeting user expectations with our unique technology and heartfelt service, and building a trusted Kanto Denka with sincerity, creativity, prompt response and harmony with nature as our motto, our action guideline is to strive for environmental conservation and harmony to create a prosperous society. We believe that biodiversity initiatives are important for the realization of a sustainable society.

We participate in the activities of the NPO Shibukawa Regional Manufacturing Council, which works to beautify the local environment and prevent global warming by growing flowers and greenery such as hydrangeas, the flower of Shibukawa City. In FY2020, a total of 36 people participated in environmental beautification activities for seven days, although some activities were restricted due to the spread of COVID-19.

We also participate in the biannual conservation and tree-planting activities in the woodlands adjacent to Onoike Hydrangea Park.

The activities of the NPO Shibukawa Regional Manufacturing Council were introduced on the website of Gunma Prefecture.

NPO法人茨川広域ものづくり協議会×大同特殊鋼(株)×関東電化工業(株)の協働

【協働の概要】 茨川17番中央分館等のアパレル、000種の取り扱いを誇る...

【協働のメリット、情報発信】 企業や多くの市民が活動に参加することで、若年層が「働きがいのある会社」として認知され、また、環境美化の活動につながる。企業の若手と一緒に活動できるのも嬉しい。

【大同特殊鋼(株)、関東電化工業(株)】 茨川の企業として地域の活動に貢献することを目指す。社員が積極的に参加して、花の手入れを通じて、環境美化の向上につながっていると感じる。

Social

Respect for Human Rights

Based on the International Code of Conduct on Human Rights, the Board of Directors has established the Kanto Denka Kogyo Group Human Rights Policy.

The Group will promote actions in line with the principles of this policy and respect for human rights.

Ensuring Diversity

In a rapidly changing business environment, we believe that the key to future corporate growth lies in securing, training, and promoting a diverse range of human resources. Currently, we are working to hire, train and promote a diverse workforce, including women, foreigners, mid-career workers and people with disabilities.

Relations with Local Communities

Based on our management philosophy of contributing to the creation of an affluent society, we believe that it is essential for the stable operation of our plants that we contribute to society as a member of the local community and earn the trust of the local residents. We regularly hold information exchange meetings to explain our disaster prevention and environmental initiatives and to gain their understanding of our plant operations.

Shibukawa Plant / Shibukawa City, Gunma Prefecture Local Community Activities

In addition to the activities of the NPO Shibukawa Regional Manufacturing Council, the entire executive staff participates in beautification activities such as weeding and picking up trash several times a year to improve the environment around the plant.



Cleaning the east side of Shibukawa Station

Acceptance of Employment Support Services for People with Disabilities

In support of the Hand in Hand NPO's employment support program for people with disabilities, we outsource the cleaning of our office three times a week. The project started with the purpose of providing job training opportunities for the handicapped, and now everyone is grateful for the cleanliness of the office thanks to their good work.

Blood Donation Activities

In FY2020, a total of 86 employees donated blood at the Shibukawa Plant, while taking care to prevent the spread of COVID-19.

Support for the Maebashi Shibukawa City Marathon

To support the promotion of local sports, the Shibukawa Plant participates in the Maebashi Shibukawa City Marathon every year as a volunteer, helping to organize the event. Several runners from the Group also participate in the event. (The event was canceled in FY2020 due to the spread of COVID-19)



Volunteering at a water station

Mizushima Plant / Kurashiki City, Okayama Prefecture Local Community Activities

We participate in *Bon Odori* (a traditional Japanese dance) and autumn festivals to deepen interactions with local community associations and promote activities rooted in the local community.

In order to maintain the environment around the plant, the General Affairs Section takes the lead in conducting weekly cleanup activities around the plant.



Bon Odori festival of the local community association



Clean-up activities around the Mizushima Plant

Became an Official Partner of Ohara Museum of Art

As an official partner of the Ohara Museum of Art, which holds world-famous paintings, we support the promotion of art and culture in the region.



Appearance of the Ohara Museum of Art



Ohara Museum of Art official partner ticket

Support for the Okayama Seagulls

As a corporate member, we support the Okayama Seagulls, one of the few citizen volleyball club teams in the V-League.

Quality Assurance

In order to provide the quality and safety required by our customers, we will develop human resources with a higher awareness of quality, and implement improvements in quality, productivity, and operational reliability through the participation of all employees.

Introduction of Cutting-edge Analysis Technologies

The Company works to improve analysis technologies in both intangible and tangible aspects. During FY2020, we proactively invested in the adoption of cutting-edge analysis technologies, mounted high-sensitivity analyzer to improve the accuracy of analysis, and actively conducted trials and studies on new analysis technologies in order to assess high-quality products in a more multi-faceted and correct manner. Also, focused on quality education, we conduct education to enhance quality control levels, including quality trend management points, cause analysis methods, and quality risk identification tools. Analysis engineers work to acquire and hone skills in advanced technologies through active participation in seminars by external specialist organization, in addition to internal education and training.



High-sensitivity gas analyzer

High-sensitivity moisture analyzer

Promotion of Analysis Automation

The Company is promoting the gradual automation of analysis work. We are using automation to improve analysis accuracy and improve operational efficiency.



Essential equipment for analysis automation

Analysis Operations in a Clean Analysis Environment

The Company is enhancing its clean rooms to ensure analysis is conducted in spaces with a high degree of cleanliness in order to enable the analysis of minute volumes, even at orders of part per trillions.



Analysis being carried out in a clean room

Logistics Safety

We are working to reduce risks in the transportation process of our products and to ensure comprehensive safety in logistics. To ensure safety in emergencies, we require the transport personnel to carry yellow cards and safety data sheets at all times, and in cooperation with external disaster prevention organizations, we have established a system to promptly respond to leaks and fires during transportation of raw materials and products.

Safety Initiatives

Based on the principle of giving the highest priority to safety, all employees are involved in safety activities with the aim of achieving zero accidents and zero disasters.

As part of activities related to safety and health, the President and other company management and labor union representatives hold labor-management meetings twice a year to exchange opinions.

In accordance with the Industrial Safety and Health Act, each business site holds monthly meetings of the Health and Safety Committee, etc. to discuss matters related to health and safety, and to work together with labor and management to improve health and safety.

The 8th RC Action Targets

Target:
Zero occupational accidents resulting in lost work time (employees and subcontractors), zero equipment accidents

Result:
In FY2020, there were no occupational accidents resulting in lost work time or equipment accidents

The Company has not experienced any accidents resulting in lost work time since FY2016, and our subcontractors have not experienced any accidents resulting in lost work time since FY2015. In addition, no equipment accidents (except for minor ones) have occurred since FY2018.

Award as Excellent Hazardous Materials-Related Site from the Commissioner of the Fire and Disaster Management Agency

The Shibukawa Plant received the Award as Excellent Hazardous Materials-Related Site from the Commissioner of the Fire and Disaster Management Agency for FY2021. The award is presented to hazardous materials-related sites that have made outstanding contributions to ensuring the safety of people's lives by cooperating in the promotion of hazardous materials safety administration through the voluntary and active promotion of safety measures related to hazardous materials facilities and handling, and thorough education on the safety management of hazardous materials. In FY2021, 27 sites were awarded in Japan. Shibukawa Plant's ongoing efforts to manage the safety of hazardous materials have been well recognized, and we will continue to ensure the proper use of hazardous materials and compliance with laws and regulations, and will continue to achieve zero accidents and zero disasters.



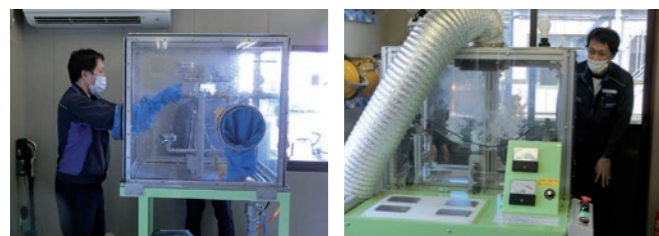
Fire and Disaster Management Agency Commissioner's Award

Safety Behavior Criteria

1. Pre-work Kiken Yochi (KY: hazard prediction) reminders and awareness checks shall be performed, and the causes of any hazards shall be checked and eliminated before any work is carried out.
2. Managers and supervisors monitor and confirm that all work is being done as instructed.
3. Unsafe activities shall not be tolerated under any circumstances and safety shall not be compromised.
4. Instructions shall be clear, detailed and appropriate for the type of work, and those responsible shall confirm that those instructions have been understood correctly.
5. Persons receiving instructions shall always query any instructions that they cannot understand and shall not engage in work while they are still unsure.
6. Where workers lack experience, the responsible manager or supervisor shall provide detailed instructions and work permits and shall monitor the work.
7. Instructions and coaching shall be provided based on the principles of the "Sangen Shugi" ("three actuals" philosophy).
8. Managers and supervisors shall communicate orders and instructions to the employees actually carrying out the work, including partner company contractors, and shall confirm that such communication is thoroughly carried out.
9. Training shall be persistent and repeated until the content is fully understood.
10. When performing work, the Production Department, Plant Protection Department and original contractor shall be fully aware of their rights and responsibilities and shall issue instructions in accordance with those responsibilities

Risk Awareness Equipment

We installed risk awareness equipments at the Shibukawa and Mizushima plants in FY2017. While knowledge and experience are essential for cultivating a capacity to spot potential sources of danger during day-to-day work, we cannot allow people to experience an actual accident or disaster. By experiencing dangerous situations in safety with this risk awareness equipment, it is possible to accumulate such knowledge and experience. We are constantly introducing new devices as we work to enhance the equipment. Participants have said they have become more sensitive toward safety by experiencing conditions they do not normally experience. We will continue this form of education going forward with the inclusion of partner company contractors as well.



Training on experiencing the risk of leakage from flanges

Risk experience training on overcurrent leakage from flanges

Initiatives to Promote Health

We believe that human resources are everything, and for this reason, it is important to ensure the physical and mental health and safety of our employees. We are working to improve the job satisfaction of our employees by maintaining a healthy, safe, and clean work environment.

Medical Examinations

If the results of a regular medical examinations indicate that a second examination is necessary or that there are findings, we recommend that the employee undergo a secondary examination, with all costs borne by the Company.

In addition to the subsidy provided by the health insurance association for influenza vaccination, the Company also provides a subsidy.

Mental Health Care

We focus on not only physical health care, but also mental health care so that employees can live healthy lives. We open a Mental and Physical Health Contact Point, and assign a mental health representative to each office. In addition, a high screening rate of 98% or higher on average has been achieved in the stress check conducted since FY2016.

Labor Standards (Creating a Comfortable Workplace)

Work-life Balance

We have introduced flextime, and are promoting the reduction of overtime work, and the use of paid leave in order to achieve a better work-life balance for our employees. We are working to improve the rate of paid leave utilization by posting the rate of paid leave utilization by office and department on the company intranet. The paid leave utilization rate for FY2020 was 71.7%.

As for childcare leave, we make it known on the intranet that men can also take childcare leave. In FY2020, two male employees took childcare leave.

Employee Training System

Regardless of the type of job, we provide training to acquire the skills and knowledge necessary to carry out the roles required of each level of our company's employees, and to improve the overall level of the Company.

Harassment Prevention Measures

Employee work rules and regulations clearly state that sexual harassment, power harassment, and harassment related to pregnancy, childbirth, childcare leave, and nursing care leave are prohibited and that violations will result in disciplinary action. In addition, a consultation service for harassment has been set up. It provides for the protection of the privacy of those involved and to ensure that no disadvantageous treatment is given to whistleblowers.

Supply Chain

Policy and Approach

We strive to comply with fair trade practices and green procurement in order to build a better society.

With this in mind, in order to fulfill our social responsibilities in the supply chain and to gain the understanding and cooperation of our various stakeholders, we will work with our suppliers on an equal footing, based on mutual understanding, to ensure stable procurement through ongoing transactions that are strictly evaluated based on fair and impartial standards, and develop domestic and international trading markets to promote new entrants, and conducting economical and rational transactions.

Our purchasing policy is to procure from companies that comply with the RBA (Responsible Business Alliance) Code of Conduct, OECD Due Diligence (OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas), and mineral resource disclosure rules, while giving priority to companies that are actively involved in environmentally friendly products and services.

We will work together with our suppliers to procure and purchase raw materials and materials in consideration of the above so that this purchasing policy can be properly implemented not only in our own company but also in the entire supply chain.

Governance

Corporate Governance

Basic Stance on Corporate Governance

Our management philosophy is "Through the quest for constant corporate growth and acquisition of optimum profits, Kanto Denka is working with all its shareholders, users and employees to create a successful company and prosperous society. To achieve this end, we are endeavoring to meet the requirements of our users with our unique technologies and customer-oriented services, and to build a trusted company based on our motto, 'sincerity, creativity, prompt response and harmony with nature.'" In other words, our corporate goal is to "contribute to the creation of a prosperous society while enhancing corporate value," and to achieve this goal, we are working to build good relationships with our stakeholders, including shareholders, local communities, users, and employees.

Outline of the Corporate Governance System

Details of the Company's Organizations

The Company holds a regular meeting of the Board of Directors once a month to make decisions on important matters and supervise the execution of duties by Directors. In order to further strengthen the functions of the Board of Directors and improve management efficiency, the Management Committee, which is attended by the Directors and Executive Officers who execute the Company's business, meets once a month to flexibly make decisions on basic and important matters related to business execution.

The Compliance and Risk Management Committee, chaired by the President and with the participation of outside attorneys, has been established as an organization to oversee overall compliance. Each

Group company has appointed a compliance promotion officer to ensure collaboration. In addition, the Kanto Denka Kogyo Group Compliance Manual has been formulated as a code of conduct for officers and employees, and all officers and employees are thoroughly familiarized with it, and a consultation and reporting system for compliance has been established. The Committee also manages antitrust laws and strategic materials.

As for internal audits, the RC Promotion Council, chaired by the President, conducts audits in the areas of safety and health, environment, product safety, and logistics, while the Internal Audit Office conducts internal audits of overall operations.

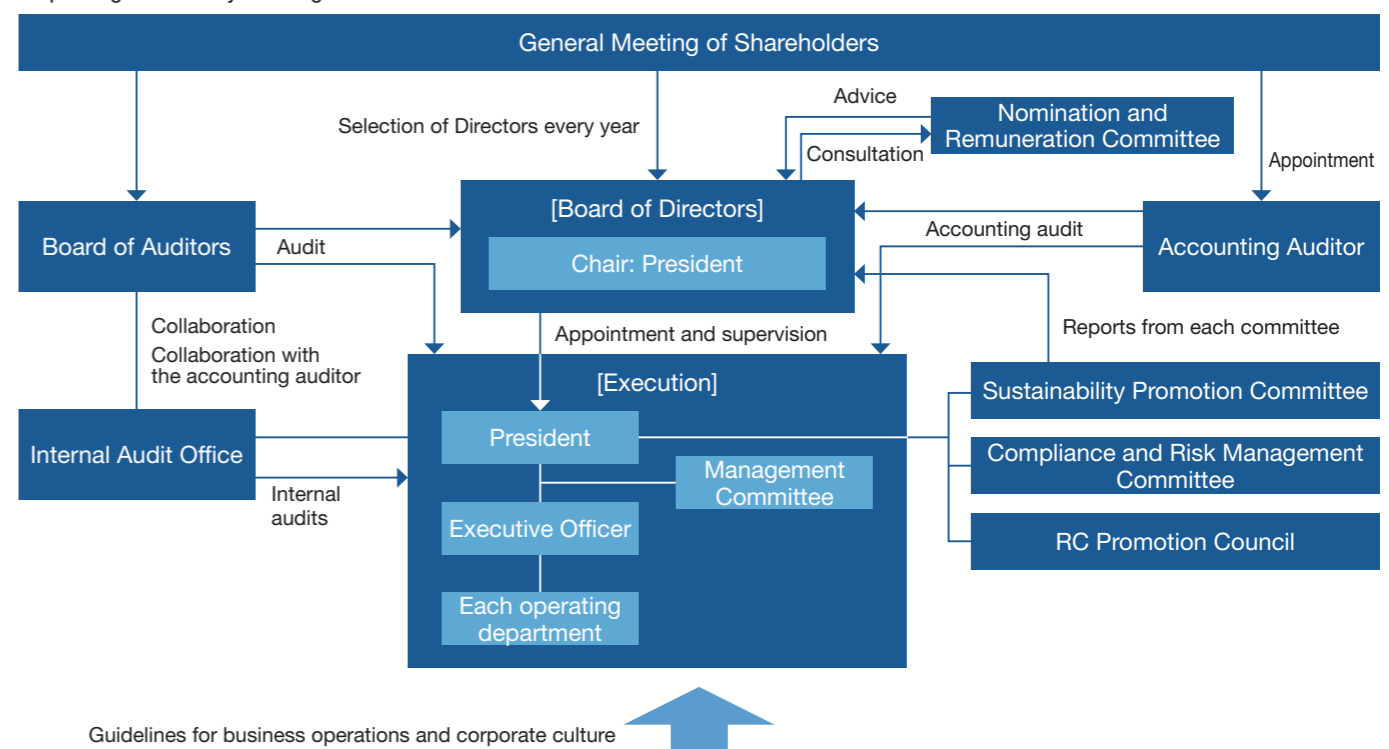
Status of Auditors and Audits by Auditors

The Company has adopted a company with auditors system consisting of four Auditors, two of whom are Outside Auditors.

The Board of Auditors consists of four members: two full-time Auditors (one of whom has expertise in finance and accounting) and two part-time Auditors, and regularly reports and discusses important matters related to auditing. In order to ensure the effectiveness of audits, full-time Corporate Auditors attend the Management Committee and other important meetings to ensure a system for auditing the execution of duties by Directors.

In addition, the Auditors receive explanations on the contents of accounting audits from the Internal Audit Office and other internal audit departments as well as Ernst & Young ShinNihon LLC, the Company's accounting auditor, and cooperate with them by exchanging information.

Corporate governance system diagram



Management philosophy and action guidelines that translate the philosophy into concrete actions

Internal Reporting System

Officers and employees are obliged to report any violations of compliance within the Company. The parties reported to are the General Manager of the Legal & General Affairs Department, the General Manager of the Human Resources Department, the General Manager of Administration Department of both plants, the full-time Auditors, and the legal counsel. The Company will keep the details of reports confidential and will not treat whistleblowers disadvantageously. The same applies when a report is received from an external party such as a business partner.

Implementation Status of Corporate Governance Measures Policy and Procedure for Appointing and Dismissing Upper Management and Designating Candidates for Directors and Auditors by the Board of Directors

The Company elects Directors and Auditors from a diverse range of individuals who possess outstanding character, insight, and a wealth of experience. In terms of selection procedures, the Nomination and Remuneration Committee, of which the majority of members are independent Outside Directors, is consulted with on the selection of candidates for Directors, and then the Board of Directors will make a decision. Candidates for Auditors will be decided by the Board of Directors after obtaining the consent of the Board of Auditors for the appointment proposal. In addition, in cases where serious misconduct has occurred and the involvement of such misconduct is recognized, or in cases where the Company is unable to achieve its performance targets over a long period of time, the Company will not reappoint senior management.

Independence Judgment Standards for Independent Outside Directors and the Qualities of Independent Outside Directors

The Company selects candidates for Outside Directors who are Independent Directors in accordance with the independence standards established by the Tokyo Stock Exchange. The three Independent Outside Directors are involved in corporate legal affairs, corporate accounting, and research and development, and play an important role in the decision-making process of the Board of Directors by applying their experience and broad insight to management and expressing their opinions from a professional perspective.

Policy and Procedure for Deciding on Remuneration for Upper Management and Directors by the Board of Directors

Remuneration for Directors shall be determined by paying attention to the balance between fixed and variable remuneration, as well as between short-term and medium- to long-term remuneration, in order to provide sound incentives for improving business performance and increasing corporate value. Specifically, remuneration for Directors excluding Outside Directors consists of monthly remuneration (fixed portion), bonuses for Directors (performance-linked portion, short-term remuneration), and stock-based remuneration (medium- to long-term remuneration), while remuneration for Outside Directors consists of monthly remuneration only. Procedures for determining the remuneration of Directors are determined by the Board of Directors after consulting the Nomination and Remuneration Committee, of which the majority of members are Independent Outside Directors.

Risk Management

Objectives of Risk Management

The purpose of this policy is to respond to and plan for an emergency (an emergency refers to the occurrence, or the possibility of occurrence, of damage to employees or local residents, loss of trust in business partners, or a decrease in company assets due to compliance issues, plant accidents, natural disasters, overseas terrorism, etc.) from among possible risks in the course of our business activities, and to take prompt and appropriate action in the event of an emergency, in order to protect and save lives, ensure the safety of officers and employees, restore the trust of local residents and business partners, quickly

restore operations, and preserve company assets.

Risk Management System

To promote compliance and conduct risk management, we have established the Compliance and Risk Management Committee, which meets at least twice a year. This committee is chaired by the President and consists of the Board Director in charge of the Legal & General Affairs Department, the chairpersons of the committees, and the chairpersons of the RC Promotion Council. In the event of an emergency, the Emergency Response Headquarters, headed by the President, will be responsible for crisis management. In addition, we have established an emergency response manual to identify possible risks, and have formulated countermeasures. In the event of an emergency, we will take prompt and appropriate action to prevent the spread of damage, ensure the safety of our officers and employees, secure the trust of our customers and local residents, quickly restore operations, and protect the Company's assets.

BCP (Business Continuity Plan) Initiatives

Because we supply unique products with our original technologies to countries all over the world, we recognize that it is our social responsibility to continue to provide a stable supply of products. In addition to promoting the decentralization of production bases, including those overseas, we have formulated a BCP to protect human lives, preserve facilities, and promptly resume operations in the event of an emergency.

Anti-corruption Initiatives

In order to build a better society, our officers and employees comply with laws, regulations, and internal rules, and by encouraging ethical behavior, we will conduct fair corporate activities, gain the trust of society, and become a company that is accepted both domestically and internationally, as we fulfill our corporate social responsibility (CSR). In addition, with regard to anti-corruption as advocated in the 10 principles of the United Nations Global Compact, the Board of Directors has established an anti-corruption declaration for all employees of the Group, and we will implement actions in line with the principles of this policy.

Proper Tax Reporting and Payment

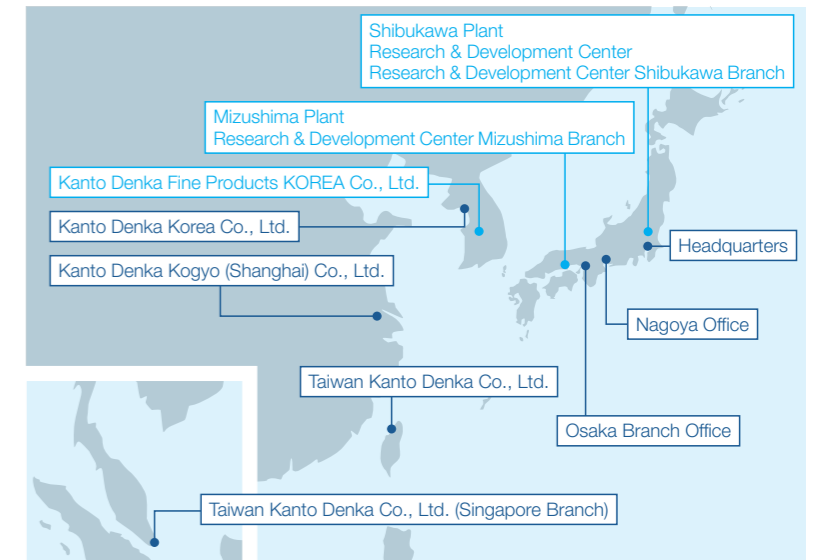
The Board of Directors has established the Kanto Denka Kogyo Group Tax Policy. The Group will comply with the principles of this policy and strive to file and pay taxes appropriately.

Information Security

Kanto Denka Kogyo Group complies with laws, regulations, and internal rules to properly manage the information about customers and our group that we handle in our corporate activities. In particular, we recognize that dealing with risks such as information leaks and tampering caused by information systems is one of the most important management issues in protecting information assets from all kinds of threats. In order to protect information assets from various threats, we strive to raise information security awareness among all directors and employees, implement multifaceted measures to prevent information security incidents, and continuously enhance information security.

Corporate Profile

Company Name: Kanto Denka Kogyo Co., Ltd.
 Established: September 22, 1938
 Headquarters: Yusen Building, 2-3-2, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
 Phone: +81-3-4236-8801
 President: Jun'ichi Hasegawa
 Capital: ¥2.877 billion
 Employees: 673 (as of March 31, 2021)
 Sales: ¥47.071 billion



Network

Osaka Branch Office

Seiwa Umeda Building, 2-12-7, Sonezaki, Kita-ku, Osaka 530-0057, Japan
 Phone: +81-6-6366-0681

Shibukawa Plant

1497, Shibukawa, Shibukawa City, Gunma 377-8513, Japan
 Phone: +81-279-23-3211

Kanto Denka Fine Products KOREA Co., Ltd.

176, 5 Sandan 1-ro, Susin-myeon, Dongnam-gu, Cheonan City, Chungcheongnam-do, Republic of Korea
 Phone: +82-41-569-4562

Research & Development Center Shibukawa Branch

1497, Shibukawa, Shibukawa City, Gunma 377-8513, Japan
 Phone: +81-279-22-3533

Kanto Denka Korea Co., Ltd.

329, 27, Seochojungang-ro 24-gil, Seocho-gu, Seoul, Republic of Korea
 Phone: +82-2-3471-2360

Taiwan Kanto Denka Co., Ltd.

17F-8, No.118, Ciyun Rd., East Dist, Hsinchu City 30072, Taiwan (R.O.C.)
 Phone: +886-3-577-1575

Nagoya Office

Nagoya Mitsui Building Main Wing 1-24-30, Meiekiminami, Nakamura-ku, Nagoya City, Aichi 450-0003, Japan
 Phone: +81-52-571-1371

Mizushima Plant

4-4-8, Matsue, Kurashiki City, Okayama 712-8533, Japan
 Phone: +81-86-455-5231

Research & Development Center

425, Kanai, Shibukawa City, Gunma 377-0027, Japan
 Phone: +81-279-23-2712

Research & Development Center Mizushima Branch

4-4-8, Matsue, Kurashiki City, Okayama 712-8533, Japan
 Phone: +81-86-455-5234

Kanto Denka Kogyo (Shanghai) Co., Ltd.

Room 3506, The Place Tower B, 100 Zunyi Road, Changning District, Shanghai 200051, China
 Phone: +86-21-6278-7004

Taiwan Kanto Denka Co., Ltd. (Singapore Branch)

11 Beach Road #03-01 Crasco Building Singapore 189675
 Phone: +65-3157-5974