

INTEGRATED REPORT

2024



Management Philosophy

Through the quest for constant corporate growth and acquisition of optimum profits while achieving harmony with nature, Kanto Denka is working with all its shareholders, users and employees to create a successful company and a sustainable society. To achieve this end, we are endeavoring to ensure our unique technologies and superior services meet the requirements of our users and build a trusted company based on the principles of 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 & 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.
- Proactively work to conserve and act in harmony with nature in order to develop a sustainable society.

Table of Contents

Value Creation

History of Kanto Denka Kogyo	3
Financial and Non-Financial Highlights	5
Value Creation Process	7

Strategies and Measures

Message from the President	9
12th Medium-Term Management Plan (2022-2026)	13
Message from the Chief Financial Officer	15
Adoption of ROIC as a New Management Indicator	17
Elimination of PBR of less than 1x	18
Feature Governance Reform	19
Feature Message from Outside Directors	21
Message from the General Manager, Business Div.	27
Overview by Segment	28
Semiconductor Materials	31
Domestic Manufacturing Plant Information	32
Kanto Denka Kogyo's Specialty Gases	33
Research and Development	35

Sustainability

Sustainability Policy and System	37
Response to Climate Change: Disclosures Based on the TCFD's Recommendations	38
ESG Information	
Environment	42
Social	48
Feature Human Capital	51
Governance	53

Data Section

Five Years of Key Financial Data (Consolidated)	59
Key Sustainability Information (Non-consolidated)	60
Stock Information	61
Company Information	62

Editorial Policy

The Kanto Denka Kogyo Group has issued this integrated report so that we can comprehensively communicate financial and non-financial information to shareholders, investors, and other stakeholders with the aim of deepening their understanding of the Group's management plan and corporate activities to create medium- to long-term value. This report was compiled with an emphasis on the connectivity and simplicity of information, referring to the IR Framework issued by the International Integrated Reporting Council (IIRC) and the Guidance for Co-creation of Value in order to provide an easy-to-understand overview of the Group's activities.

More information is available on our website.

- IR Information

<https://www.kantodenka.co.jp/english/ir/>

- Sustainability Initiatives

<https://www.kantodenka.co.jp/english/sustainability/>



Report Period:

Although this report has been compiled using data regarding activities that took place between April 1, 2023 and March 31, 2024, content concerning matters from April 2024 and after has also been included due to its importance and urgency.

Report Scope:

This report covers Kanto Denka Kogyo Co., Ltd. and its Group companies. However, specific activities, such as environmental performance data, refer to Kanto Denka Kogyo Co., Ltd. on a non-consolidated basis.

Published:

March 2025

Notes

- This report contains projections and forward-looking statements regarding our plans, strategies and performance. Please note that actual results may differ from these statements.
- Numerical values in this report are rounded down to the nearest unit as a general rule.

History of Kanto Denka Kogyo

Since our founding in 1938, Kanto Denka Kogyo has accumulated and developed knowledge centering on specialized technologies and know-how in electrolysis and other fields. Here we introduce our unparalleled technological capabilities, sound and profitable management foundation, and the history of value creation that we have continued to expand and develop over many years.

From 1938: Founding and emergence of fundamental chemicals business

Our company was established in 1938 for the purpose of producing metallic magnesium, the raw material for the duralumin used in aircraft. After the end of World War II, we withdrew from the production of metallic magnesium, where demand had plummeted, and switch our core business to soda electrolysis products, which were manufactured as auxiliary raw materials. In the soda electrolysis business, which had become a new core business, we have manufactured a variety of products by effectively utilizing caustic soda, chlorine, and hydrogen obtained through soda electrolysis. In 1965, the Mizushima Plant started operation as our second plant in Japan. Since then, we have been supplying a wide variety of fundamental chemicals through a two-base system.

From 1970: Development of fluorochemicals and ferrochemicals businesses

In 1970, we established the first hydrofluoric acid electrolysis technology in Japan to extract fluorine from hydrogen fluoride on a commercial scale. At first, our core product was SF₆, which was mainly used to insulate circuit breakers and transformers, but we also have developed a variety of specialty gases for semiconductors starting with CF₄, contributing to the high integration and micronization of semiconductors. Around the same time, we began manufacturing ferrochemicals such as copier carriers and the magnetic alloy powder MAP for metal tape, and the technology for manufacturing high-purity, fine metal powders flourished. These technologies became the cornerstone of our next generation of products.

From 1997: Entrance into battery materials business and overseas expansion

In 1997, we started manufacturing LiPF₆ and entered the battery materials business. Since then, we have expanded into battery additives such as LiBF₄ and played a role in improving the performance of lithium-ion secondary batteries. In recent years, we have licensed manufacturing technology to partner companies, contributing to the development of the global value chain in the battery industry, where demand is expected to grow rapidly as the trend toward EVs accelerates.

In 2000, we established Kanto Denka Korea Co., Ltd. and made our first move overseas. We have since expanded our sales network into China, Taiwan and Singapore. In addition, in order to respond to strong overseas demand, we established Kanto Denka Fine Products Korea Co., Ltd. as our first overseas production base in 2017, and Xuancheng KDK Technology Co., Ltd. as our second overseas production base in 2020. We will continue to expand our network to countries around the world that seek our technology and products.

Fundamental chemicals

- 1939 Started production of metallic magnesium and caustic soda
- 1945 Discontinued production of metallic magnesium
- 1950 Started production of trichloroethylene
- 1967 Started production of vinylidene chloride
- 1986 Completed conversion to ion-exchange membrane electrolysis
- 2005 Suspended soda electrolysis at Shibukawa Plant



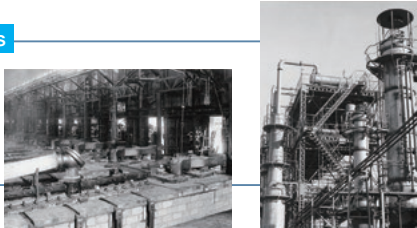
Fluorinated gas ISO container

Specialty gases

- 1970 Established hydrofluoric acid electrolysis technology
- 1971 Started production of SF₆
- 1981 Started production of CF₄
- 1986 Started production of WF₆
- 1987 Started production of NF₃
- 1997 Started production of ClF₃, and started hydrofluoric acid electrolysis at Mizushima Plant
- 2005 Started production of C₄F₆
- 2010 Started production of CH₃F and COS

- 2023 Started production of KSG-14
- 2024 Started production of KSG-5

Battery materials



Metallic magnesium electrolyzer



Trichloroethylene production facilities

Ferrochemicals

- 1971 Partnered with Morishita Bengara Kogyo Co., Ltd. in iron oxide business
- 1977 Started production of reprographic carrier
- 1979 Started production of magnetic alloy powder MAP
- 1988 Started production of magnetite for pigments
- 2005 Discontinued production of magnetic alloy powder MAP



Product MAP and metal tape using MAP



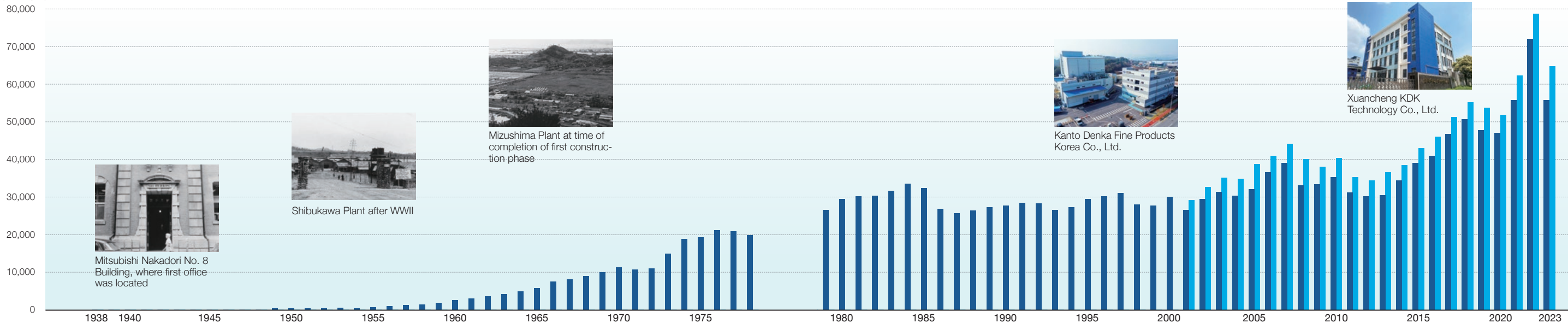
LiPF₆ production facilities

- 2023 Changed name of Morishita Bengara Kogyo Co., Ltd. to Kanto Denka Finetech Co., Ltd.

Offices / Plants / Overseas Bases

- 1938 Founded
- 1939 Started operations at Shibukawa Plant
- 1960 Opened Osaka Branch Office
- 1962 Opened Nagoya Office
- 1965 Started operations at Mizushima Plant
- 2000 Established Kanto Denka Korea Co., Ltd.
- 2004 Established Taiwan Kanto Denka Co., Ltd.
- 2011 Established Kanto Denka Kogyo (Shanghai) Co., Ltd.
- 2017 Established Kanto Denka Fine Products Korea Co., Ltd.
- 2018 Established Taiwan Kanto Denka Co., Ltd. (Singapore Branch)
- 2020 Established Xuancheng KDK Technology Co., Ltd.
- 2022 Opened Kumamoto Office

(million yen) Trend in Net Sales ■ Non-consolidated ■ Consolidated

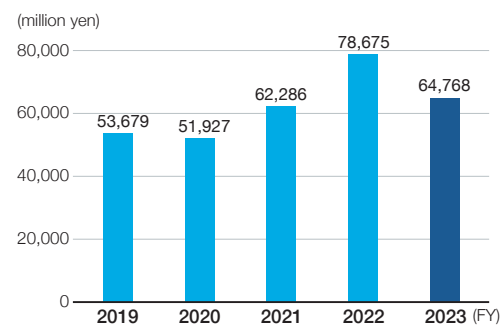


Financial and Non-Financial Highlights

Operating Results (Consolidated)

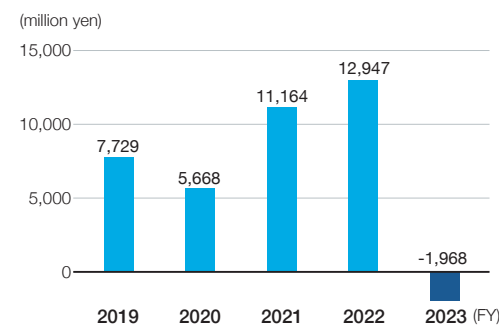
Net sales

¥64,768 million



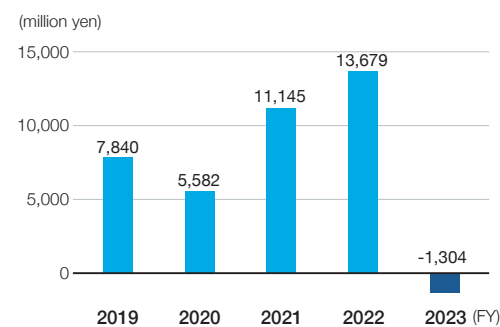
Operating income

¥-1,968 million



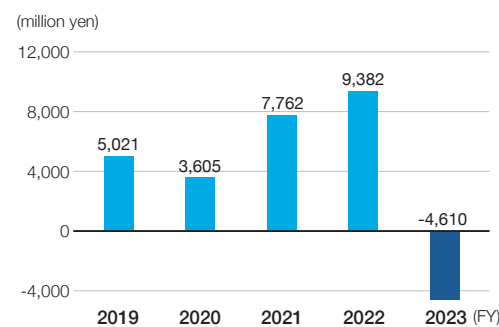
Ordinary income

¥-1,304 million



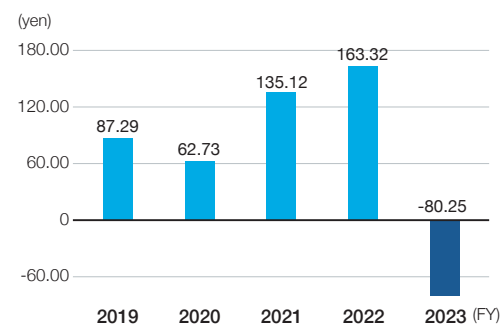
Net income attributable to owners of parent

¥-4,610 million



Profit per share

¥-80.25

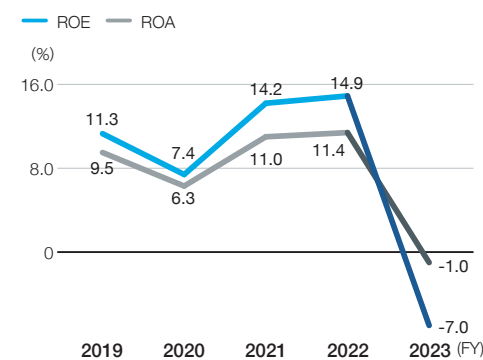


Return on equity (ROE)

-7.0%

Return on assets (ROA)

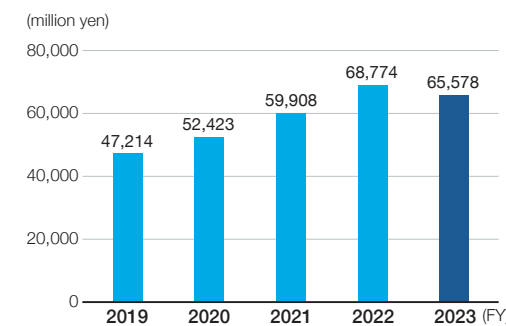
-1.0%



Financial Position (Consolidated)

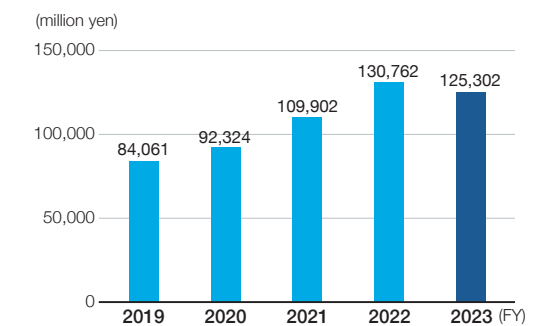
Net assets

¥65,578 million



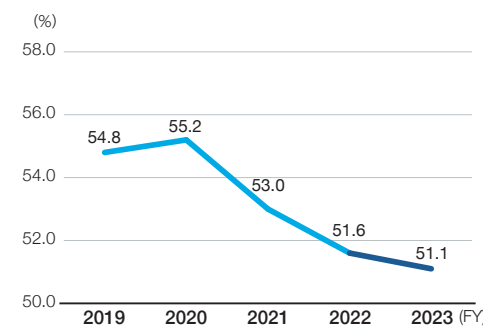
Total assets

¥125,302 million



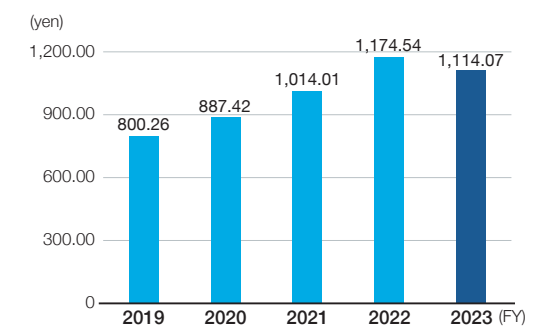
Equity ratio

51.1%



Net assets per share

¥1,114.07



Non-financial Data (Non-consolidated)

Ratio of female directors on the Board of Directors

(as of June 27, 2024)



33.3% (3 of 9 people)

Employment rate of people with disabilities

(as of June 1, 2024)



2.29%

No. of major occupational accidents/equipment accidents

(results in FY2023)



Major occupational accidents 3
Equipment accidents 0

Our employees by gender

(as of March 31, 2024)



Number of male employees: 734



Number of female employees: 74

Greenhouse gas emissions from energy sources

(results in FY2023)



175,000 t-CO₂

Water intake

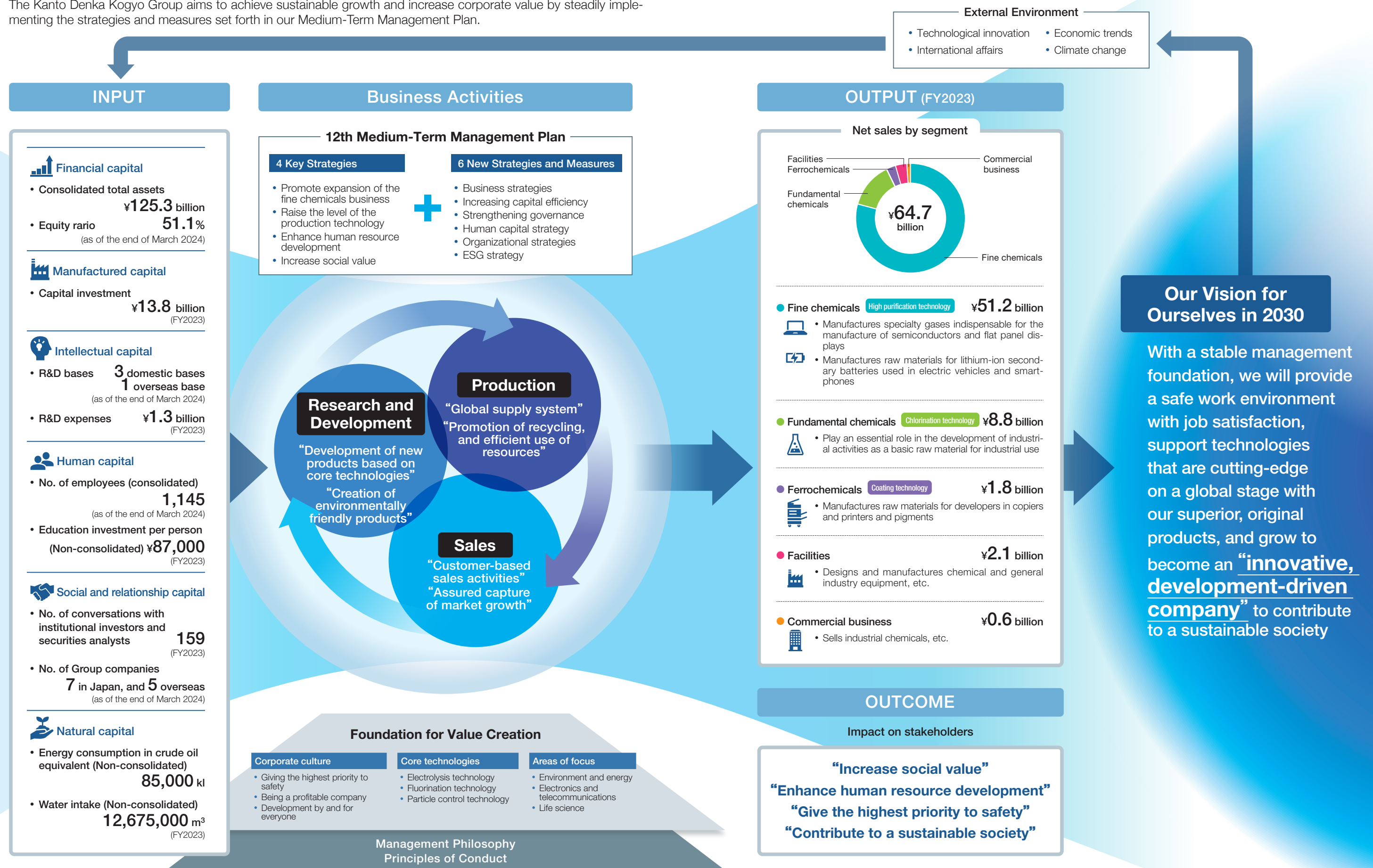
(results in FY2023)



12,675,000 m³

Value Creation Process

The Kanto Denka Kogyo Group aims to achieve sustainable growth and increase corporate value by steadily implementing the strategies and measures set forth in our Medium-Term Management Plan.



Message from the President

In a harsh and rapidly changing business environment, we will achieve a V-shaped recovery by promoting corporate value improvement measures that take into account the strengthening of corporate governance and capital costs.

Jun'ichi Hasegawa
President




FY2023 was full of adversity

The fine chemicals division, which accounts for approximately 80% of the Group's net sales, is mainly supported by two pillars: specialty gases and battery materials. However, both have faced a very challenging business environment with headwinds for the fiscal year.

Regarding specialty gases, they experienced extremely strong sales last fiscal year due to so-called stay-at-home demand caused by the COVID-19 pandemic, contributing to record-high profits. However, this fiscal year, demand has significantly dropped because of the rebound from this trend. The demand-supply balance for battery materials has deteriorated due to the slowdown in the growth of the EV market caused by the termination of subsidies in various countries. As a result, the prices of raw materials, which had been soaring excessively due to expectations of market growth, have experienced a significant decline. The impact of fluctuations in raw material prices for battery materials and the decline in product market conditions on our performance is significant. In addition to record-

ing a loss on valuation of inventories of ¥3.5 billion, we have determined that due to the decrease in profitability, we cannot expect to recover part of the investment amount, resulting in recording an impairment loss of ¥4.2 billion as an extraordinary loss.

We take it very seriously as our management responsibility that we were unable to respond to sudden changes in the environment and ended up with a final loss of ¥4.6 billion. Our Company has been manufacturing cutting-edge chemical products that meet the needs of the times throughout our 86-year history, contributing to the development of society. In order for our company to continue supplying products to the market and supporting the rich lives of people in the future, we believe that it is essential to enhance our resilience as a company. By being conscious of corporate governance, sustainability, capital costs, and human capital, and by diligently addressing each management issue, we will strive to enhance corporate value. In addition, we are implementing organizational and internal system reforms in response to changes in the business environment, and I myself am taking the lead in making efforts toward a V-shaped recovery.

Establishing a system for sustainable growth

At the General Meeting of Shareholders held on June 27, the Articles of Incorporation were amended to reduce the maximum number of Directors to 10, and five Outside Directors were appointed as opposed to four Inside Directors, resulting in our Board of Directors consisting of a majority of Outside Directors. In addition, three of the Outside Directors are women, and the proportion of female Directors on the Board of Directors has risen to 33%. We believe that this reform has significantly strengthened the independence and diversity of the Board of Directors.

At the same time, the revision of officer remuneration was approved at the meeting, and the system was changed to increase the ratio of stock compensation in total compensation and to determine the amount of officer bonuses linked to the total shareholder return (TSR).

In addition to various institutional reforms, including the above, we are steadily implementing measures such as the abolition of takeover defense measures and the reduction of cross-shareholdings to strengthen

comprehensive corporate governance.

With regard to improving the skills of employees, the newly established Human Resources Development Section and the Human Resources Development Committee, of which the section serves as the secretariat, take the lead in providing individual training for selected specialist personnel in addition to conventional position-based training. This selection of specialist personnel is a new initiative aimed at cultivating cutting-edge talent that will bring innovation to our Company.

The idea that human resources are the capital that forms the foundation of sustainable corporate value enhancement, known as human capital management, is becoming common sense in business. In our Medium-Term Management Plan, enhancing human resource development is one of our key strategies. Based on this approach, we plan to continue implementing various initiatives in order to realize our vision "With a stable management foundation, we will provide a safe work environment with job satisfaction."

Message from the President

How to address environmental issues as a chemical manufacturer

We have been working to reduce our environmental impact by focusing on both reducing greenhouse gas (GHG) emissions in our manufacturing process and developing environmentally friendly products. As a result, we have achieved a significant reduction of 99.5% in non-energy-derived GHG emissions directly emitted from the manufacturing process (Scope 1) compared to FY2013, and we are now focusing on energy-derived GHG indirect emissions (Scope 2) for further reductions. The electrolysis technology that forms the basis of our product manufacturing consumes a large amount of electricity. Electricity supplied by power companies includes energy derived from fossil fuels, resulting in the emission of a large amount of carbon dioxide at the generation stage, which is the main factor pushing up our Scope 2 emissions. We will continue to promote further GHG emission reduction measures, such as improving the GHG emission intensity and procuring renewable energy and environmental value, aiming for the carbon neutrality set for 2050 in our Medium-Term Management Plan.

On the other hand, in the development of environmentally friendly products, we recently have been able to introduce to the market two new specialty gases, KSG-14 and KSG-5, which have low GWP and minimal environmental impact. We have supported the semiconductor industry through the supply of many fluorochemical specialty gases, and provide products that include those with relatively high GWP. Until recently, the reduction of GHG emissions (Scope 3) for the entire supply chain, including our customers' semiconductor manufacturing processes, had not progressed. I am confident that by promoting the development of environmentally friendly products like this in the future, we can contribute to reducing Scope 3 emissions.

We are currently calculating GHG emissions on a non-consolidated basis, but we plan to expand the scope of GHG emissions to Group companies starting from FY2024. This will enable the development of GHG management throughout the Group and the planning and implementation of more effective environmental measures.

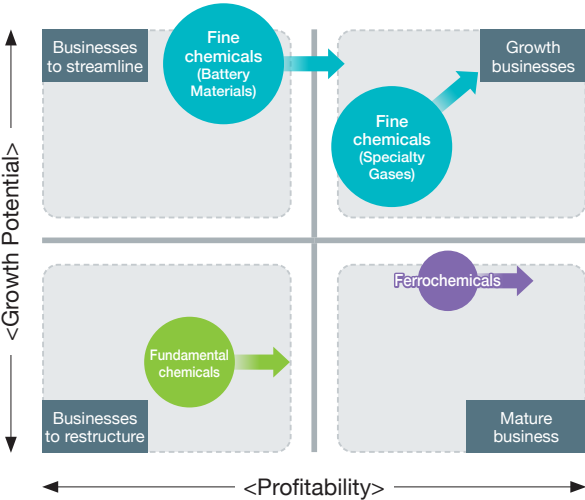
In addition, with the rise of international environmental awareness in recent years, there has been a growing demand for companies to disclose non-financial information, and the formulation of disclosure standards by specialized institutions and the mandatory disclosure of sustainability information in the future have become topics of discussion. Under these circumstances, in order to expand and improve the accuracy of information disclosed, we conducted a third-party verification of the GHG emissions calculation process and the results of the calculation on a

non-consolidated basis for FY2023, and obtained a limited assurance. We will continue to conduct verification in the future and deliver reliable information.

In addition to issues related to global warming, environmental issues such as PFAS, which have gained attention in recent years, are inextricably linked to chemical manufacturers. By thoroughly implementing management with an emphasis on natural capital in accordance with our management plan, and conducting appropriate management and disclosure in accordance with the TCFD, TNFD, and other frameworks, we hope to build a Kanto Denka that is trusted based on the motto of "harmony with nature," which is also consistent with our Management Philosophy.

Maximizing corporate value by improving capital efficiency

The Group's businesses are broadly divided into five segments: fundamental chemicals, fine chemicals, ferrochemicals, commercial business, and facilities. In considering what measures should be taken to enhance corporate value, we analyzed the business portfolio of each of these segments.



The fundamental chemicals, which is also our original business, is positioned as a "business to restructure" that is low in both growth and profit margin and requires restructuring, while the ferrochemicals business is positioned as a "mature business" in which the market is mature despite the high return on invested capital. The fine chemicals business consists of specialty gases and battery materials, with specialty gases being a "growth business" with high growth potential and profit margins, and battery materials being a "business to streamline" that has high market growth potential but needs to further improve capital efficiency.

The commercial business and facilities business are operated by Group companies to support mainly our operations in the construction of facilities and product

distribution, so we will omit the details. Based on this analysis, we have clearly defined the direction each business should take and set strategies to enhance corporate value considering capital costs.

For the fundamental chemicals business, we will specialize in the supply of raw materials to the fine chemicals business, and optimize the scale of the business. In the ferrochemicals business, the manufacturing of carrier products will be transferred from Kanto Denka Kogyo Co., Ltd. to Kanto Denka Finetech Co., Ltd., a Group company, in an effort to improve efficiency by consolidating operations. In addition, the site of the manufacturing facility after the transfer will be converted to a site for the fine chemicals business with higher growth potential, contributing to the growth potential of the Group as a whole.

For specialty gases in the fine chemicals business, we will focus on products with high investment efficiency through selection and concentration to develop and expand the product line and firmly capture the market growth, and aim to further expand our business scale. For battery materials, which are expected to grow over the long term, we will take full advantage of the growing market at the lowest possible cost by developing the licensing business and other measures.

The individual strategies for each segment are as described above, but as a company-wide strategy to improve capital efficiency, we have introduced ROIC to our management indicators and developed specific improvement measures using the ROIC Tree. In order to maximize profits on invested capital and generate cash flow as a source for further growth, it is necessary for each employee to fully understand the significance of ROIC management and consciously engage in improvement activities. The newly established Management Department within the Business Division will take

the lead in promoting the penetration of ROIC management within the company and encouraging the steady implementation of improvement measures.

To earn the trust of stakeholders

At the General Meeting of Shareholders held in June, in addition to the Outside Directors who have been appointed as experts in accounting and finance, law, technology development, and quality assurance, we have newly appointed Outside Directors who are well-versed in the financial and capital markets. We wanted to reflect the objective opinions from the perspective of shareholders in our management decisions.

In addition, in response to requests, we have changed the financial results briefing for investors, which was previously held on-site, to be held online from the second quarter of FY2024. By eliminating the need to travel to the venue, we have been able to increase participation from a greater number of institutional investors, leading to an enhancement in understanding of our company. We will continue to make further improvements based on the opinions we receive from participant surveys, aiming to achieve better communication.

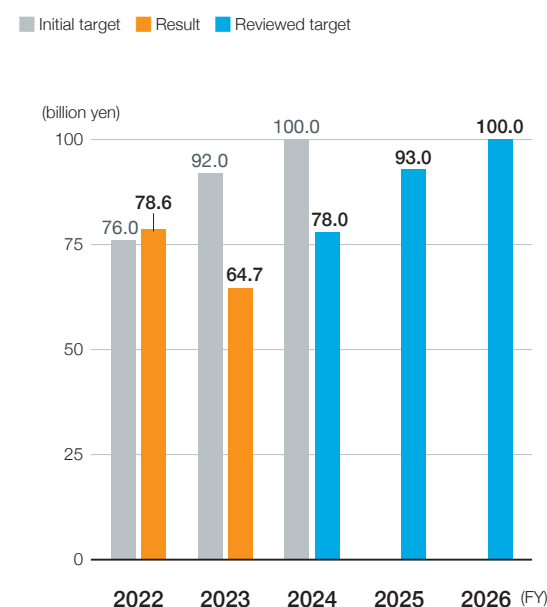
Our mission is to continue supplying the special materials needed for a sustainable society by supporting the world's most advanced technologies. This can only be achieved with the understanding of all stakeholders involved in our company, including customers, shareholders, investors, local residents, and employees. With your understanding, we will strive to build a trusted Kanto Denka Kogyo and contribute to society.

I look forward to your continued support in the future.

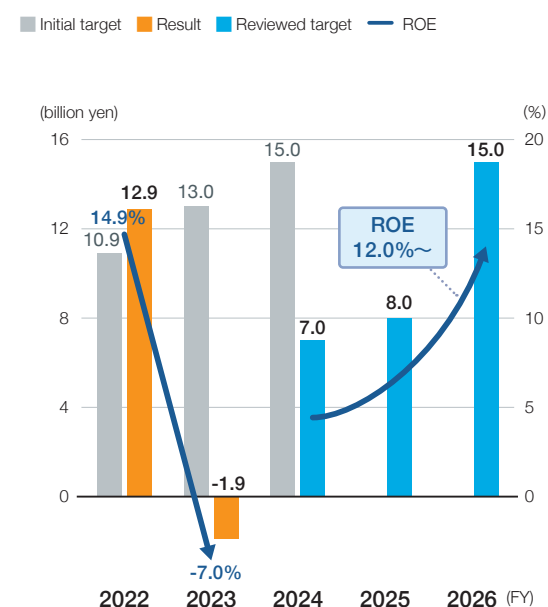


12th Medium-Term Management Plan (2022-2026)

Consolidated Net Sales



Consolidated Operating Income



Status of progress

1. Business strategy and promote expansion of the fine chemicals business

[Growth strategy]

Specialty gases business	Activity results	In April 2024, we launched KSG-5, a new etching gas with low environmental impact and highly selective etching capabilities.
	Future prospects	We plan to mass-produce KSG-22, an ultra-fast etching gas for low-temperature etching, a new technology that is attracting attention. In addition, we plan to expand Kanto Denka Fine Products Korea Co., Ltd., our manufacturing base in South Korea, and to establish a new logistics base in South Korea, further strengthening our supply system.
Battery materials business	Activity results	We are in ongoing discussions with multiple companies regarding the licensing business related to LiPF ₆ manufacturing technology. We are working on quickly establishing a business structure that is not influenced by raw material market conditions, and are striving to switch to cheaper raw materials and commercialize lithium recovery.
	Future prospects	We will proceed with raw material procurement in compliance with the United States Inflation Reduction Act (IRA) and work on strengthening the supply chain. We will continue and expand our licensing business to ensure capturing the growth of the market in the medium to long term. By commercializing lithium recovery at an early stage, we will contribute to the effective use of resources and the creation of a sustainable society.

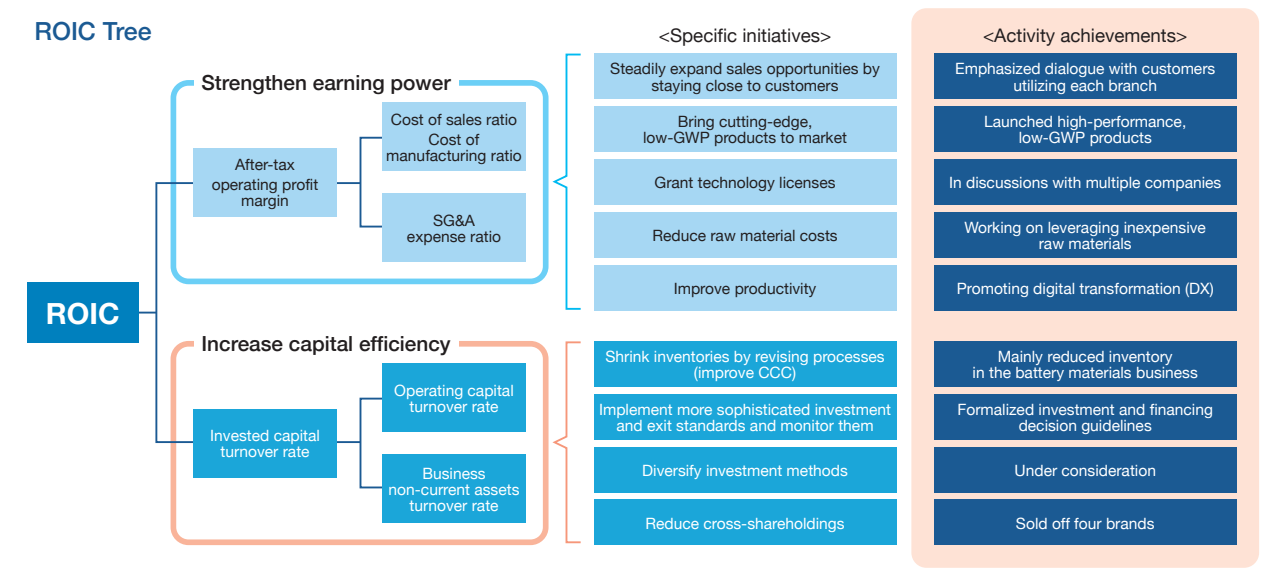
[Portfolio reform]

Ferrochemicals business	The transfer of manufacturing to Kanto Denka Finetech Co., Ltd. is scheduled for completion in the first half of FY2025.
Fundamental chemicals business	We ceased production of caustic soda flakes in January 2024 as planned. We are working on strengthening the supply of raw materials for the fine chemicals business and transitioning to an optimal business scale.

2. Increasing capital efficiency and strengthening governance

Reduce cross-shareholdings	We sold four stocks during FY2023 in an effort to reduce capital costs. We will continue to gradually reduce them in the future.
Revise the officer remuneration system	In order to realize management that is conscious of corporate value, we have introduced total shareholder return (TSR) as an evaluation criterion related to the performance-linked portion.
Reform of the Board of Directors	In order to ensure the flexible operation of the Board of Directors, we have reduced the maximum number of Directors. Furthermore, in order to further strengthen the corporate governance structure and enhance diversity, we have increased the number of independent Outside Directors to more than half of the total number of Directors and set the female ratio at over 30%.

ROIC Tree



3. Human capital strategy

Human resource development	In addition to restructuring level-specific training to raise the overall level, we introduced selective training for the purpose of selecting and developing management personnel candidates. We are focusing on investing in human resources by increasing training costs per employee by more than 20% from the previous fiscal year.
Creating a comfortable workplace	In FY2025, we plan to introduce a refreshment leave system aimed at rejuvenating the mind and body and improving work vitality.

4. Organizational strategy and raise the level of the production technology

Promote DX	We are accumulating and analyzing manufacturing data to improve productivity. We will continue to develop an AI utilization platform and further develop it in the future.
Quality assurance	We completed the implementation of a highly-sensitive analyzer. In the future, we will work to strengthen operations.

5. ESG strategy and increase social value

Environment	We were assessed with a "B" score in the Climate Change Report 2023 released by the CDP.
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Message from the Chief Financial Officer



Kazuki Niimi

Director and Managing Executive Officer
(In charge of Accounting & Finance Department,
and Information System Department)

Current performance and outlook for the next fiscal year, and progress of the Medium-Term Management Plan

The financial results for the fiscal year ended March 2024 were extremely challenging and took a drastic turn from the previous record-high performance, resulting in a significant decrease in revenue and profit, and leading operating line item losses.

Due to the impact of production adjustments in the semiconductor and electronic materials industry, sales decreased significantly mainly in the fine chemicals division, resulting in a decrease in net sales of ¥13.9 billion from the previous fiscal year to ¥64.7 billion.

In terms of profit and loss, we recorded a loss on valuation of inventories of ¥3.5 billion due to a significant decline in lithium prices, and an impairment loss of ¥4.2 billion due to a decline in the profitability of battery materials as an extraordinary loss, resulting in an operating loss of ¥1.9 billion and a loss attributable to owners of parent of ¥4.6 billion.

Compared to the revised Medium-Term Management Plan announced in November 2023, although there was a slight improvement in both sales and profits, the results were a cause of concern for many stakeholders. We will work together as a whole company towards transforming our profit structure to be able to generate stable profits even in times of deteriorating market conditions, aiming for a V-shaped recovery in performance.

The full-year earnings forecast for FY2024 is as follows: net sales of ¥63.4 billion, operating profit of ¥3.8 billion, ordinary profit of ¥4.4 billion, and profit attributable to owners of parent of ¥2.85 billion. Compared to the revised Medium-Term Management Plan, we expect to fall short by ¥14.6 billion in net sales and ¥3.2 billion in operating profit. This was due to the fact that the recovery of specialty gases was earlier than expected, while the volume and unit price of battery materials were lower than planned due to the impact of the U.S. Inflation Reduction Act (IRA) grace period until 2027, the discontinu-

ation of subsidies in Germany, and sluggish sales of EVs.

Battery materials and the fundamental chemicals businesses continue to face a challenging external environment. However, in our revised Medium-Term Management Plan, we have introduced ROIC* in addition to ROE as management indicators, and we aim to consistently generate returns that exceed capital costs (WACC*).

* ROIC: Return On Invested Capital
* WACC: Weighted Average Cost of Capital

The ROE for the fiscal year ended in March 2024 is -7.0%, and the company-wide ROIC, with invested capital being viewed from the perspective of financing, is -1.3%. This is a significant deterioration from the previous fiscal year's ROE of 14.9% and ROIC of 9.3%. The business environment surrounding our company is complex and undergoing significant changes. We will carefully monitor the trends in the socio-economic landscape, view changes as opportunities, and work with a sense of urgency to enhance profitability and improve capital efficiency towards achieving the goals of our revised Medium-Term Management Plan for 2026: "ROE of 12.0% or higher" and "ROIC of 8.0% or higher."

Shift to management conscious of capital efficiency

We will use ROIC across the entire Group to promote business portfolio management and management with an awareness of capital costs in order to "enhance and maximize corporate value."

To achieve ROIC 8.0%, we will utilize tools such as the ROIC Tree to implement specific actions at the field level, while each department will work on compressing inventory assets and optimizing fixed assets to improve invested capital turnover ratio and CCC* for the enhancement of cash generation capabilities.

* CCC: Cash Conversion Cycle

By promoting ROIC management, we aim to improve profitability and invested capital efficiency, establish a virtuous cycle of profit growth through sales growth ⇒ expansion of corporate value ⇒ further growth investment and research and development investment with increased profits and cash, and accelerate growth. We will also pursue the ideal state of our business portfolio from the perspective of ROIC and growth, and strengthen our management.

In addition, we will reduce WACC to ensure stable shareholder value added (ROIC SP), which is the difference between ROIC and WACC (ROIC-WACC). We will pursue an optimal capital and debt structure by adopting the best funding methods when procuring necessary funds for growth investments from external sources, but for the time being, we will make effective use of interest-bearing debt financing to the extent that we maintain the soundness of our creditworthiness and financial base to reduce WACC.

At the current stage, we are utilizing borrowed funds for interest-bearing debt. However, since we secure the necessary amount for the next fiscal year in the second half of the fiscal year, the balance of cash and deposits and borrowed funds at the end of the third quarter and fiscal year is higher compared to the annual average. Under the revised Medium-Term Management Plan, we plan to invest a cumulative total of ¥64 billion over a five-year period. Cash and deposits will be allocated mainly to the payment of growth investments, so we believe that the current cash and deposits level (cash and deposits turnover period: 4.7 months) is appropriate. We will expand our borrowing capacity in interest-bearing debt by reducing working capital and generating operating cash flow through promoting ROIC management.

Response to PBR of less than 1x

Since mid-2022, the PBR has remained below 1x, and we recognize that reforms are urgently needed. To improve PBR, we will (1) work on efficiency improvement through measures such as reducing cross-shareholdings as a strategy for improving ROE, enhancing business portfolio management to increase profitability, and improving financial leverage by raising the consolidated dividend payout ratio. In addition to the above, we will (2) reduce capital costs and (3) improve PER.

I believe it is crucial to clarify growth scenarios, particularly for the improvement of PER, and to cultivate growth opportunities. The fine chemicals division is linked to the growth market, and many growth opportunities will continue to emerge in the future. While striving to strengthen investment and financial discipline, we will aim to build a strong market position and achieve growth that exceeds market growth by strategically executing growth investments at the right timing. In making individual investment decisions, we

will not only consider ROIC, but also take into account the characteristics of each business area for each business sector, market stage, and growth potential. We will also utilize IRR*, NPV*, and other indicators to comprehensively verify the rationality of investments.

* IRR: Internal Rate of Return
* NPV: Net Present Value

In addition, we will promote the gradual reduction of cross-shareholdings, and the proceeds from sales will first be used for growth investment and research and development investment. By expanding the base of shareholders, we aim to enhance discipline in corporate management, strengthen our business foundation, and further increase corporate value.

Shareholder returns

We recognize that returning profits to shareholders is one of our most important management issues. In our revised Medium-Term Management Plan, we have raised the consolidated dividend payout ratio from 20% to at least 30%, and despite a deficit in the fiscal year ended March 2024, we implemented a dividend of ¥7 at the end of the second quarter and ¥7 at the end of the fiscal year, totaling ¥14. It demonstrates the management's determination to continue dividends while investing for sustainable growth, strengthen financial and management fitness, and lead to higher dividend levels in the future. During this Medium-Term Management Plan period, we anticipate that the cumulative free cash flow over five years will be negative in order to allocate funds to growth investments. First, we will ensure that we achieve a consolidated dividend payout ratio of 30% or more, and we will consider further shareholder return measures in the next Medium-Term Management Plan period.

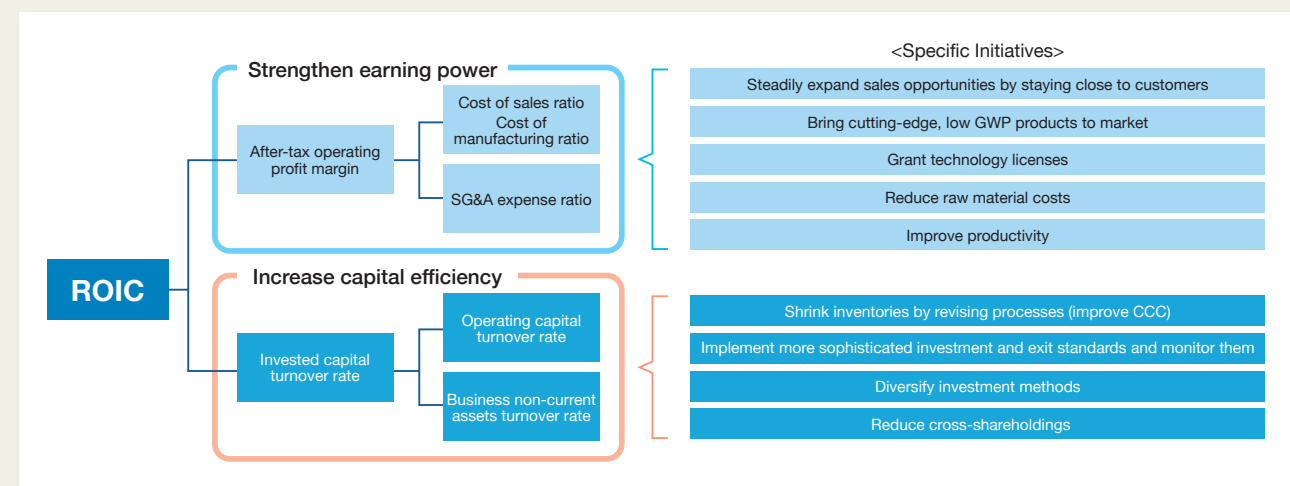
Towards the future of Kanto Denka Kogyo

In our Medium-Term Management Plan, our vision for ourselves in 2030 is that "With a stable management foundation, we will provide a safe work environment with job satisfaction, support technologies that are cutting-edge on a global stage with our superior, original products, and grow to become an innovative, development-driven company to contribute to a sustainable society." In order to achieve this goal, we will take advantage of our Group's technological capabilities to appropriately grasp changes in the environment even in an uncertain business environment, maintain multiple options, and respond to risks by flexibly allocating resources.

Moving forward, we aim to evolve into a corporate group that can deliver sustainable growth to all stakeholders, including shareholders, by promoting management across the entire Group with a focus on capital costs, while building a stable financial foundation, and striving for further enhancement of corporate value.

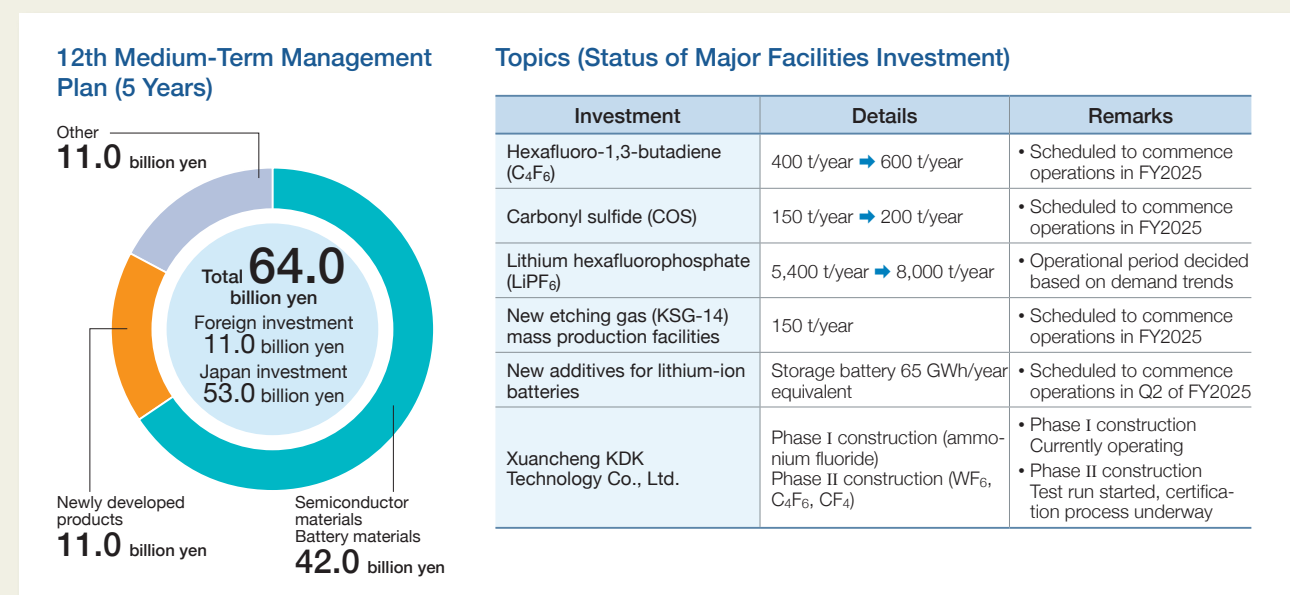
Adoption of ROIC as a New Management Indicator

Our company places importance on disciplined investing and improving capital efficiency. Therefore, we have added ROIC as a new management indicator and have set a target of 8% or more for the final year of our Medium-Term Management Plan. Our WACC is assumed to be 7% across the company. We will continue to build a system that consistently generates excess returns over capital costs by strengthening profitability and improving capital efficiency.



In strengthening profitability, we are advancing initiatives such as the launch of high-performance, low-GWP products, expansion of the licensing business, promotion of DX, use of inexpensive raw materials, and procurement of raw materials in compliance with the US Inflation Reduction Act (IRA). In improving capital efficiency, we are working on reducing battery material inventory, establishing investment judgment criteria, and selling off cross-shareholdings.

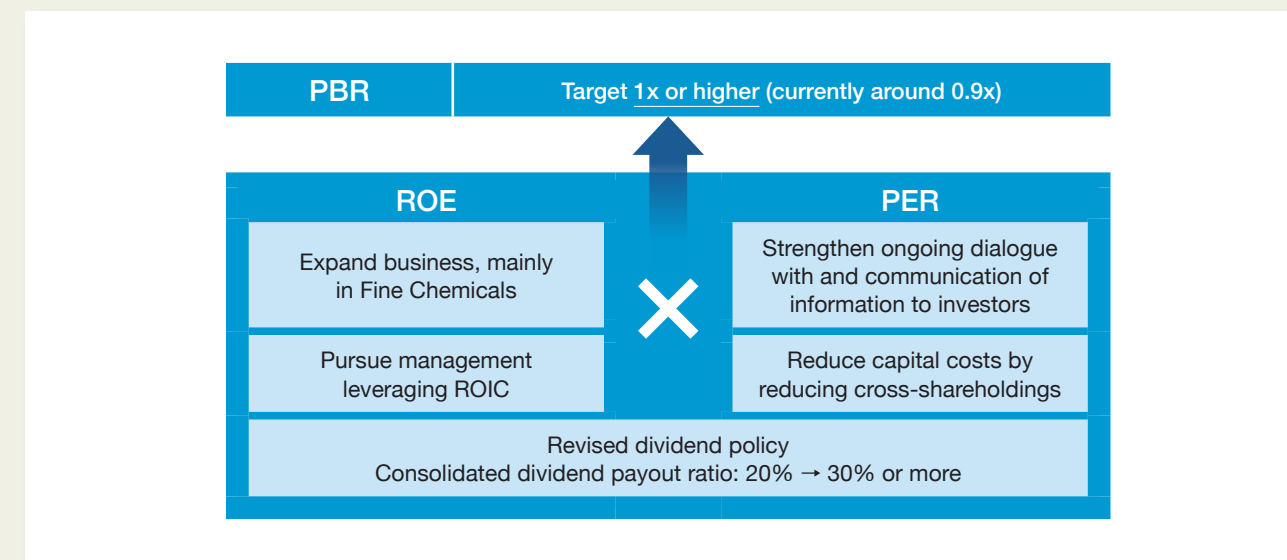
As an overall promotion strategy, we have started reporting the ROIC for each business segment semi-annually at Board of Directors meetings since April 2024. Additionally, we have established a new Management Department within the Business Division, and have started small study groups aimed at promoting ROIC management among employees.



We are expanding sales of products required with our unique world-class state-of-the-art technology to the rapidly growing semiconductor market. In the 12th Medium-Term Management Plan (2022-2026), we are planning a large-scale investment of ¥64 billion over a five-year cumulative period. The cash flow allocation shows that over a 5-year cumulative period, operating cash flow is ¥73 billion, while investment cash flow is ¥75 billion, with investment cash flow exceeding operating cash flow. The plan is to accelerate growth by expanding the production scale of existing specialty gases with high investment efficiency and new products such as KSG-14. By ensuring that all employees understand and practice ROIC management, we aim to further enhance corporate value.

Elimination of PBR of less than 1x

As of the end of March 2024, our company's PBR was 0.9x, which is below 1.0x. In this context, the Tokyo Stock Exchange has requested that we address the realization of management that is conscious of capital costs and stock prices. In our revised 12th Medium-Term Management Plan announced in November 2023, we have announced specific improvement measures.



There are multiple factors that we believe have contributed to the PBR of less than 1x. By advancing solutions to challenges like the following, we will strive to enhance corporate value and aim to eliminate a PBR of less than 1x.

ROE improvement

In the specialty gases business, we will actively invest to expand production scale and develop new products for next-generation technologies in order to respond to the growing semiconductor market. In the battery materials business, we will expand the licensing business and procure raw materials in compliance with the U.S. Inflation Reduction Act (IRA).

Additionally, during the current Medium-Term Management Plan, we are planning a large investment of ¥64 billion over the 5-year cumulative period, and to ensure disciplined allocation of management resources, we have added ROIC as a new management indicator, and will pursue management with an awareness of the cost of capital.

PER improvement

We have received many requests through ongoing dialog with investors, and have responded by disclosing supplementary explanatory materials, simultaneously releasing Japanese and English versions of timely disclosure documents, and digitizing our financial results briefings. In addition, in the fine chemicals business segment, specialty gases and battery materials are grouped together, and investors have commented that it is difficult to understand business performance. From the financial results briefing materials for the fiscal year ended March 2024, we have started disclosing the standalone performance of specialty gases for reference purposes.

Furthermore, we will steadily implement the sale of cross-shareholdings, with a target of a 30% reduction compared to the end of March 2023 by FY2026.

Revision of dividend policy

Regarding shareholder returns, we have revised our dividend policy as part of the review of our Medium-Term Management Plan, increasing the dividend payout ratio from 20% to 30% or more. In the event of better-than-expected business performance, we plan to revise the dividend amount in accordance with our policy.

Feature

Governance Reform

The Group is implementing governance reforms in order to secure and improve corporate value and the common interests of shareholders over the medium to long term. We will report on the details announced in the Medium-Term Management Plan review in November 2023 and the governance reform measures that were subsequently disclosed.

Changes in composition of Board of Directors

Reduction in the number of Directors	In order to ensure the flexible operation of the Board of Directors and further strengthen the corporate governance system, the maximum number of Directors stipulated in the Articles of Incorporation has been reduced by two from 12 to 10.
Improvement in the ratio of Outside Directors	At the Ordinary General Meeting of Shareholders held on June 27, 2024, nine Directors were elected, including five Outside Directors and four Inside Directors. The company was able to strengthen the independence of the Board of Directors by changing the composition to a majority of Outside Directors.
Promotion of diversity	The backgrounds of the Outside Directors are varied, resulting in the Board of Directors rich in diversity. In particular, we believe that it is important for us to appoint Outside Directors who have a high level of knowledge about the financial and capital markets and can act as a bridge between us and our investors, and we have decided to appoint at least one person who has such skills. In addition, we have increased the number of female Directors. Of the nine Directors elected at the Ordinary General Meeting of Shareholders held on June 27, 2024, there are three female Directors. As a result, the proportion of women on the Board of Directors is now 33%. This satisfies the 30% or higher ratio of female executives encouraged by the Tokyo Stock Exchange for companies listed on the Prime Market to reach.

Strengthening the executive structure

In light of changes in the composition of the Board of Directors, we have established a new position of delegated Executive Officer in addition to the existing employment-based Executive Officers to strengthen executive functions. As a result, the separation of management and execution will further advance, and the structure has become easier for Directors to focus on management decision-making and supervision, and for Executive Officers to focus on the execution of business, which is expected to contribute to improving the resilience of the company.

Revision of officer compensation system

To achieve management conscious of stock prices, we proposed a revision of the officer compensation system at the Ordinary General Meeting of Shareholders held on June 27, 2024, and obtained the approval of shareholders. Specifically, we have increased the ratio of stock compensation in total compensation. We have also made changes to officer bonuses based on changes in the business environment, and have introduced a new variable component linked to the total shareholder

return (TSR) indicator. In parallel, the rules were revised to ensure that the chairperson of the Nomination & Compensation Committee, the advisory body of the Board of Directors for the nomination of candidates for Directors and the determination of their remuneration, is selected from among the independent Outside Directors. Please refer to the Governance page of ESG Information for more detailed information.

 P.53 Governance

Abolition of takeover defense measures

Taking into account opinions from shareholders, including Japanese and overseas institutional investors, and recent trends in takeover defense measures, as well as changes in the business environment surrounding our company, we have resolved to abolish the “Policy toward Large-Scale Purchase of Share Certificates, etc. of the Company (Takeover Defense Measures)” at the Board of Directors meeting held on May 15, 2024. Furthermore, we are committed to taking appropriate measures within the limits permitted by the Financial

Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations, to require persons who conduct or intend to conduct large-scale purchases of our company’s share certificates, etc. to provide necessary and sufficient information for shareholders to make a proper judgment on the purchasing, disclose the opinions of our Board of Directors, and make efforts to secure the necessary time and information for shareholders to consider.

Sale of cross-shareholdings

In order to improve capital efficiency, we are proceeding with a gradual reduction of cross-shareholdings. As of the end of March 2023, our cross-shareholdings amounted to approximately ¥6,395 million. Using it as a guideline, we have decided to sell approximately 20%

of cross-shareholdings by FY2024 and about 10% by FY2026, totaling around 30%. As a result of the sale, the ratio of net assets to total assets is expected to decrease from approximately 11% to around 8%. We executed the sale of four stocks in FY2023.

Feature Message from Outside Directors



I strive to closely monitor and thoroughly ensure compliance with internal controls based on my legal expertise.

Hideki Matsui Outside Director

Initiating reform of the Board of Directors aimed at strengthening medium- to long-term strategies and governance

I was appointed as an Outside Director of Kanto Denka Kogyo in 2015, and I have been fulfilling the role of supervising business operations and decision-making from an independent and objective standpoint. During the period, the company has established a corporate governance structure consisting of the Board of Directors, executive team, Internal Auditing Department, Audit & Supervisory Board, and various committees. This has led to the strengthening of internal controls from multiple perspectives and has contributed to the enhancement of corporate value.

At each monthly meeting of the Board of Directors, Directors and Audit & Supervisory Board members express their candid questions and frank opinions, and discussions are held for sound management and growth. For Outside Directors, a preliminary lecture is conducted before the Board of Directors meetings, allowing them to fully understand and consider the business and current situation before attending. The initial sessions were individual lectures, but now they are held with all Outside Directors gathered together, which has enabled a comprehensive understanding of the current situation from multiple perspectives, leading to more active discussions at the Board of Directors meetings.

Furthermore, in order to enhance the effectiveness of the Board of Directors and enhance discussions for medium- to long-term strategies, the company conducts a questionnaire for Directors and Audit & Supervisory Board members on the effectiveness of the Board of Directors each fiscal year. With the questionnaire, they conduct a self-evaluation and analysis of the Board of Directors to extract important management issues for the next fiscal year.

The questionnaire conducted at the end of FY2023 generally evaluated the effectiveness of the Board of Directors highly, but issues were raised regarding the consideration of management taking into account cap-

ital costs and stock prices, as well as the incorporation of ESG and SDGs into the management strategy. As a result, the reform of the Board of Directors began this fiscal year, and we started reporting on the status of ROIC by business for each half-year, the progress of the Medium-Term Management Plan, initiatives for sustainability, and other important themes.

Establishing an effective governance system that responds promptly to social trends

Currently, Kanto Denka Kogyo is attracting attention from industries such as semiconductors and electric vehicles with its core electrolysis and fluorination technologies. As an Outside Director who is also an attorney, my role is to closely monitor the effectiveness and appropriateness of various systems such as the internal reporting system, as well as the activities of organizations such as the Compliance and Risk Management Committee and the Responsible Care (RC) Promotion Council. My role also includes ensuring thorough compliance with laws and regulations in business operations and decision-making processes within the company. And, in the unlikely event of a violation, I have to make sure to have a system in place to promptly and appropriately detect, understand, and correct it. In addition, the company's technological fields are highly specialized and evolving rapidly. I am thoroughly questioning and examining whether new technological initiatives and management decisions are considered rational and appropriate in their processes and content, even from an outside perspective.

As an Outside Director, I have come to realize that the ability to confront social issues and continuously improve and evolve has become the driving force behind the creation of world-leading technologies. I will continue to strive to enhance the effectiveness of corporate governance and contribute to increasing corporate value, aiming to contribute to advancement as an "innovative, development-driven company."

Hideki Matsui

April 1987 Admitted as Attorney-at-Law
April 1987 Joined Marunouchi Sogo Law Office
October 2006 Outside Auditor, Kanebo Cosmetics Inc.
September 2011 Co-Representative Attorney-at-law, Marunouchi Sogo Law Office (to present)
June 2015 Outside Director of the Company (to present)

■ Significant concurrent position
Co-Representative Attorney-at-law, Marunouchi Sogo Law Office

Hitoshi Habuka

April 1981 Joined Shin-Etsu Chemical Co., Ltd.
March 2000 Retired from Shin-Etsu Chemical Co., Ltd.
April 2000 Associate Professor, Department of Material Science and Chemical Engineering, Faculty of Engineering, Yokohama National University (current National University Corporation Yokohama National University)
April 2002 Professor, Department of Chemical Engineering Science, Faculty of Engineering, National University Corporation Yokohama National University
April 2017 Vice Dean, College of Engineering Science, National University Corporation Yokohama National University
June 2019 Outside Director of the Company (to present)
April 2022 Professor Emeritus, National University Corporation Yokohama National University (to present)
Lecturer (non-full-time), Faculty of Engineering, National University Corporation Yokohama National University

■ Significant concurrent position
Professor Emeritus, National University Corporation Yokohama National University

Yuko Kariya

April 1983 Joined Torii Pharmaceutical Co., Ltd.
June 2012 Executive Vice President; Head of Pharmacovigilance & Quality Assurance Group, Torii Pharmaceutical Co., Ltd.
June 2013 Member of the Board, Director; Head of Pharmacovigilance & Quality Assurance Group, Torii Pharmaceutical Co., Ltd.
March 2020 Standing Corporate Advisor, Torii Pharmaceutical Co., Ltd.
March 2021 Retired from Torii Pharmaceutical Co., Ltd.
June 2022 Outside Director of the Company (to present)
Outside Director, NIPPON KINZOKU CO., LTD. (to present)
March 2024 Outside Director (Audit & Supervisory Committee Member), Welby, Inc. (to present)

■ Significant concurrent position
Outside Director, NIPPON KINZOKU CO., LTD.
Outside Director (Audit & Supervisory Committee Member), Welby, Inc.

Takako Amitani

September 1993 Registered as Certified Public Accountant (CPA)
September 1993 President, Amitani Certified Public Accountant Office (to present)
March 2005 Registered as a licensed tax accountant
June 2008 Auditor, Public Foundation of Vaccination Research Center (to present)
June 2019 Outside Director, Shin-Keisei Electric Railway Co., Ltd.
June 2021 Auditor, Japan Center for Certified Public Psychologists (to present)
June 2023 Outside Director, Keisei Electric Railway Co., Ltd. (to present)

■ Significant concurrent position
Outside Director, Keisei Electric Railway Co., Ltd.

Junko Koshino

April 1993 Joined Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
January 1997 Investment Analyst, Investment Department, FIL Investments (Japan) Limited
April 2002 Investment Analyst, Investment Department, Capital Research and Management Company
February 2006 Investment Analyst, Tokyo Representative Office, Halberdier Capital Management Pte. Ltd.
April 2012 General Manager, Corporate Planning Dept., MORITO CO., LTD.
October 2015 General Manager, Corporate Planning Office, Otsuka Kagu, Ltd.
April 2016 General Manager, Business Development Dept. and Corporate Strategy Dept., Corporate Strategy Div., JVCKENWOOD Corporation
April 2019 Executive Officer, General Manager of Corporate Strategy Department, JVCKENWOOD Corporation
April 2020 Executive Officer, Assistant to CEO, JVCKENWOOD Corporation
July 2020 Executive Officer, General Manager, Corporate Planning Dept., Company Corporate Planning Division, Frontier Management Inc.
June 2021 Outside Director, SAXA Holdings, Inc.
June 2022 Outside Director, Rikei Corporation (to present)
June 2024 Director and Managing Executive Officer, Suzumo Machinery Co., Ltd. (to present)

■ Significant concurrent position
Outside Director, Rikei Corporation
Director and Managing Executive Officer, Suzumo Machinery Co., Ltd.

Feature Message from Outside Directors



I will provide valuable advice on technology development and business strategy as an expert in semiconductor silicon process technology.

..... | **Hitoshi Habuka** Outside Director

Contributing with specialized knowledge to companies leading the world in the field of semiconductor specialty gases

I have been involved in the research and development of semiconductor silicon process technology for many years. Kanto Denka Kogyo is a leading company in the production of etching gas, a specialty gases indispensable for semiconductor manufacturing processes, and has earned the deep trust of semiconductor-related companies worldwide. The main reason for this is the wide range of product lineup and the wealth of knowledge and experience in the production process.

The company's product lineup is overwhelmingly superior compared to other companies, and in addition to our unique etching gas, it can provide gases tailored to any purpose or use. I believe that Kanto Denka Kogyo is the only company in the world that can respond so broadly to customer needs.

Additionally, the company has been developing semiconductor specialty gases since the 1970s, and has been refining its technology for over 50 years. Its strength lies in the ability of our technicians to engage in dialog with customers' technicians based on a shared understanding, thanks to years of accumulated knowledge and experience in semiconductor processes. For semiconductor manufacturers, the advantage of being able to communicate and negotiate with each other based on a mutual understanding of semiconductors is significant. I believe this is why the company is respected and chosen in the industry. There is no doubt that Kanto Denka Kogyo is unrivaled in the field of etching gas, which is essential for semiconductor processes.

Aligning technical development with business strategy to develop products that are ahead of their time

I believe that as an Outside Director, my role is to understand the trends in global semiconductor process-

es in order to align the direction of technological development with the business strategy, and to accurately and promptly convey this information to the management team.

From the end of 2023, the supply-demand balance of semiconductors has improved, and the demand for advanced semiconductors continues to grow in a wide range of fields such as AI, electric vehicles, and the space industry. On the other hand, semiconductors are used in all electronic products, with a wide variety of types and performance capabilities, and even relatively old types of semiconductors still have demand. Semiconductor materials like etching gas are essential to all semiconductor manufacturing processes, and as long as there is a demand for semiconductors, it is a field that will continue to grow steadily and stably. In addition, the company's new product, KSG-14, not only contributes to the micronization of semiconductors and improvement of productivity, but also significantly reduces global warming potential (GWP), thus taking a step ahead in product development that addresses social issues.

I believe that semiconductor technology will advance rapidly in the future, and in order to successfully ride on this trend, it is important for engineers to connect with various semiconductor-related companies, research institutes, and engineers, and to be familiar with the latest trends in process technology. Kanto Denka Kogyo's name often comes up when participating in semiconductor-related conferences, and I frequently encounter company engineers. I regard the company highly as one rich in technical curiosity that seeks to create new technologies.

The construction of a new research and development building at the Shibukawa Plant is being considered for completion in 2026, and I am confident that this will further accelerate the company's research and development cycle.



I aim to create rewarding workplaces to promote the expansion of workforce diversity.

..... | **Yuko Kariya** Outside Director

Looking forward to the realization of diversity while enhancing human capital

Kanto Denka Kogyo, a company that advocates being an "innovative, development-driven company," is built on its outstanding technological capabilities. However, it is the achievements of its employees that have allowed it to inherit and further develop that technology. To further enhance human capital and create rewarding workplaces, I believe the key challenges that need to be addressed are realizing diversity and revitalizing research and development roles.

In terms of diversity, I believe that the chemical industry is lagging behind in the participation of women compared to other industries, but I hope that the ratio of female employees and managers will increase even further at the company. While adhering to the policy of recruiting and promoting talented and motivated people, I hope that the "diversity of human resources," which is a source of value creation, will be steadily expanded.

The ratio of female employees is increasing year by year in the hiring of women on a main career track among new graduates, and the number is gradually increasing. The company needs to enhance its human resource development plan, including job rotation, to enable female employees who joined the company with ambition to envision their future career paths and advance to managerial positions.

In addition, it is equally important for male employees to be able to work comfortably and achieve a work-life balance. I would like the company to promote the utilization of systems such as childcare leave by sharing examples and comments from employees who have used the system on the company intranet. The company has introduced a system that maintains the salary structure for senior employees and extends the retirement age to 65 years old, with the option for re-employment up to 70 years old, starting from FY2022. This is a commendable way to utilize a diverse range of human resources. I hope that Kanto

Denka Kogyo will continue its efforts that value both people and technology.

Creating an environment where innovative technology is born through the development of human resources in research and development positions

In maintaining Kanto Denka Kogyo's strengths, which are built on its outstanding technical capabilities in the field of chemistry, developing and nurturing talent in research and development positions is a crucial issue that is vital to the company's lifeblood. Of course, it is important for each department and employee to master the skills and expertise they have cultivated. However, innovative new technologies often emerge from interdisciplinary research and basic research. I believe it is essential that the employees involved in research and development actively engage in collaborative research with universities and other domains in various ways, or expand their avenues to deepen their expertise.

The Board of Directors has welcomed two new female directors with expertise in finance and capital markets, which has invigorated multifaceted discussions. We, the Outside Directors, share information to understand and examine the challenges facing the company. If any urgent matters arise, we exchange opinions from our respective areas of expertise and then inquire with the secretariat of the Board of Directors, requesting information provision and inclusion of the matter as an agenda item for the next board meeting, in order to address the issue.

The key to a company's growth is interdisciplinary collaboration and the comprehensive capabilities of its workforce. I would like to contribute to the development of Kanto Denka Kogyo by utilizing my experience in technical development and manufacturing at pharmaceutical company, as well as my experience in managing multiple companies, including the pharmaceutical company.

Feature Message from Outside Directors



I will strive to make appropriate contributions from a financial perspective towards the profit growth that the company should prioritize.

..... | Takako Amitani Outside Director

The core that supports the profit structure is technology, and maintaining financial soundness to support it is crucial

From a financial perspective, Kanto Denka Kogyo’s greatest asset is its technology, which forms the core of its profit structure. Compared to companies that base their capital on tangible assets, it may be harder to predict long-term prospects. However, the greatest strength of technology-based companies is the potential for exponential growth through the development of new technologies.

Upon assuming the position of an Outside Director at Kanto Denka Kogyo, I was greatly intrigued by the question, “What is the profit structure of a company that primarily focuses on technology?” After analyzing the financial statements from the past five years or so, it became clear that the company has relatively high financial stability. The operating income margin has been around 15% for many years, which is a high figure, and the equity ratio is also high. On the other hand, the company is diligently channeling its operating cash flow into investment cash flow, and is not neglecting investments in research and development, manufacturing, and quality. I realized that this company has never been content with maintaining the status quo, but has always continued to run ahead.

However, as seen in FY2023, temporary declines in operating income may occur due to external factors such as semiconductor production adjustments, decreased demand for electric vehicles, or fluctuations in raw material prices. In business strategy and investment decisions, it is an extremely challenging and important task for management to anticipate future developments, make correct decisions, and maintain financial soundness. From my position as a Director, I intend to keep a close eye on that.

Expanding operating income through “aggressive investment” that benefits the company, shareholders, and society

Kanto Denka Kogyo advocates ROIC management, which efficiently generates profits from capital raised from shareholders and banks, and has set a target of achieving 8% or higher by FY2026 in its current Medium-Term Management Plan. While there are various strategies to improve ROIC, such as cost reduction and increasing invested capital turnover ratio, I believe the most important focus should be connecting sales growth to operating income growth, which represents core business performance, as this ultimately leads to capital efficiency and shareholder returns.

The biggest driving force generating operating income, as stated, is technology, and aggressive investment towards it is indispensable. The company currently leads in cutting-edge fields such as semiconductor and battery materials, which are attracting much attention, and I believe that high expectations are placed on its technological capabilities by industry. In addition, as I am sure that the company is aware of, it is time to put more effort into the development of technologies that realize sustainability. Although it is already advancing the research and development of non-PFAS products, products with low global warming potential (GWP), and recycled materials, there may be challenges in terms of cost and demand at the current stage. However, it is certain that these are technologies that will definitely be needed in the world in the future, and there is indeed potential for growth in this area.

The interesting thing about chemistry is that it has the potential to neutralize and recycle even harmful substances through chemical reactions and decomposition. Kanto Denka Kogyo has contributed to the development of society with the power of chemistry, but I expect that further demonstrating its presence as a company that contributes to the global environment will provide a foothold for growth, and I will contribute from a financial perspective by providing advice based on my professional expertise.



I will support increasing corporate value and also profit recovery and improvement by leveraging my extensive experience in financial capital markets and corporate management.

..... | Junko Koshino Outside Director

Aiming to improve and enhance capital efficiency based on a sound and stable management foundation

Kanto Denka Kogyo has contributed to the global semiconductor industry and the battery materials industry involved in energy and resource issues. I am very honored to have been appointed as an Outside Director of such a company. While the company has established a stable corporate foundation with a healthy balance sheet, it is also aware of the challenges in business management as it is significantly affected by socioeconomic trends and geopolitical risks. I believe this was one of the major factors that led to stagnant growth in FY2023, but this fiscal year I plan to propose measures to maximize corporate value in order to achieve the V-shaped recovery that President Hasegawa has called for.

From a financial perspective, I believe there is room for improvement in capital efficiency, and expect further efforts to be made. I feel that with the revision of the 12th Medium-Term Management Plan in November last year, a start has been made in improving capital efficiency this fiscal year. However, given the rapidly changing social conditions in recent times, there may be instances where investment recovery takes longer than expected. A bold and cautious investment stance that anticipates and prepares for such situations will be required. As an Outside Director, I will closely monitor this and provide support for accountability to shareholders and disclosure of improvement measures as needed.

Regarding the price-to-book ratio (PBR), I believe companies must be sensitive to market value, or the market’s evaluation at any given time, rather than book value on the balance sheet. To address the ratio falling below 1x, it is essential to review the business portfolio and focus on growth investments. In other words, it all comes down to how to maximize what the company has.

This is my personal opinion, but I believe that a company’s internal reserves should be divided into three wallets. The first one is for growth investment, the second for shareholder returns, and the third for provisions. While these three should be balanced equally in principle, bold management decisions are needed to significantly adjust their balances according to the circumstances. For example, when making growth investments, I believe high corporate value can be generated by making flexible management decisions, such as temporarily restraining dividends to direct funds toward capital investment.

Focusing on deepening communication with the market to maximize corporate value

Kanto Denka Kogyo has increased the number of Outside Directors to promote board diversity and strengthen governance. I feel that this company’s rich atmosphere of self-innovation and corporate attitude has made it possible to continuously create new technologies. Its corporate value, which is founded on proprietary technology, is highly valued by the market. It should strengthen its dialog approach by actively communicating initiatives through IR and SR activities and aligning its awareness of issues.

I hope to contribute to Kanto Denka Kogyo’s further development as a global company by leveraging my balanced experience in both domestic and international financial institutions and corporate management to provide advice on shareholder communications and improve business portfolios.

Message from the General Manager, Business Div.



I will strive to strengthen profitability to achieve a V-shaped recovery.

Yuki Abe
Managing Executive Officer
General Manager, Business Division

Consolidated net sales for FY2023 were ¥64.768 billion, down ¥13.906 billion or 17.7% compared to the previous fiscal year. An operating loss of ¥1.968 billion was also recorded.

The business environment for this fiscal year has become extremely challenging, a stark contrast from the favorable conditions of the previous year. This is because of factors such as a decline in demand for consumer semiconductors due to the rebound from special stay-at-home demand, and a slowdown in the growth of the EV market caused by the termination of subsidies in various countries.

Particularly in the battery materials division, raw material prices, which had shown unprecedented increases, fell sharply due to deteriorating supply and demand conditions, resulting in persistently high cost of sales and a loss on valuation of inventories, significantly impacting both net sales and profits. I believe it is urgent to build a business structure that is not affected by raw

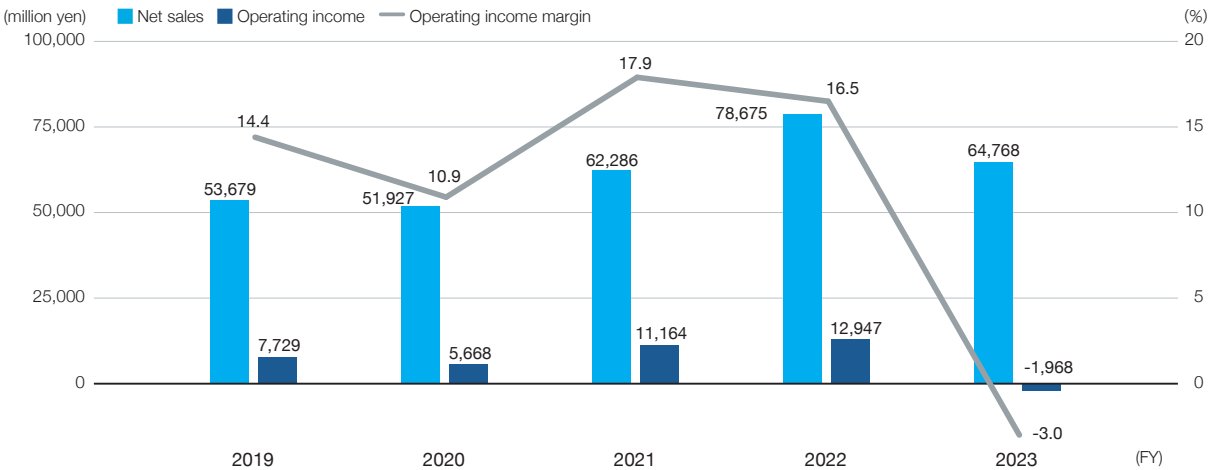
material market conditions, and we will promote the commercialization of lithium recycling technology and improve the inventory turnover rate.

For FY2024, I expect our performance to improve as demand recovers in the semiconductor division, particularly in the memory sector, and the battery materials division has sold most of its inventory of high-cost raw materials. To achieve a V-shaped recovery, we will make further efforts to strengthen the profitability of the entire company, including not only the fine chemicals business handling semiconductor and battery materials, but also the fundamental chemicals business and ferrochemicals business.

In the semiconductor materials division, we released a new product called KSG-14 in April 2023 and KSG-5 in April 2024. All of these are characterized by high performance and low GWP, and we expect promising developments in the future. We are also developing new products such as ultra-fast etching gases for low-temperature etching, which is expected to be a next-generation technology, and we plan to launch these promising products into the market sequentially.

We will continue our business efforts to become a company that grows together with society by capturing the medium to long-term growth of the advanced materials market. I ask for your continued understanding and support.

Net sales / Operating income / Operating income margin



Overview by Segment

Fine Chemicals Division



Fluorochemical specialty gases, including gases for semiconductor manufacturing, are making a significant contribution to the development of a digital society.

Medium-Term Management Plan Strategies and Measures

- Improving development capabilities**
 - Expand the range of development evaluation equipment
 - Diversify to multiple development sites
- Building a stable supply structure**
 - Diversify to multiple manufacturing sites

Overview of FY2023

Due to continued poor sales of consumer semiconductors since the second half of the previous fiscal year and major semiconductor manufacturer customers maintaining production cuts throughout the year, the business environment remained challenging for the full fiscal year.

In the second half of the fiscal year, there were signs of a recovery in some areas of the memory sector due to rising demand for generated AI and rising utilization rates by customer manufacturers to increase inventories. However, demand for end-end products such as smartphones, PCs, and tablets remained weak and did not reach a full-fledged recovery.

Additionally, in other areas such as logic and power semiconductors, inventory adjustments have not progressed as much as in the memory sector, and demand remained sluggish through the end of the fiscal year.

Our main products - nitrogen trifluoride, tungsten hexafluoride, and hexafluoro-1,3-butadiene - all experienced decreased revenue compared to the previous period due to reduced sales volume.

Strategies for FY2024

We will aim to improve profit margins by strengthening our sales capabilities targeting areas where customer manufacturers' utilization rates are relatively recovering, such as memory semiconductors where inventory adjustments are progressing due to early production cuts, and advanced semiconductors for generative AI where demand is strong.

Particularly in the Asian region where demand recovery is expected, we aim to gain further market share in each country by achieving stable local supply primarily through manufacturing bases in Korea and China, and by building trust relationships with customers.

Additionally, at our newly established development base adjacent to our manufacturing base in Korea, we will expand our equipment and enhance our material evaluation system to promote customer-focused research and development operations.

Key Products

Cleaning Gas	Nitrogen trifluoride (NF ₃)
	Octafluoropropane (C ₃ F ₈)
	Chlorine trifluoride (ClF ₃)
	Fluorine gas mixture (F ₂ -mix) etc.
Etching Gas	Sulfur hexafluoride (SF ₆)
	Carbon tetrafluoride (CF ₄)
	Trifluoromethane (CHF ₃)
	Hexafluoro-1,3-butadiene (C ₄ F ₆)
	Octafluorocyclobutane (C ₄ F ₈)
	Monofluoromethane (CH ₃ F)
	Carbonyl sulfide (COS)
	KSG-14
	KSG-5
	etc.
Precursor	Tungsten hexafluoride (WF ₆)
	Silicon tetrafluoride (SiF ₄) etc.
Fiber Optic Manufacturing	Silicon tetrafluoride (SiF ₄)

Overview by Segment



As the global trend toward decarbonization and the shift to EV accelerates, electrolytes and additives for lithium-ion secondary batteries are contributing to the creation of a sustainable society.

Medium-Term Management Plan Strategies and Measures

Capturing rapid market growth

- Expand licensing business

Building a business structure that is resilient to raw material prices

- Commercialize lithium recycling
- Improve inventory turnover rate

Overview of FY2023
While the overall EV market is in a growth phase, industry growth rates slowed more than expected due to factors such as the end of subsidies in China, the largest market, during the previous fiscal year. Due to slowing growth in the industry and oversupply caused by successive large-scale investments from Chinese manufacturers, sales volumes and prices also dropped significantly, resulting in an extremely challenging business environment.
In our company, due to remaining inventory of lithium raw materials that experienced significant price increases resulting in high cost of sales, and the recording of a ¥3.5 billion inventory valuation loss reflecting lower sales prices, we recognized “significant deterioration in business environment” as an indicator of impairment and recorded an extraordinary loss of ¥4.2 billion as an impairment loss on fixed assets.
Sales of our main product, lithium hexafluorophosphate, decreased compared to the previous period due to lower sales volume and reduced selling prices.

TOPICS Fine Chemicals Division Topics

New Product: KSG-5

We have released the new product KSG-5, a fluorochemical specialty gas.
While semiconductors support our convenient lifestyle, their manufacturing process uses materials that have significant environmental impacts.
KSG-5, as an etching gas with low environmental impact, replaces existing gases to achieve environmentally conscious semiconductor manufacturing.

Performance evaluation completed for battery cathode materials using recycled lithium

We are jointly developing lithium-ion secondary battery recycling technology with Sumitomo Metal Mining Co., Ltd.
We have completed performance evaluations of battery cathode materials made from lithium compounds recovered using this technology, and confirmed that they demonstrate equivalent capabilities to existing cathode materials manufactured primarily from natural resources.

Additionally, in the second quarter, we recorded a portion of the technology licensing fees from license agreements as net sales.
Strategies for FY2024
As our main product, lithium hexafluorophosphate, is expected to be subject to the U.S. Inflation Reduction Act (IRA) in 2027, we will take the initiative to develop products that comply with this law. At the same time, we will increase capital efficiency by expanding our licensing business and build a system to reliably capture market recovery.
Furthermore, while aiming to rapidly establish recycling technology for used lithium-ion secondary batteries currently under demonstration testing, we will strive to improve the inventory turnover rate by optimizing inventory through unified management of raw material procurement, production, and sales.

Key Products

Lithium-ion secondary battery electrolytes	Lithium hexafluorophosphate (LiPF ₆) etc.
Lithium-ion secondary battery additives	Lithium tetrafluoroborate (LiBF ₄) Lithium difluorophosphate (LiPO ₂ F ₂) etc.

Fundamental Chemicals Division

Consolidated Net Sales
¥64,768 million

Fundamental Chemicals Segment Net sales
¥8,836 million

Caustic soda, chlorine, hydrogen, and inorganic and organic products made from them are used in various applications as basic industrial raw materials to make everyday life more comfortable.

(Results in FY2023)

Medium-Term Management Plan Strategies

Strengthening function for supplying raw materials to Fine Chemicals

Overview of FY2023
In addition to decreased domestic demand due to economic slowdown across industries, competition with low-priced Chinese products intensified in both Japanese and Asian markets, resulting in decreased net sales and profit margins.
In inorganic products, although sales volumes of caustic soda and hydrochloric acid, which are major items, decreased, revenue from the previous fiscal year increased due to the effect of price adjustments. In organic products, sales of major items such as trichloroethylene and perchloroethylene decreased from the previous fiscal year due to reduced sales volume and lower selling prices.
Strategies for FY2024
We will reorganize our product portfolio and aim to secure stable profits. We will strengthen our ability to supply chlorine-based raw materials for our own use.

Facilities Division

Consolidated Net Sales
¥64,768 million

Facilities Segment Net Sales
¥2,165 million

We carry out construction work related to chemical facilities and general industries, and support the activities of the Group through facility design, construction, maintenance work, etc.

(Results in FY2023)

Overview of FY2023

Sales increased compared to the previous fiscal year due to an increase in contracted construction work. The number of orders received increased not only within the Group but also from external customers.

Strategies for FY2024

Leveraging our integrated system from sales to design, manufacturing, construction, and maintenance, the engineering technology created by close cooperation between each department, and the know-how as a specialized company in manufacturing plants cultivated over many years since our founding, we will manufacture plants that accurately capture the needs of our users and contribute to the Group’s production activities and the earning of the trust of external customers.

Ferrochemicals Division

Consolidated Net Sales
¥64,768 million

Ferrochemicals Segment Net Sales
¥1,813 million

As copiers become more multifunctional and have higher image quality, we offer products that are optimized to meet the diversifying needs of users, and we hold approximately 40% of the market share.

(Results in FY2023)

Medium-Term Management Plan Strategies

Concentration and conversion of management resources

Overview of FY2023
Market conditions deteriorated because of significant inventory adjustments resulting from excess supply caused by increased demand from new product transitions and rebound from reduced demand due to the impact of COVID-19, decreased printing volume due to established telework and DX promotion in developed countries, and reduced demand due to China’s economic slowdown.
By product category, both carriers and iron oxides experienced decreased revenue from the previous fiscal year due to lower sales volumes.
Strategies for FY2024
Although market conditions are currently sluggish due to economic recession, we will aim to expand sales targeting the Asian market, particularly China, where demand for developers is expected to increase further due to the shift toward color copiers and domestic production.
Furthermore, we will steadily execute the planned consolidation of ferrochemical product manufacturing to Kanto Denka Finetech Co., Ltd. in 2025, advancing the efficient utilization of management resources.

Commercial Business Division

Consolidated Net Sales
¥64,768 million

Commercial Business Segment Net Sales
¥698 million

We support the activities of the Group through the sales of fundamental and fine chemicals, the maintenance of containers, and the procurement of raw materials.

(Results in FY2023)

Overview of FY2023

Revenue decreased from the previous fiscal year due to a decrease in sales of chemical industry products.

Strategies for FY2024

By undertaking the procurement of raw materials and sales of products, we aim to make a comprehensive contribution to the Group from both production and sales activities.
In addition, through container maintenance work, we will contribute to maintaining and improving the quality and safety of the product containers that the Group supplies to customers.

Semiconductor Materials

Development System

We have established the Semiconductor Materials Development & Sales Department and the Semiconductor Materials Development Department (Development and Prototype Manufacturing sections) within the Business Division in order to establish a structure that enables us to quickly commercialize the results obtained from the development activities of semiconductor materials.

By establishing a consistent business system for sales, development, and prototyping, and strengthening activities based on the same business growth plan, we are promoting customer-oriented development to enhance the foundation of the specialty gas business and respond to the rapidly expanding semiconductor market.

Development Policy

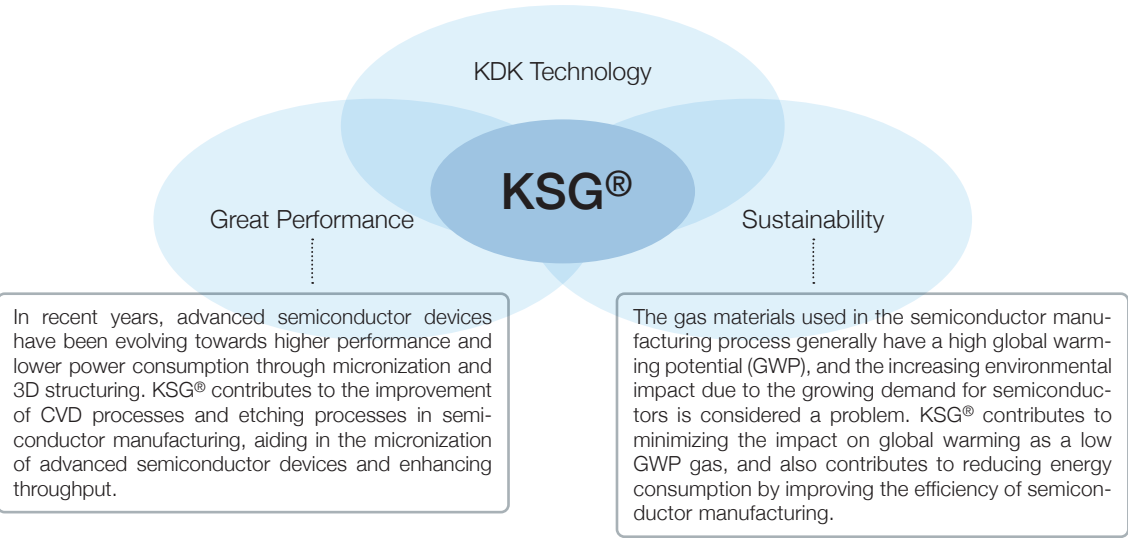
When it comes to specialty gases for semiconductor manufacturing, there is a strong demand from the market for a combination of high performance and environmental characteristics for etching or cleaning applications.

We plan to continue developing semiconductor materials with high added value, including the KSG® series, to meet market needs, and will gradually introduce them to the market.

KSG® Series

The KSG® series developed by our company was developed under the concept of solving customer problems and realizing a sustainable society. To respond to technological trends and customer needs in the semiconductor industry, we are developing new materials by combining materials informatics

with our core technologies of chemical synthesis and materials evaluation. KSG®, born from Kanto Denka's unique technology, achieves both "high performance in semiconductor manufacturing processes" and "low environmental impact."



New Product Information

KSG-14 Sales began in April 2023

In the etching process of 3D NAND flash memory manufacturing, it achieves high-speed and high-shape control etching, contributing to the micronization of semiconductors and the improvement of productivity. With extremely low GWP and reduced energy and water consumption through improved productivity, we have achieved a reduction in global warming and environmental impact.

KSG-5 Sales began in April 2024

As a low GWP gas that enables highly selective etching, it allows for the replacement of existing gases with high GWP. While possessing performance equal to or greater than existing gases, it can be applied universally in various etching processes, regardless of Logic, DRAM, or NAND. It will contribute to reducing the amount of CO₂ emissions exhausted from the semiconductor manufacturing process.

KSG-22 In production planning

We plan to mass-produce this ultra-high-speed etching gas for low-temperature etching, a next-generation etching technology. Improved productivity through high-speed etching and the low GWP characteristics help reduce the environmental impact of the entire etching process.

Domestic Manufacturing Plant Information

Shibukawa Plant

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

Location	1497, Shibukawa, Shibukawa City, Gunma, Japan
Plant area	Approx. 138,000 m ²
Number of employees	329 (as of the end of March 2024)



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>**
- Carriers
 - Magnetite
- <Specialty gases>**
- Carbon tetrafluoride
 - Monofluoromethane
 - Difluoromethane
 - Trifluoromethane
 - Octafluoropropane
 - Octafluorocyclobutane
 - Sulfur hexafluoride
 - Hexafluoro-1,3-butadiene
 - Nitrogen trifluoride
 - Carbonyl sulfide
 - Tungsten hexafluoride
 - Fluorine gas mixture

Mizushima Plant

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.

Location	4-4-8, Matsue, Kurashiki City, Okayama, Japan
Plant area	Approx. 185,000 m ²
Number of employees	272 (as of the end of March 2024)



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>**
- Caustic soda
 - Sodium hypochlorite
 - Hydrochloric acid
 - Trichloroethylene
 - Vinylidene chloride
 - Perchloroethylene
- <Battery materials>**
- Lithium hexafluorophosphate
 - Lithium tetrafluoroborate
 - Lithium difluorophosphate
- <Specialty gases>**
- Silicon tetrafluoride
 - Chlorine trifluoride
 - Hexafluoro-1,3-butadiene

Kanto Denka Kogyo's Specialty Gases

Through our unique fluorine-related technology cultivated for over half a century, we are able to consistently carry out all processes internally, from refining fluorine gas as a raw material to manufacturing various specialty gases.

In addition, by utilizing our clean filling facilities and highly sensitive analytical evaluation equipment, we enable the supply of high-purity, high-quality products that support world-leading technologies.

We achieve a diverse product lineup by directly reacting high-purity fluorine gas, obtained using our core electrolysis technology, with other raw materials in independent plants dedicated to each product.

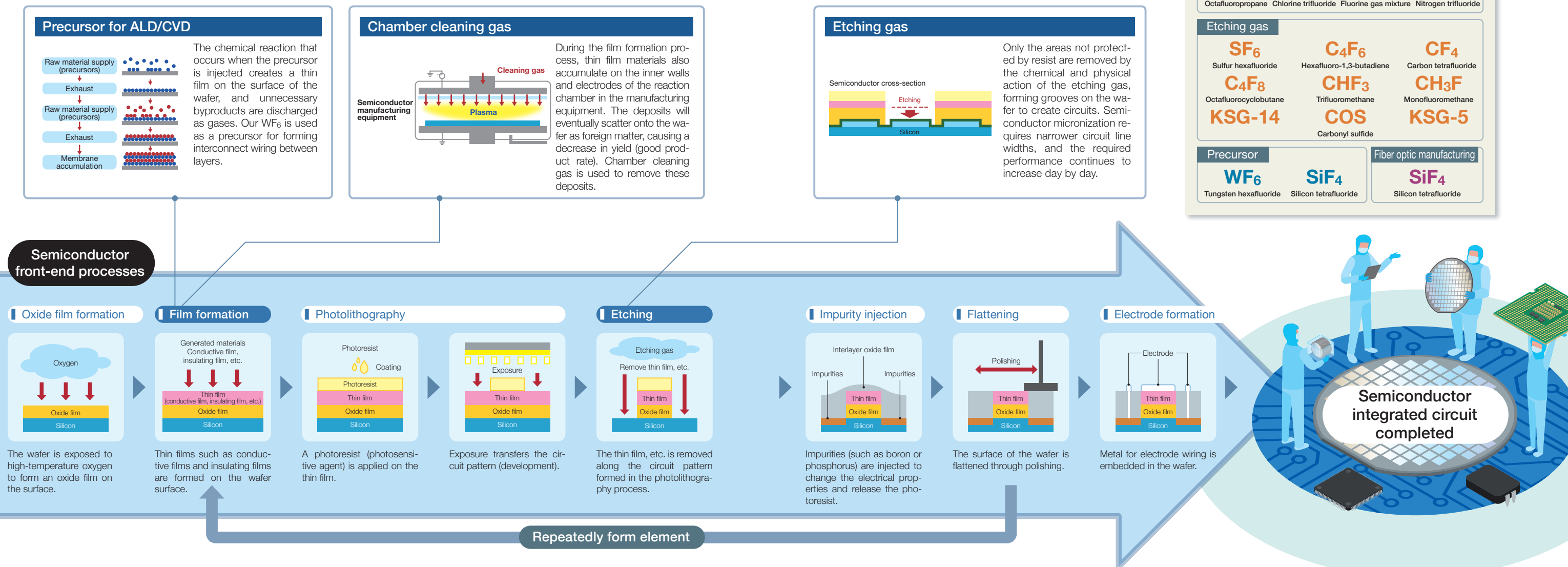
We are promoting initiatives such as the introduction of state-of-the-art facilities that enable the analysis

and evaluation of next-generation products, and the establishment of a collaborative development system with semiconductor manufacturers and equipment manufacturers, making it possible to respond to a wide range of customer needs.

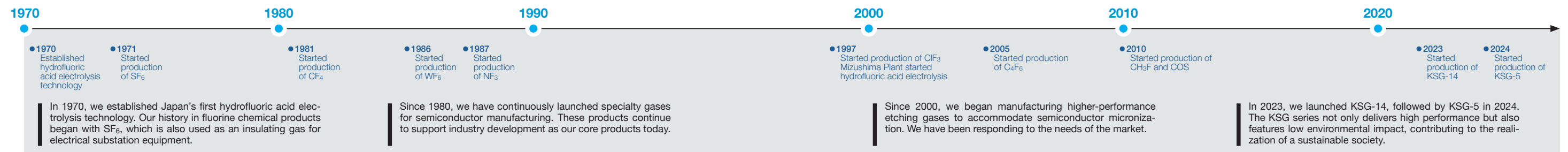
Responding meticulously to customer needs and providing high value-added products

with a focus on the next generation

Kanto Denka Kogyo's specialty gases used in semiconductor manufacturing processes



Leading the semiconductor industry with advanced fluorine technology



Research and Development



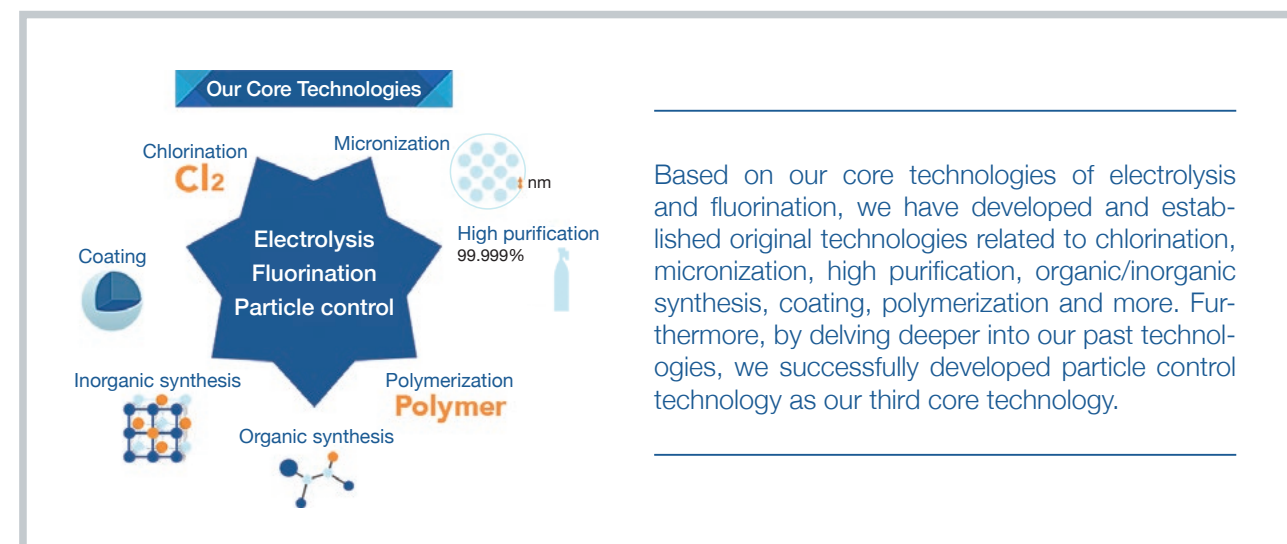
We will remain a manufacturing company that prioritizes environmental and economic security, aiming to strengthen existing businesses and create new ones.

Go Takikawa

Managing Executive Officer
General Manager, New Products Development Div. ; Mizushima Plant Manager

In our 12th Medium-Term Management Plan, our vision for ourselves in 2030 is that “With a stable management foundation, we will provide a safe work environment with job satisfaction, support technologies that are cutting-edge on a global stage with our superior, original products, and grow to become an innovative, development-driven company to contribute to a sustainable society.” Among these, our core businesses of semiconductor materials and lithium-ion secondary

battery materials are making significant contributions to realizing the rich lives of people, and we expect sustainable and extensive growth. Against this backdrop, the New Products Development Division is pursuing research and development activities aimed at strengthening existing businesses and creating new ones. In semiconductor materials, in addition to environmentally adaptive high-performance products, we are advancing product development using our third core technology, which is our specialty. In battery materials, we will continue our development efforts toward achieving lithium recycling while advancing the development of materials that contribute to safer, longer-lasting, and higher-capacity batteries. Through such efforts, we will maintain our commitment to honest manufacturing that prioritizes both environmental friendliness and economic security.



Based on our core technologies of electrolysis and fluorination, we have developed and established original technologies related to chlorination, micronization, high purification, organic/inorganic synthesis, coating, polymerization and more. Furthermore, by delving deeper into our past technologies, we successfully developed particle control technology as our third core technology.

Third Core Technology

Our company has experience in manufacturing magnetic powder and excels in particle control technology. We have further developed this technology and are now developing various microparticles, including nanoparticle materials. Nanoparticles in particular have shown potential to impart properties that cannot be achieved with conventional materials, and significant developments are expected in the future. We are diligently pursuing development to take on new frontiers in semiconductor materials.

Battery Materials

From the perspective of economic security in terms of energy, we are steadily advancing the development of lithium recycling from waste LIBs, which was selected for the NEDO Support Project to Secure a Stable Supply of Specified Important Goods, in order to ensure a stable supply of storage battery materials that are becoming increasingly important. In addition to developing various materials aimed at improving LIB performance, we have also strengthened our development capabilities by working to acquire evaluation technologies to accelerate the development of next-generation battery materials such as all-solid-state batteries and fluoride batteries.

Market Research

The market research conducted by the New Business Development & Promotion Department, which was established last fiscal year, has fully launched, and we now have a functioning system that can quickly grasp customer and market needs and implement them in development. Collaboration with external research institutions, including universities, has become smoother, and we are currently working with Professor Takanori Takebe's team from Tokyo Medical and Dental University* on the concept of “intestinal respiration,” which has been proposed as one of the methods for acute medical care.

*Currently known as Institute of Science Tokyo. In this report, “Tokyo Medical and Dental University” will be used to refer to the institution, in accordance with the source.

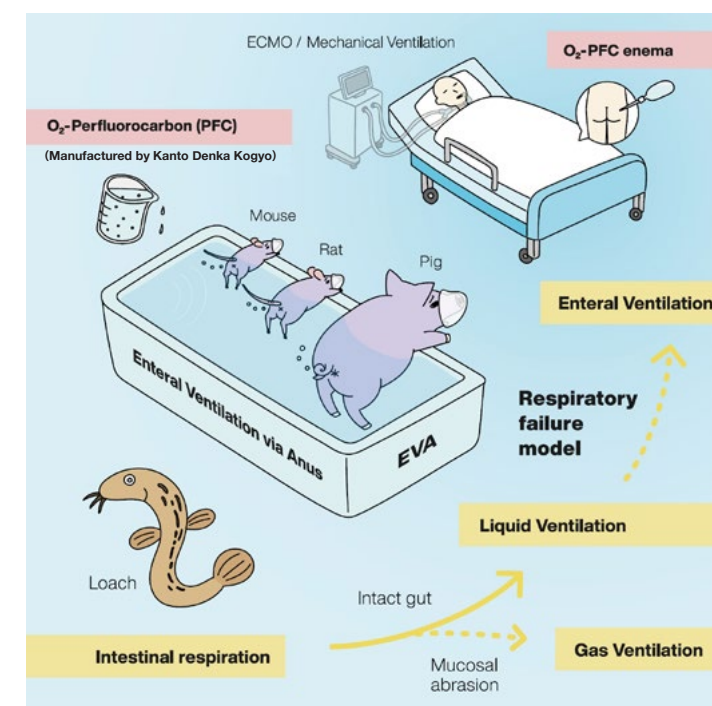
TOPICS

R&D Topics

Collaboration in developing new respiratory management methods using Enteral Ventilation via Anus technology

We are collaborating in supplying core medical materials for the social implementation of the Enteral Ventilation via Anus (EVA) method developed by Professor Takebe at Tokyo Medical and Dental University.

Overview diagram of the EVA method



• Compared with ventilators and artificial lungs, it has the potential to provide acute treatment for respiratory failure with hypoxemia, which is less burdensome to the body.

The EVA method developed by Professor Takebe and colleagues has potential applications as a new respiratory management method in clinical settings, offering the possibility of alleviating respiratory failure without directly involving the lungs. In the future, it is expected to be used in various clinical settings, such as facilitating weaning from artificial lungs and ventilators, and as supplementary support to alleviate symptoms of respiratory failure. Furthermore, in emergency medicine, this technology can also be used as an acute respiratory management method for patients with upper airway obstruction.

The EVA method uses a perfluorocarbon (PFC) as an oxygen carrier. We are advancing development to manufacture products using fluorination technology, one of our core technologies, and to supply them with consistent quality so that customers can use them with peace of mind. As a manufacturing company that enriches society, we will continue various initiatives.

Source: Press release materials from Tokyo Medical and Dental University, Nagoya University, and Kyoto University, May 15, 2021

Sustainability Policy and System

Sustainability Basic Policy

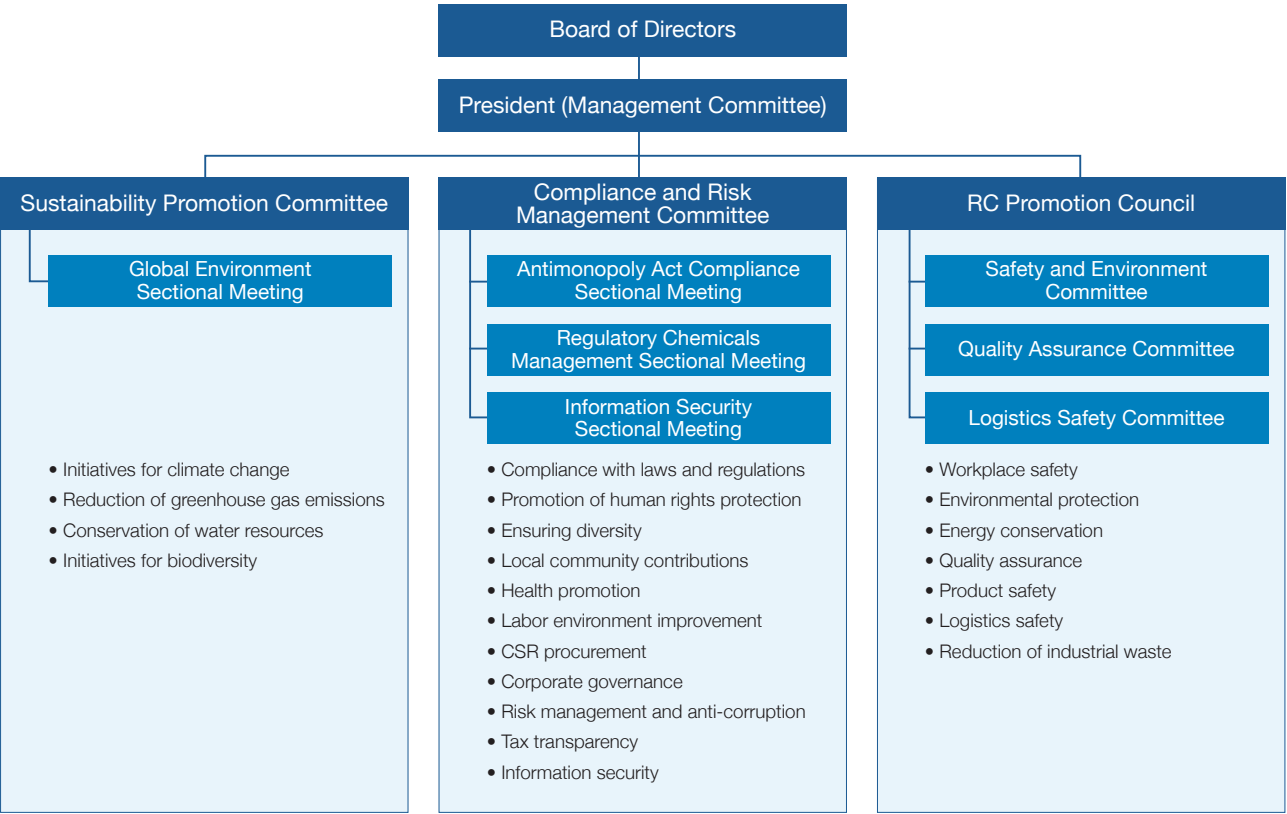
With the aim of achieving the SDGs (Sustainable Development Goals) adopted by the United Nations in September 2015, the Group will support the world's most advanced technologies on a global scale with its unique and superior products, and strive for sustainable development as an innovative, development-driven 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 sustainable 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 and the Responsible Care (RC) Promotion Council, also chaired by the President. In our ongoing Responsible Care (RC) activities, we establish short to medium-term policies for various issues concerning environmental conservation (including climate change measures), occupational safety, product safety, and logistics safety, and manage these initiatives through the RC Promotion Council. We established the Global Environment Sectional Meeting under the Sustainability Promotion Committee to address im-

portant issues such as the response to climate change and greenhouse gas emissions reduction, and other specific initiatives are made by each sectional meeting directly under the committee to address other issues of each committee. In the committees in charge, the initiatives of each sectional meeting are regularly reported, including an outline of goals, plans and progress, reviewed in response to changes in the external and internal environments, and revised with additions or deletions as necessary. The contents of deliberations and decisions made by each committee are regularly reported (targeting at least twice a year) to the Board of Directors, and the approved contents are reflected in the Medium-Term Management Plan and annual plan.



P.54 Overview of Committees

Response to Climate Change: Disclosures Based on the TCFD's Recommendations

We endorsed the TCFD's recommendations in May 2022. After analyzing scenarios in accordance with the TCFD's recommendations and examining countermeasures based on those analyzes, we will continue to disclose information on our efforts to tackle climate change, and contribute to the realization of a more resilient management and a sustainable international society.

The Group has been striving to preserve the global environment through the development of environmentally friendly products and the reduction of greenhouse gas emissions. In our 12th Medium-Term Management Plan, we aim to be an innovative, development-driven company to contribute to a sustainable society by supporting technologies that are cutting-edge on a global stage with our superior, original products.

Governance

To address climate change, the Group has established a Global Environment Sectional Meeting under the Sustainability Promotion Committee, which deliberates and decides on climate change initiatives, including the reduction of greenhouse gas emissions. The contents of deliberations and decisions are regularly reported (target-

ing at least twice a year) to the Board of Directors, and the approved contents are reflected in the Medium-Term Management Plan and annual plan. In addition, the progress of these initiatives is being monitored and we will continue to oversee it moving forward.

P.37 Sustainability Promotion System

Strategy

The Sustainability Promotion Committee and the Global Environment Sectional Meeting take the lead in identifying risks and opportunities from climate change and assessing the degree of impact on business. In assessing risks and opportunities, we conduct scenar-

io analysis using multiple scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). In the future, the following two worldviews will be assumed in the analysis and the impact as of 2030 will be considered.

Scenarios Set in Scenario Analyses and Sources

2°C (1.5°C) Scenario	4°C Scenario
This scenario assumes that the impacts of policies and regulations will grow, resulting in more proactive efforts toward the transition to a decarbonized society so that the increase in average temperature will be limited to less than 2°C by 2100 compared to the Industrial Revolution.	This scenario assumes that governments' climate change countermeasures will not go beyond current policies and regulations, and that the average temperature will rise by about 4°C in 2100 compared to the Industrial Revolution, resulting in greater physical impacts such as abnormal weather disasters.
(Reference scenario) IPCC Fifth Assessment Report (AR5) RCP 2.6 IEA WEO2021 SDS, NZE2050	(Reference scenario) IPCC Fifth Assessment Report (AR5) RCP 8.5 IEA WEO2021 STEPS

Response to Climate Change: Disclosures Based on the TCFD’s Recommendations

2°C (1.5°C) Scenario Analysis

The analysis in the 2°C (1.5°C) scenario assumes that various policies and regulations will be introduced to transition to a decarbonized society, and the Group believes that the financial impact of the introduction of a carbon tax and the decline in sales of our products due to the decline in demand for products with a high global warming potential (high GWP products) may pose a risk.

On the other hand, due to the growing awareness

of climate change, it is expected that the market for lithium-ion batteries, which are essential for electric vehicles (EVs) that are part of the realization of a decarbonized society, will expand, and along with that, the demand for materials essential for lithium-ion secondary batteries supplied by us will also increase, which we believe can be a great opportunity. Going forward, we will evaluate these risks and opportunities from both qualitative and quantitative perspectives and consider countermeasures.

Risks and Opportunities in Each Scenario

Factors	Time Horizon	Events	Classification	Response Measures
Carbon pricing	Long-term	Increased costs related to business operations due to the introduction of carbon pricing, including carbon taxes	Risk	• Energy conservation measures • Reduction of greenhouse gas emissions • Streamlining of energy use through product mix • Transition to renewable energy • Procurement of environmental value
Changes in energy costs	Medium to long-term	Increased costs for purchasing electricity associated with the transition to renewable energy	Risk	• Energy conservation measures • Streamlining of energy use through product mix
		Increased transportation costs due to soaring fossil fuel prices	Risk	• Promote a modal shift • Increased transportation lot sizes for improved logistics efficiency
Changes in demand for environmentally friendly products	Medium to long-term	Decreased demand for high GWP products	Risk	• Promote the development of environmentally friendly products
		Growth of lithium-ion battery market	Opportunity	• Strengthen capacity to produce battery materials in response to market growth • Capture market growth through the expansion of the licensing business
		Increased demand for environmentally friendly products including low GWP gas products, etc.	Opportunity	• Promote the development of environmentally friendly products • Strengthen production capacity to address the growing demand for environmentally friendly products
Changes in raw materials costs	Medium to long-term	Rising procurement costs caused by complex factors	Risk	• Promote of recycling

<Definition of time horizons> Short-term: Less than 3 years; Medium-term: 3 years or more to less than 5 years; Long-term: 5 years or more

4°C Scenario Analysis

In the analysis of the 4°C scenario, it is assumed that abnormal weather events will become more frequent and severe, with the most significant risk for our Group being flood damage at domestic bases. In

addition, the Group considers related losses caused by the suspension of business operations at its bases as a risk. Going forward, we will evaluate these risks from both qualitative and quantitative perspectives and consider countermeasures.

Risks and Opportunities in Each Scenario

Factors	Time Horizon	Events	Classification	Response Measures
Severity of extreme weather events	Short-term	Direct damages to the Company’s bases caused by flooding or tidal surge	Risk	• Develop a risk management structure • BCP measures • Decentralization of production bases
		Indirect damages to the Company’s bases caused by flooding or tidal surge (Opportunity losses caused by suspension of operations due to damaged bases)		
Drought	Long-term	Further shortage of semiconductors resulting from droughts, leading to reduced sales opportunities of specialty gases and diminished sales	Risk	• Sale of specialty gases to areas other than semiconductors • Strengthen competitiveness
		The Shibukawa Plant consumes large amounts of industrial water, so a water shortage could affect production activities, leading to diminished sales due to reduced production capacity		• R&D and investment to enhance water usage efficiency

<Definition of time horizons> Short-term: Less than 3 years; Medium-term: 3 years or more to less than 5 years; Long-term: 5 years or more

Risk Management

In responding to climate change, the Sustainability Promotion Committee and the Global Environment Sectional Meeting clarify anticipated climate change risks, evaluate risks and opportunities using scenario analysis and other methods, and review the evaluation results annually. In addition, we will respond to risks related to climate change measures such as energy conservation measures and other important ESG issues in cooperation with other committees as necessary. The Com-

pliance and Risk Management Committee is in charge of working environment and governance, while the RC Promotion Council is in charge of quality assurance and environmental measures such as waste reduction, and continuously collects information and manages risks. The content of deliberations is reported to the Board of Directors on a regular basis, and the countermeasures discussed are reflected in business activities.

 P.37 Sustainability Promotion System, P.53 Governance

Indicators and Targets

Existing Initiatives

We have been working to reduce greenhouse gas emissions from non-energy sources since 2009 with the introduction of abatement equipment, and have

made significant progress. We are also working to reduce emissions of greenhouse gases from energy sources by improving production efficiency.

 P.42 Response to Climate Change

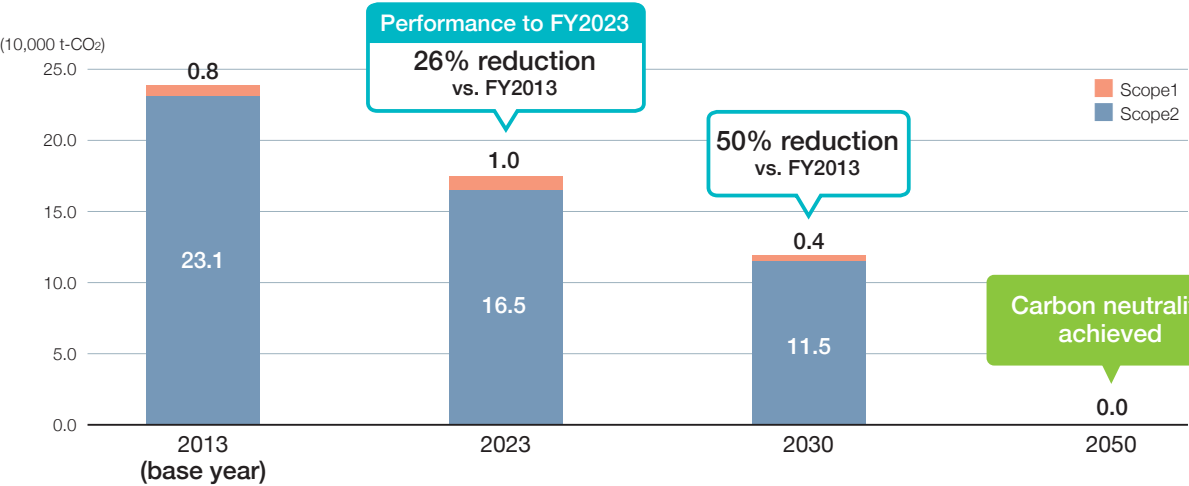
One of the key strategies of our 12th Medium-Term Management Plan “Dominate 1000” since FY2022 is to enhance social value, and we have been promoting sustainability activities, reducing energy-intensive products, and strengthening our commitment to decarbonization and recycling.

In order to contribute to the creation of a sustain-

able society, we have set a long-term target of reducing greenhouse gas emissions from energy sources (Scope 1 and Scope 2 from energy sources) by 50% by FY2030 as compared to FY2013, and accelerate the reduction of greenhouse gas emissions with the aim of achieving carbon neutrality by 2050.



Greenhouse Gas Emissions from Energy Sources



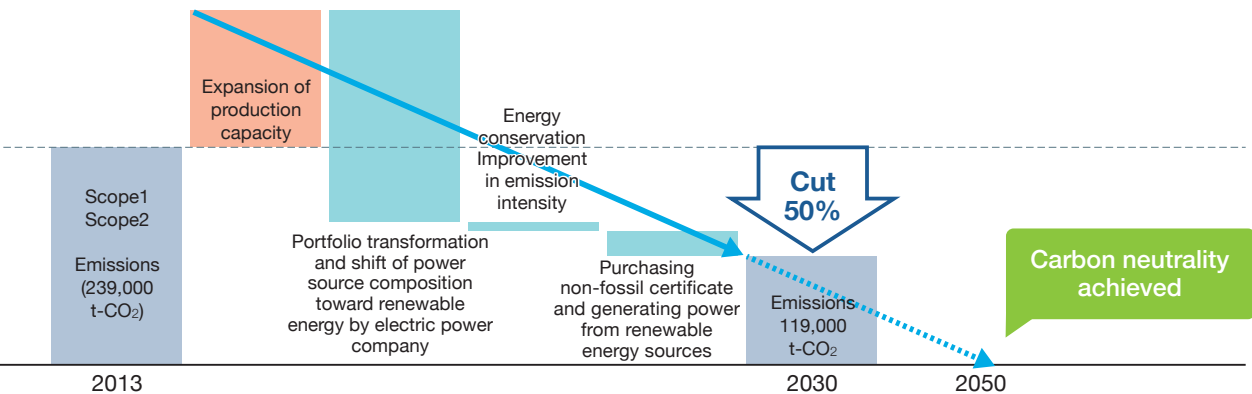
Vision and Major Initiatives for 2030

To “accelerate the company’s growth by further expanding fine chemicals, promote the development of technology for greenhouse gas emission reduction and decarbonization, and become an innovative, development-driven company that contributes to a sustainable society” is our vision, and we will implement the following measures as our main initiatives.

Major initiative policies

- (1) Improve greenhouse gas emission intensity while achieving growth in the fine chemicals business
- (2) Introduction of renewable energy
- (3) Using the product mix to reduce greenhouse gas emissions
- (4) Promote the development of environmentally friendly products that contribute to Scope 3 reductions

Greenhouse Gas Emissions from Energy Sources Reduction Roadmap



ESG Information

E | Environment

Responsible Care

Responsible Care (RC) is a voluntary management activity carried out globally by companies in the chemical industry based on the principles of self-determination and self-responsibility. It involves implementing and improving safety, health, and environmental measures throughout the entire life cycle from the development to

the manufacturing, distribution, use, and final disposal of chemical substances.

We have been a member of the Responsible Care Committee of the Japan Chemical Industry Association since its establishment, and the RC Promotion Council plays a central role in actively promoting RC activities.

RC 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 life cycle of our products, from development through manufacturing, distribution, use, and disposal.

RC 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 business site evaluates its own performance; site auditing, which is conducted by committees; and overall auditing, in which the RC Promotion Council discusses and assesses the results of site audits. Continuous improvements are fostered, as self-auditing results are reflected in the next RC objectives and plans, while overall auditing results are incorporated into management policies, objectives, and implementation plans for the following fiscal year. Since FY2018, site 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.

Response to Climate Change

Basic Approach

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

Moreover, in May 2022, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and are promoting the disclosure

of information related to the conservation of the global environment, such as greenhouse gas emissions.

It is the responsibility of companies to ensure that their corporate activities do not affect the surrounding region and the global environment, and we will contribute to the realization of a sustainable society by identifying risks and opportunities related to climate change, conducting voluntary management activities to make continuous improvements, and actively disclosing information.

ESG Information

The 9th RC Action Targets	
Target	Result
Reduce CO ₂ equivalent greenhouse gas emissions by 6% compared to FY2021 (by FY2024) (2% reduction per year)	28.0% reduction in FY2023 compared to FY2021 (88.6% reduction compared to FY2013)

Reduction of Greenhouse Gas Emissions

● Non-energy sources Scope1

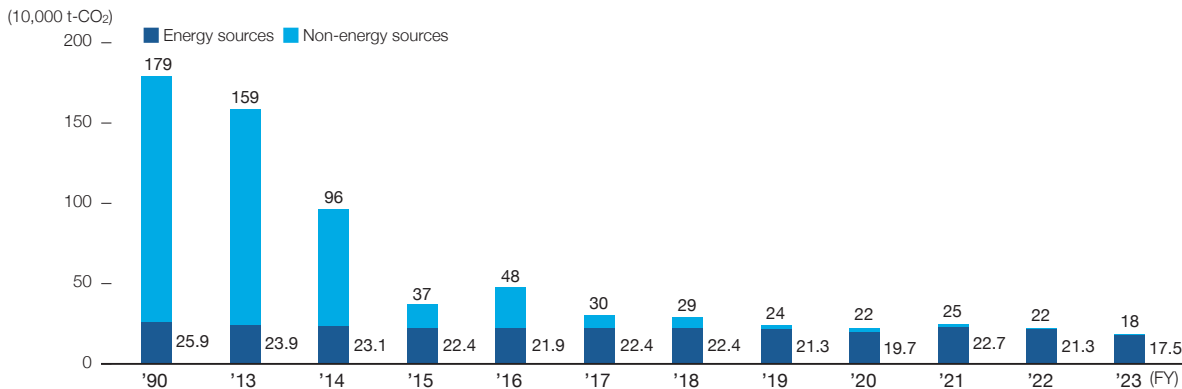
When we first started our RC activities, there are several products with high global warming potential (GWP) in the conventional specialty gases line, and the waste discharged from the process associated with the manufacture of these products accounted for the majority of our Scope 1 non-energy source greenhouse gas emissions. Therefore, we have focused primarily on reducing non-energy-derived greenhouse gas emissions, and in addition to controlling emissions from our processes, we introduced abatement equipment in 2009 to significantly reduce greenhouse gases emitted from our manufacturing processes (PFCs, HFCs, SF₆, and NF₃). We

achieved a 99.5% reduction (CO₂ equivalent) in FY2023 compared to FY2013.

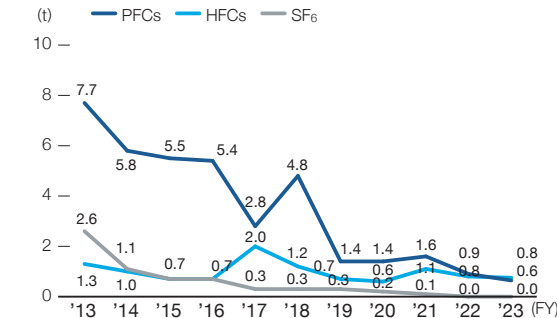


Abatement equipment for greenhouse gas

Greenhouse Gas Emissions



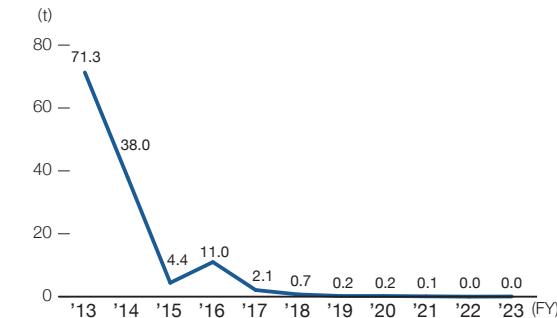
Emissions of PFCs, HFCs, and SF₆



● Energy sources Scope 1 and Scope 2

For energy sources greenhouse gas emissions, while energy consumption was reduced through energy conservation and process improvement, energy consumption increased due to expansion of production capacity and other factors. As a result, energy sources greenhouse gas emissions remained constant.

Emissions of NF₃



Furthermore, in order to proactively address climate change, we set a new reduction target for energy sources greenhouse gas in 2022, aiming to achieve carbon neutrality by 2050. With a target of reducing energy sources greenhouse gas emissions by 50% by FY2030 compared to FY2013*, we have launched new initiatives, including the introduction of renewable ener-

gy and portfolio transformation.

In FY2023, energy source greenhouse gas emissions decreased by 26.9% compared to FY2013, due to reduced production volume, lower emission factors from power utilities, and procurement of electricity with non-fossil fuel certificates. We have also reduced greenhouse gas emissions from our manufacturing processes, resulting in an overall 88.6% reduction in greenhouse gas emissions (CO₂ equivalent).

* We had set a target of reducing emissions by 30% by FY2030 compared to FY2013, but revised the target upward in November 2023.

● Introduction of solar power generation equipment at manufacturing plants

In FY2023, we installed solar power generation equipment at our Shibukawa and Mizushima Plants. We will further accelerate the reduction of greenhouse gas emissions by creating and using renewable energy while promoting energy conservation and improvements of energy per unit, and aim to achieve carbon neutrality by 2050.



Solar power generation facility at Shibukawa Plant

● Energy conservation and reduction of greenhouse gas emissions through effective utilization of hydrogen

At our Mizushima Plant, we are currently utilizing excess hydrogen generated from our processes as fuel, working to reduce energy consumption and greenhouse gas emissions associated with fuel use. From the end of FY2024, we plan to utilize surplus hydrogen as fuel at the Shibukawa Plant, and we will continue our efforts to further reduce energy consumption and greenhouse gas emissions.



Hydrogen boiler facility at Mizushima Plant

● Overall supply chain for Scope 3

We calculate indirect greenhouse gas emissions throughout our supply chain (Scope 3), from raw material procurement to customer use and disposal. We have undergone third-party verification to evaluate the validity of our calculation methods based on FY2023 results, including both Scope 1 and Scope 2, and received limited assurance.

P.60 Greenhouse Gas Emissions Calculation System

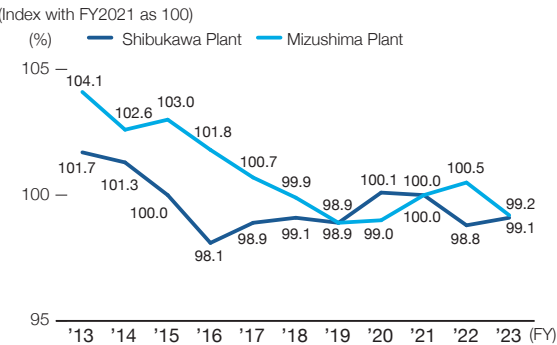
The 9th RC Action Targets	
Target	Result
Reduce energy consumption per plant production volume (crude oil equivalent) by 3% compared to FY2021 (by FY2024) (1% reduction per year)	FY2023 results compared to FY2021 Shibukawa Plant 0.9% reduction Mizushima Plant 0.8% reduction

Improvement of Energy Consumption per Unit of Production

We continue to implement proactive activities such as improving power-hungry facilities and reducing steam intensity. In FY2023, we optimized the operation of electrolysis equipment and worked to improve unit consumption at the Mizushima Plant. While both plants failed to meet their RC action targets, company-wide energy intensity was reduced by 2.2% compared to the base year due to decreased production and energy consumption at the Shibukawa Plant, which has high energy intensity. With an average improvement of at least 1% over five years, we achieved the non-binding goals set by the Energy Saving Act*.

* Act on Rationalization of Energy Use and Shift to Non-fossil Energy

Trends in Energy Consumption per Unit of Production



Reduction of Pollutant Emissions and Effective Use of Resources

Basic Approach

We handle a wide variety of chemical substances, which we manage thoroughly in order to reduce en-

vironmental risks. We also promote the 3Rs (Reduce, Reuse, Recycle) to promote waste reduction and effective use of resources.

The 9th RC Action Targets	
Target	Result
Reduce final disposal of industrial waste by 9% compared to FY2021 by improving the recycling rate (by FY2024) (3% reduction per year)	60.1 % reduction in FY2023 compared to FY2021

Reduction of the Final Disposal of Industrial Waste

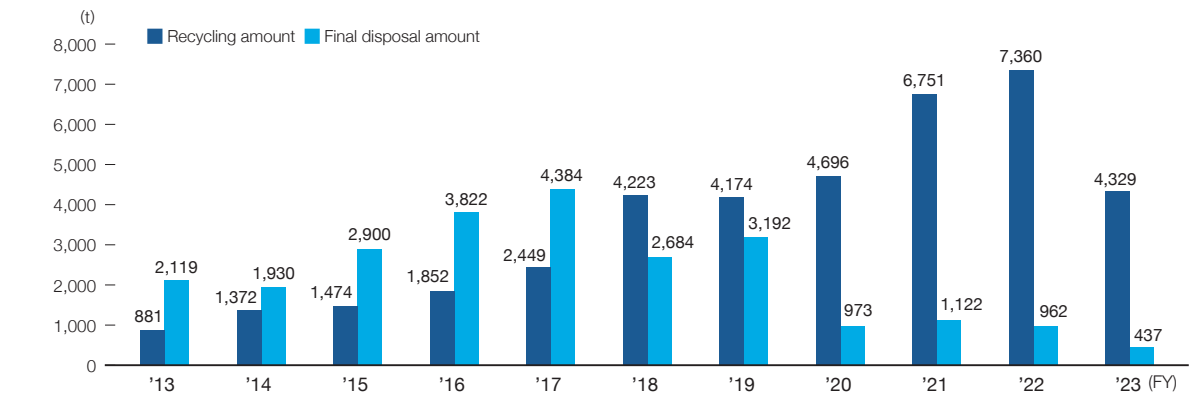
We have reduced the final disposal of industrial waste by promoting the recycling of waste generated from FY2018 onward.

In FY2023, in addition to a decrease in industrial waste emissions due to reduced production volume, we

were able to improve the industrial waste recycling rate, achieving a 60.1% reduction compared to FY2021.

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

Amount of Industrial Waste Treated



The 9th RC Action Targets	
Target	Result
Reduce emissions of PRTR-designated chemical substances under the JCIA method by 3% compared to FY2021 (by FY2024) (1% reduction per year)	40.7 % reduction in FY2023 compared to FY2021

Reduction of Emissions of PRTR Target Substances

In accordance with the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement, businesses are obligated to monitor and report to the government the amount of chemical substances released or transferred (Pollutant Release and Transfer Register (PRTR) system), and Kanto Denka Kogyo uses the JCIA method* to manage the chemical substances we handle. In FY2023, the number of PRTR target substances that we handled was 30, and the amount handled de-

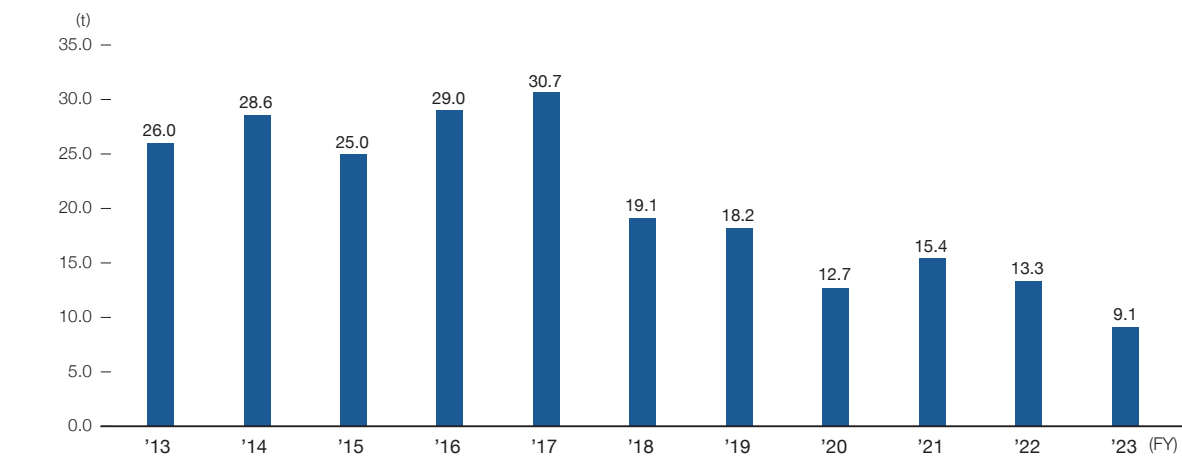
creased by 33.3% compared to FY2021 to 166,000 tons due to the reduction in the production of chlorine-based solvents, and emissions into the environment decreased by 40.7% to 9.1 tons. This equates to 55 grams of unit emissions per ton handled.

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



Abatement equipment for environmental pollutants

Emissions of PRTR Target Substances

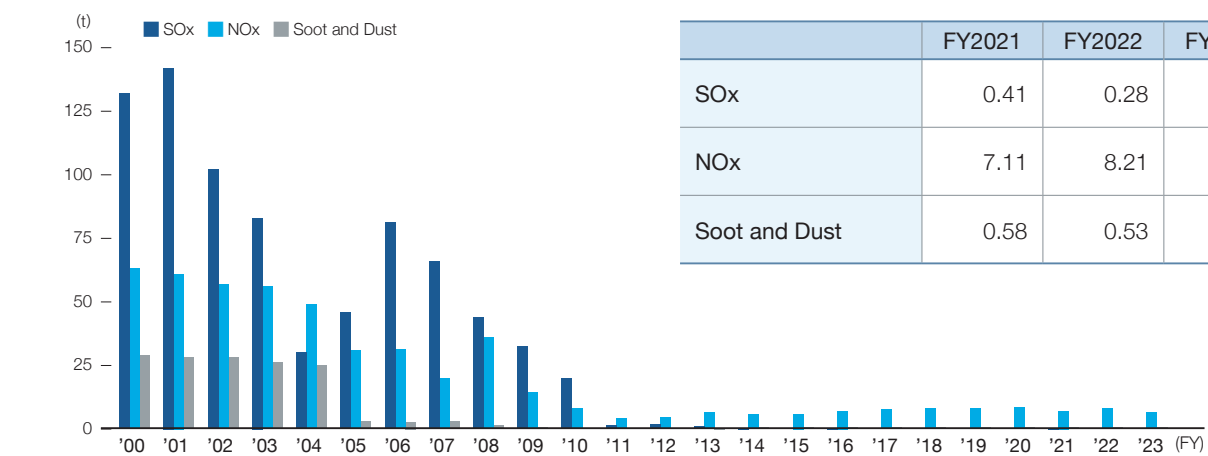


Reduction of Emissions of Air Pollutants

We are working to reduce the emissions of atmospheric pollutants, namely sulfur oxides (SOx), nitrogen oxides (NOx), 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



Emissions of Air Pollutants

	FY2021	FY2022	FY2023
SOx	0.41	0.28	0.25
NOx	7.11	8.21	6.43
Soot and Dust	0.58	0.53	0.48

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.

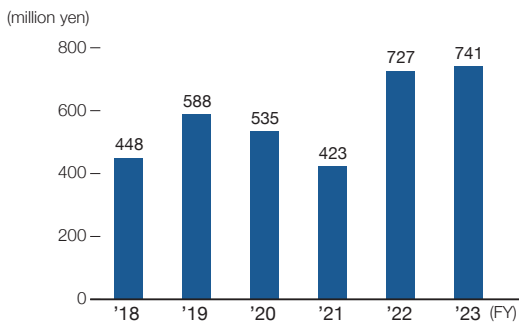
Investment in Environmental Measures

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, and the final disposal of industrial wastes.

Amount of Pollutants in Wastewater

	FY2021	FY2022	FY2023
COD	22.57	23.73	21.08
Total nitrogen	22.49	23.76	12.39
Total phosphorus	0.92	0.92	0.83

Trends in Investment in Environmental Measures



Conservation of Water Resources

Basic Approach

Our manufacturing plants, which are located in Shibukawa City in Gunma Prefecture and Kurashiki City in Okayama Prefecture, have been confirmed as having low water risk by Aqueduct Water Risk Atlas of World Resources Institute (WRI) and do not operate in water-stressed areas. We are working to reduce our environmental impact through thorough wastewater management, as well as promoting the use of recycled cooling water to reduce water intake.

There have been no violations of permits, standards, or regulations regarding water quality or quantity for over 10 years.

Initiatives for Domestic Manufacturing Plants

Shibukawa Plant

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

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.

The Mizushima Plant is a member of the Okayama

Prefecture Industrial Water Council, which promotes the sound development of the industrial water supply business in Okayama Prefecture.

Water Intake at Shibukawa Plant

(1,000 m³)

		FY2021	FY2022	FY2023
Water Intake	Service water	306	327	395
	Industrial water (rivers)	11,447	11,153	10,594
	Ground water	1,279	888	775
	Total	13,033	12,367	11,764

Water Intake and Discharge at Mizushima Plant

(1,000 m³)

		FY2021	FY2022	FY2023
Water Intake	Service water	48	60	50
	Industrial water (rivers)	953	987	862
	Total	1,001	1,047	912
Water discharge (ocean)		903	950	841
Water consumption volume*		98	97	71

* Water consumption volume = water intake - water discharge

Conservation of Biodiversity

Basic Approach

In light of the decline in biodiversity both domestically and internationally due to changes in socioeconomic activities, we deeply recognize the importance of biodiversity in building a sustainable society. We have established this as a key issue in our Global Environmental Sectional Meeting, and as a member of society, we are exploring ways to contribute to the conservation of biodiversity by sharing roles and responsibilities and collaborating with all stakeholders.

Initiatives for Domestic Manufacturing Plants

At the Shibukawa Plant, 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 FY2023, a total of 25 people participated in environmental beautification activities for 7 days. In addition, we participate in activities held twice a year to conserve woodlands and plant trees in the local forest adjacent to Onoike Aijisai Park, and we support efforts to secure biodiversity in the Tone River through donations to a fishing cooperative. The Mizushima Plant participates in local biodiversity conservation efforts through tree-planting events and other activities within Okayama Prefecture.

TOPICS

Recycling of work uniforms at the Shibukawa Plant

The Shibukawa Plant has begun recycling discarded work uniforms to reduce industrial waste, contribute to the formation of a recycling-oriented society, and curb CO₂ emissions from incineration. The plant used to incinerate 100-200 work uniforms annually as industrial waste, but in FY2023, we collected 191 uniforms and commissioned their recycling to a specialized contractor, where they are now being utilized as materials for new products.

S

Social

Occupational Safety Initiatives

Basic Approach

Based on our slogan, “giving the highest priority to safety,” we have established our own Safety Behavior Criteria, heightened the safety awareness of all workers working in on-site, and engaged in safety activities with the participation of all employees with the aim of achieving zero accidents and zero disasters.

“Safety Behavior Criteria” Page

<https://www.kantodenka.co.jp/english/sustainability/social/safety.html>



We have established the Safety and Environment Committee to implement voluntary management activities related to the environment and safety on a company-wide basis.

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.

In addition, the President and other company management and labor union representatives hold labor-management meetings twice a year to exchange opinions.

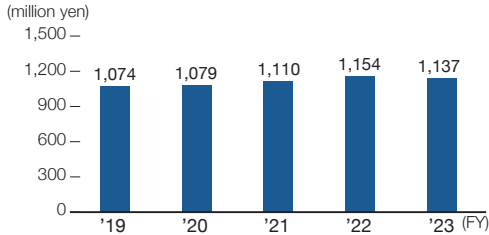
Investment in Safety Measures

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.

The 9th RC Action Targets

Target	Result
Zero major occupational accidents (zero occupational accidents by employees and partner company contractors), and Zero equipment accidents	In FY2023, there were three major occupational accidents and zero equipment accidents

Trends in Investment in Safety Measures



Promotion of safety management and security measures

The Group promotes thorough safety management and security measures for facilities to improve the safety and health of our employees and partner company employees, as well as ensure stable product supply to our customers.

The Shibukawa Plant received the Fire and Disaster Management Agency Director-General's Award for Excellent Hazardous Material-Related Site in FY2021 in recognition of its ongoing efforts in the safe management of hazardous materials. This award is given to hazardous materials handling businesses that have made significant contributions to public safety by voluntarily and proactively implementing security measures for hazardous materials facilities and handling, thoroughly providing education on hazardous materials safety management, and cooperating with hazardous materials safety administration. In FY2021, 27 business sites were recognized with awards across Japan.

In FY2022, the Mizushima Plant received the Minister of Economy, Trade and Industry Award for High-Pressure Gas Safety (Excellent Production Facility) in recognition of its continuous efforts and remarkable achievements in preventing accidents involving high-pressure gases. With this award, the Mizushima Plant was recognized for its outstanding safety measures in relation to the structure, equipment, and manufacturing methods of each facility in the production of high-pressure gas.

Kanden Shibukawa Sangyo Co., Ltd. a Group company that undertakes contracting for onsite work and transportation, received the Gunma Labor Bureau Director's Award (Award of Excellence) in FY2023 as a workplace that actively takes measures to ensure worker safety management and health, and is recognized as a model for others with good safety and health standards.



We will continue to strive for zero accidents and disasters by ensuring thorough compliance with laws and regulations and improving security, disaster prevention, and health and safety measures.

ESG Information

Internal Safety Education

At the Shibukawa and Mizushima plants, we constantly conduct meetings before work begins and carry out safety training according to the work content, and strive to eliminate unsafe conditions and behaviors.

By experiencing dangerous situations in safety with this risk awareness equipment installed at both plants, it is possible to accumulate such knowledge and experience. In addition, we recommend active participation in not only education on high-altitude work and practical methods for pointing and calling, but also external safety and health training sessions as well as the training of KYT and RST trainers*.

* KYT: "Kiken Yochi Training" (training to predict risk)
RST: "Rodoshō (former Ministry of Health, Labour and Welfare) Safety and Health Education Trainer"



Risk experience training on overcurrent

Implementation of Various Training

Every year, we conduct joint disaster prevention drills with the public fire brigade, as well as emergency call drills, safety confirmation drills, evacuation drills, fire drills, and emergency response drills for each department to prepare for emergency situations.



Joint disaster prevention drill

automating analytical work in order to assess high-quality products more correctly and in a more multi-faceted manner, and testing new analysis technologies.

We also focus on quality education, and in addition to internal education and training, we have analysis engineers actively participate in seminars by external specialized organizations in order to acquire and hone skills in advanced technologies.

Supply Chain

Basic Approach

In order to gain the trust of society through sustainability promotion activities and to contribute to the creation of a sustainable society, our purchasing activities prioritize stable procurement through continuous transactions with suppliers based on mutual understanding and strict evaluation according to fair and impartial standards, always on an equal footing with our suppliers.

To accurately understand changing user needs, evaluate social utility (environmental conservation, resource conservation, safety, etc.), and continue providing products that satisfy users, we will build trust with our business partners and promote sustainable procurement.

Kanto Denka Kogyo Purchasing Policy

We have established the Kanto Denka Kogyo Purchasing Policy to share our values for a sustainable society with our suppliers. We aim to enhance our mutual corporate value and improve the entire supply chain by having our business partners understand and support these guidelines, and extend them throughout their supply chains.

We actively pursue products and services with low

environmental impact and environmental considerations, and as part of our procurement policy, procure materials from companies that follow the RBA Code of Conduct*, OECD Due Diligence* and mineral resource disclosure rules. We have established these guidelines to work to respect human rights throughout the supply chain and address social issues such as child labor and environmental challenges, particularly climate change. To continue providing stable and safe products, we ensure product and service safety throughout all processes from design to manufacturing, sales, distribution, use, and disposal. We also aim to provide products with minimal impact on stakeholder health and the natural environment by properly managing and reporting chemicals in products (CiP).

To promote initiatives aligned with these guidelines, we perform face-to-face audits to provide an opportunity for mutual growth through active exchange of opinions and information sharing.

*RBA: Responsible Business Alliance
*OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

 "Kanto Denka Kogyo Purchasing Policy" Page

https://www.kantodenka.co.jp/english/sustainability/social/supply_chain.html



Interaction with the Local Community

Basic Approach

The local communities where our plants are located form the foundation of our Group's existence. As a member of these communities, we are committed to social contribution, and we believe that deepening the understanding and trust of local residents in our corporate activities is essential for the stable operation of our plants. We regularly hold information exchange meetings with local residents to explain our disaster prevention and environmental initiatives, gain understanding of our plant operations, and strive to incorporate local residents' requests as much as possible, aiming to achieve mutual prosperity between local communities and our plants.

Cooperation with Local Communities

Both the Shibukawa and Mizushima plants participate in crime prevention associations and safe driving managers' councils, and work with the police to maintain public safety and traffic safety in the community.

As part of our efforts to support the maintenance and development of local arts and cultural activities, we make donations to the Shibukawa City Museum and Hiromori Kuwahara Sculpture Museum, and have joined as an official partner of the Ohara Museum of Art. We support the Okayama Seagulls, a community volleyball club team that conducts volleyball clinics both inside and outside the prefecture and carries out awareness activities in cooperation with local governments, while competing in the SV.LEAGUE, Japan's top domestic volleyball league, as a corporate member.

Quality Assurance

Basic Approach

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.

We have established a Quality Assurance Committee to fully understand the significance and purpose of quality assurance throughout the company and to maintain close communication between departments.

The Shibukawa and Mizushima plants have acquired ISO9001 certification, which is the foundation of our quality assurance system, and have been audited by an auditing agency to verify the validity and manage our quality management system.

Introduction of Cutting-edge Analysis Technologies

We are proactively investing in the adoption of cutting-edge analysis technologies, implementing high-sensitivity analytical instruments to improve analytical accuracy,

Logistics Safety

Basic Approach

As part of our environmental safety measures, we promote comprehensive logistics-related environmental and safety management to protect the safety, health and environment of our employees and citizens. We have established the Logistics Safety Committee to ensure the safety of logistics throughout the company, and have established the Distribution Safety Sectional Meeting consisting of our company and logistics companies in both the Shibukawa and Mizushima regions as a place for collaboration with logistics companies.

Cooperation with Logistics Companies and External Disaster Prevention Organizations

In the Distribution Safety Sectional Meeting, as a place for mutual growth between logistics companies and the Company, we actively exchange opinions and share information for the safe and secure transportation of products. We also hold onsite training sessions on safe cargo handling and joint safety patrols of logistics facilities in our plants, and contribute to the improvement of logistics quality.

In addition, in order to reduce risks in the transportation process of our products and to ensure com-



Training session on safe cargo handling operations

prehensive safety in logistics, we have established a system to promptly respond to leaks and fires during transportation of raw materials and products in cooperation with external disaster prevention organizations.

Energy Conservation Measures in Logistics

We are working to reduce our environmental impact through improving efficiency and energy conservation in logistics by promoting modal shifts, reducing the number of transport times by increasing the size of transport containers, and introducing container round use, which promotes the round trip use of import and export cargo containers.

Feature

Human Capital

Basic Approach People are the source of corporate value enhancement

The Group believes that people are the source of enhancing corporate value, and has been working to develop human resources and improve the internal environment. In addition, in our current Medium-Term

Management Plan, we position “Enhance human resource development” as one of our key strategies, aiming to create workplaces that are both comfortable and rewarding.

Diversity Diverse human resources are the key to corporate growth

In this era of uncertainty and rapid change, we believe that the key to future corporate growth lies in securing diverse human resources and developing and appointing them. Therefore, we are working now to recruit, develop, and appoint diverse human resources, including women, foreign nationals, experienced professionals, and people with disabilities, and improve the internal environment.

Gender

Starting from FY2023, we are conducting LGBTQ training in each region and building a system to deepen mutual understanding.

In addition, the recruitment of main career track positions has traditionally been biased toward men, so the ratio of female managers is now extremely small.



Career training for female main career track employees

Currently, we are focusing on hiring women, recruiting women for main career track positions and training them as managers. This fiscal year, for the first time, we conducted career training at our headquarters for female main career track employees with three or more years of professional experience.

Employment of foreign nationals, experienced professionals, and people with disabilities

We continuously recruit foreign nationals and experienced professionals. Regarding the employment of people with disabilities, we established the Business Support Department in June 2021 to promote the employment of people with disabilities and improve the internal environment. In October 2023, we also started operating a farm as part of our initiative to create employment opportunities for people with disabilities.

Ageless

As a system to help employees maintain high motivation while working, we have extended the retirement age to 65 years old from FY2022 while maintaining the salary system. Furthermore, we have established a re-employment system up to age 70 as needed, advancing initiatives to utilize employees’ years of experience and knowledge.

Employee training program

We have established and implemented a new human resource development program starting from April 2024. To raise the overall level of our workforce, 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.

Specifically, we divide the development stages into “Basic Skills Development Period” and “Leadership Development Period,” and through comprehensive training content, employees systematically acquire the necessary elements for executive positions while in non-

executive roles, strengthening both thinking and action skills. This was designed to ensure a smooth transition into practical work after promotion to an executive position. For executive positions and above, employees will also regularly learn organizational development skills aligned with current trends, such as psychological safety and unconscious bias, to foster an organizational culture that can produce better work output.

At the same time, in order to develop human resources who can make breakthroughs, we will provide training for those selected by the Human Resources Development Committee and intentionally provide opportunities for difficult work experience to encourage growth.

WELL-BEING The key to corporate growth is workplaces where people feel motivated to work

We believe that when each employee engages in their work with enthusiasm and a sense of purpose, this becomes the foundation for creating excellent products and services for society. As a basis for this, in addition to creating a safe and rewarding work environment, we are working to ensure a workplace environment that respects human rights and is free from harassment and other misconduct.

Starting this fiscal year, we will conduct work engagement assessments to understand the current situation and aim to create workplaces where employees can experience job satisfaction. Additionally, this fiscal year we conducted career design training for third-year employees and career development support training for line managers.

Respect for Human Rights

The Group supports and respects the International Code of Conduct on Human Rights, and the Board of Directors has established the Kanto Denka Kogyo Group Human Rights Policy on respect for human rights, workers’ rights, prevention of human rights violations, education, and response to human rights violations, and promotes actions and respect for human rights in accordance with the principles of this policy for business partners and customers.

Health promotion

By conducting medical examinations and supporting smoking cessation for employees, we ensure their physical and mental health and create a safe and clean work environment. For employees with findings during medical examinations, we promote health maintenance by covering the cost of follow-up examinations and create a system that enables employees to continue working in good health.

In addition, we are focusing on physical as well as mental health, and have established a Mental and Physical Health Contact Point and assigned a mental health representative at each business site. We conduct an annual stress check for all employees, and the results of workplace analyses are fed back to supervisors and used for workplace management.

Work-Life Balance

We have introduced a flextime system, and are promoting the reduction of overtime work, the use of paid leave, and the use by male employees of childcare leave in order to promote a better work-life balance for our employees and to create a virtuous cycle between work and personal life.

Additionally, starting in FY2025, we will introduce a refreshment leave system, available to employees after their fifth year of employment, aimed at rejuvenating the mind and body at key milestones and improving work vitality.

Target	Result
(1) Double the ratio (2%) in FY2020 of women in management positions by 2030.	• Ratio of Female Managers 1.3% (as of the end of March 2024)
(2) To achieve the above, aim for a ratio of women to new graduates in main career track positions of 30% or more.	• Ratio of Female Main Career Track New Graduates 24% (FY2019-FY2023)
	• Employment Rate of People with Disabilities 2.29% (as of June 1, 2024)

Human resource development The growth of each employee is the key to corporate growth

We believe that the growth of each employee leads to our company’s growth, and we are committed to developing our human resources across the entire organization.

Strengthening the promotion system

In June 2023, we established the Human Resources Development Section as a dedicated department to en-

hance employee education and training. Furthermore, in January 2024, we established the Human Resources Development Committee to confirm the development status of new employees and career plans, and deliberate on the selection and development methods for early selected, management, and specialist personnel.

Target	Result
(1) Annual paid leave acquisition rate 80% or more	• Annual paid leave acquisition rate 88% (FY2023)
(2) Childcare leave acquisition rate Women: 90% or more Men: 1 person or more (target under review)	• Childcare leave acquisition rate Women: N/A Men: 9 Acquisition rate: 29% (FY2023)

G | Governance

Basic Approach

Our corporate goal, to “contribute to the creation of a sustainable society while enhancing corporate value,” is the basis of our corporate philosophy, and to achieve

this goal, we are working to build good relationships with our stakeholders, including shareholders, local communities, users, and employees, and are committed to improving our corporate governance.

Outline of the Corporate Governance System

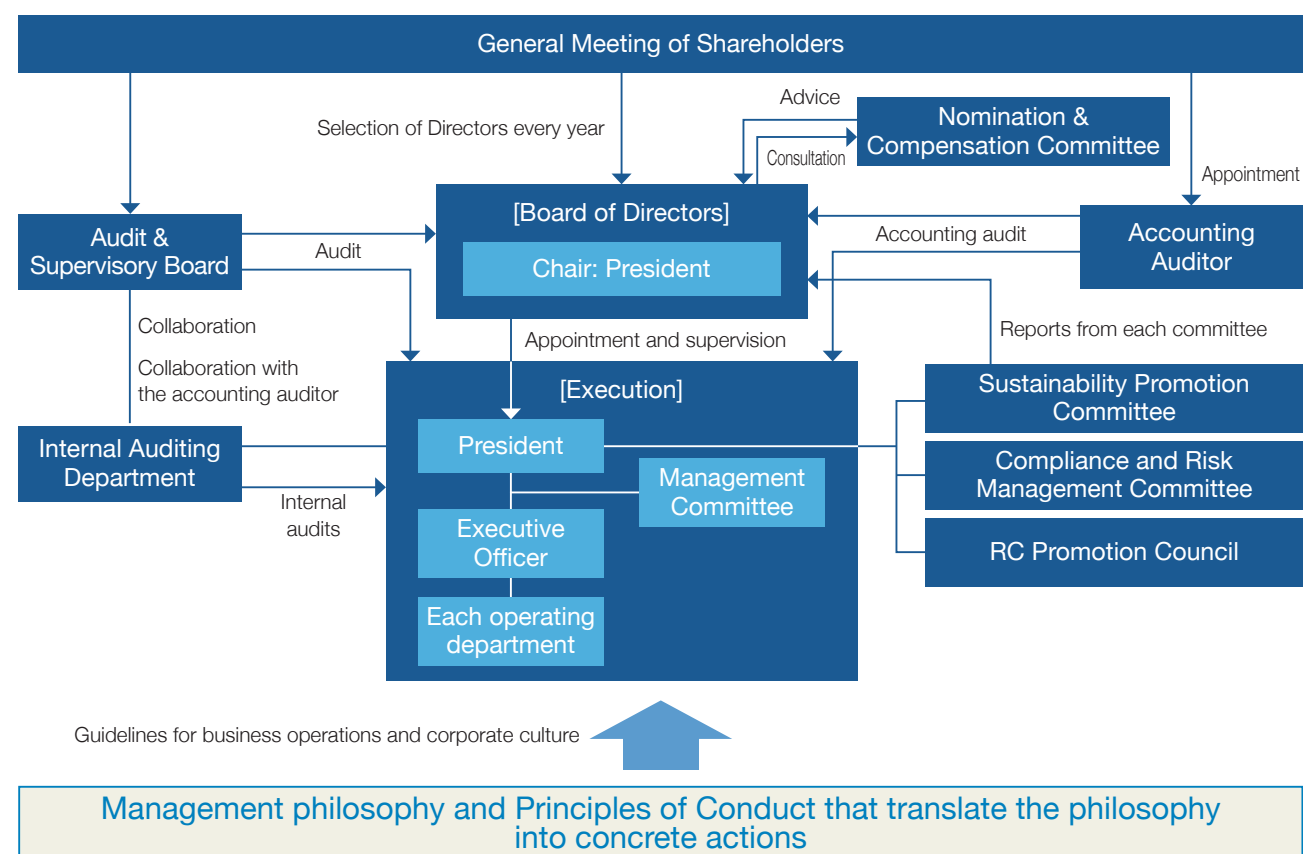
The Company holds a regular meeting of the Board of Directors once a month to make decisions on important matters and supervise the execution of duties by Directors. In order to further strengthen the functions of the Board of Directors and improve management efficiency, the Management Committee, which 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. 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. In addition, the Committee oversees anti-trust laws, export trade control, and information security through its respective subordinate organizations.

As for internal audits, the RC Promotion Council, chaired by the President, conducts audits in the areas of safety and health, environment, quality, product safety, and logistics through its subordinate organizations, while the Internal Auditing Department conducts internal audits of overall operations.

Corporate Governance System Diagram



Overview of Committees

Nomination & Compensation Committee	
Dates held	April 28, 2023; October 25, 2023; February 28, 2024; March 29, 2024 [held as needed]
Chairperson	Independent Outside Director (Hideki Matsui)
Overview	The Committee deliberates on matters such as the appointment and dismissal of Directors and Auditors to be submitted to the General Meeting of Shareholders, proposals concerning remuneration for Directors, policies for determining remuneration for Directors, and succession plans for the President. The majority of the members are Independent Outside Directors, and the chairperson of the Committee is stipulated to be selected from among Independent Outside Directors.

Sustainability Promotion Committee	
Dates held	April 19, 2023; October 10, 2023 [held at least twice a year]
Chairperson	President
Subordinate organizations	Global Environment Sectional Meeting
Overview	The Committee oversees sustainability promotion for the entire Group. In addition to formulating basic policies and deliberating on important matters, it assigns specific sustainability issues to each committee, provides instructions as needed, and monitors goals, plans, and progress. The Committee itself also works on individual global environment-related issues through its subordinate organizations.

Compliance and Risk Management Committee	
Dates held	April 12, 2023; October 5, 2023 [held at least twice a year]
Chairperson	President
Subordinate organizations	Regulatory Chemicals Management Sectional Meeting, Antimonopoly Act Compliance Sectional Meeting, Information Security Sectional Meeting
Overview	The Committee oversees compliance and risk management for the entire Group. Regarding compliance, the Committee establishes basic policies and promotion plans, develops compliance manuals, conducts awareness activities, and strengthens compliance with various laws and regulations through its subordinate organizations. For risk management, it conducts risk identification and assessment, develops countermeasures and preventive measures for emergencies, prepares emergency response manuals, and responds to emergencies.

RC Promotion Council	
Dates held	September 14, 2023; March 14, 2024 [held at least twice a year]
Chairperson	President
Subordinate organizations	Safety and Environment Committee, Quality Assurance Committee, Logistics Safety Committee
Overview	The Committee deliberates on important matters related to the formulation of annual basic policies concerning RC and the operation of subordinate organizations. It also reports on matters such as the results of RC activities, the status of activities of subordinate organizations, and audit results, and discusses whether business execution is conducted appropriately in light of relevant laws and regulations, internal rules and instructions.

Status of Audit & Supervisory Board Members and Audits

The Company has adopted a company with Audit & Supervisory Board members system consisting of four members, two of whom are outside members.

Audit & Supervisory Board consists of four members: two full-time members (one of whom has expertise in finance and accounting) and two part-time members, and regularly reports and discusses important matters related to auditing. In order to ensure the effectiveness

of audits, full-time members attend the Management Committee and other important meetings to ensure a system for auditing the execution of duties by Directors.

In addition, the members receive explanations on the contents of accounting audits from the Internal Auditing Department and other internal audit departments as well as auditing Ernst & Young ShinNihon LLC, and cooperate with them by exchanging information.

Internal Reporting and Whistleblowing 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 each plant, the Officer in charge of the Legal & General Affairs Department, the Officer in charge of the Human Resources Department,

the full-time Audit & Supervisory Board members, and the legal counsel. The Company will keep the details of reports confidential and will not treat whistleblowers disadvantageously.

The same system will be used to respond when a report is received from an external party such as a business partner. For inquiries regarding external whistleblowing, please visit the "CONTACT" page on our website.

Implementation Status of Corporate Governance Measures

Policy and Procedure for Appointing and Dismissing Upper Management and Designating Candidates for Directors and Audit & Supervisory Board members by the Board of Directors

The Company elects Directors and Audit & Supervisory Board members from a diverse range of individuals who possess outstanding character, insight, and a wealth of experience. In terms of selection procedures, the Nomination & Compensation Committee (chaired by an Independent Outside Director), 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 Audit & Supervisory Board members will be decided by the Board of Directors after obtaining the consent of the Audit & Supervisory Board 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 five Independent Outside Directors are involved in corporate management, corporate legal affairs, corporate accounting, research and development, and financial capital markets, 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.

Analysis and Evaluation of Overall Effectiveness of the Board of Directors

With regard to the effectiveness of the Board of Directors in FY2023, we conducted self-evaluations and analyses using the following methods with the help of external organizations. From January to February 2024, we conducted a questionnaire survey of all Directors and Audit & Supervisory Board members who are members of the Board of Directors. We have ensured anonymity by having them respond directly to external parties. The following is a summary of the results.

Based on the responses to the questionnaire, the number of items for deliberation by the Board of Directors and the time required for deliberation were generally positive, and we recognize that the effectiveness of the Board of Directors as a whole is ensured. On the other hand, issues were raised regarding consideration of management that is conscious of capital costs and stock prices, as well as the incorporation of ESG and SDGs into the management strategy, and we shared challenges for further improving the functions of the Board of Directors. In the future, based on the evaluation of effectiveness, our Company's Board of Directors will respond to issues after thorough examination, and continue to promote initiatives to enhance the functions of the Board of Directors.

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. The remuneration of Directors are determined by the Board of Directors after consulting the Nomination & Compensation Committee (chaired by an Independent Outside Director), of which the majority of members are Independent Outside Directors. To create a remuneration system that leads to greater corporate value, we increased the stock compensation ratio within the total compensation package and revised the officer bonus system to link it to performance by position. Specifically, officer bonuses are determined by multiplying the consolidated ordinary income for the relevant fiscal year (capped at 20 billion yen) by a fixed percentage established for each position, with the final amount adjusted based on the total shareholder return (TSR) indicator. Furthermore, if the consolidated ordinary income for the relevant fiscal year is less than 2 billion yen or if there is a net loss (consolidated or individual), no officer bonuses will be paid.

Total Amount of Remuneration, etc. for Directors and Audit & Supervisory Board Members (FY2023)

Officer Remuneration	Total Remuneration Amount (million yen)	Total Remuneration Amount by Type (million yen)			Officers Paid
		Fixed Remuneration	Performance linked Remuneration	Non-Monetary Remuneration	
Directors (Outside Directors)	230 (24)	216 (24)	— (—)	14 (—)	12 (4)
Audit & Supervisory Board Members (Outside Auditors)	54 (12)	54 (12)	— (—)	— (—)	4 (2)
Total	284	270	—	14	16

(Note) The total amount of remuneration, etc. for directors does not include the amount of employee's salary (including bonuses) of directors who concurrently serve as employees. However, no such employee salaries were paid during the fiscal year under review.

Cross-Shareholdings

We may acquire and hold shares of our business partners when deemed necessary for maintaining and strengthening stable and long-term business relationships with them.

The acquisition and reduction of the shares of business partners are determined by management decisions based on discussions among the officers in charge and related departments, taking into consideration their relationship with us.

Regarding cross-shareholdings, we comprehensively examine whether it is appropriate to hold shares in light of the purpose of holding them, the benefits and risks associated with holding them, and regularly report to the Board of Directors.

Regarding the exercise of voting rights for cross-shareholdings, our Company will appropriately exercise voting rights for proposals in accordance with our internal Voting Rights Exercise Standards.

In the 12th Medium-Term Management Plan, which was revised in November 2023, we proposed to reduce cross-shareholdings in order to increase capital efficiency as a measure to increase corporate value. We will gradually reduce approximately 30% of our cross-shareholdings held as of the end of March 2023 by FY2026, and use the proceeds from the sale for business activities.

Policies and Procedures for Constructive Dialog with Shareholders and Investors

With regard to dialog with shareholders and investors at our Company, the Public Relations & Investor Relations Department, under the officer in charge of investor relations, exclusively oversees actual operations, and investor relations is handled after consultation with the President, each officer, and

related departments. In FY2023, we accommodated approximately 160 individual interviews from analysts and institutional investors. In some cases, the President engaged in dialog.

We hold financial results briefings for investors at the time of annual and interim financial statements. In addition, it has been held online since the interim period of the fiscal year ending March 2025. Financial results briefing materials are promptly disclosed on our website.

Information obtained through dialog with shareholders and investors is fed back to management and the Board of Directors on a regular basis.

We manage insider information in accordance with rules on internal information management and regulations on insider trading. Also, the period before the financial results announcement is considered a silent period, during which we restrict dialog and interviews with investors.

"Corporate Governance" Page (Japanese Only)

https://www.kantodenka.co.jp/ir/governance.html



Risk Management

Objectives of Risk Management

The purpose of this policy is to enable prompt and appropriate action to be taken in the event of an emergency by planning countermeasures for an emergency* from among possible risks in the course of our business activities, and, 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.

* 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.

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 officer in charge of Legal & General Affairs Department, the chairpersons of each sectional meeting under the committees, and the chairpersons of each committee under the RC Promotion Council, etc.

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 the Group supplies 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.

Information Security

The 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 order to protect information assets from various threats such as information leakage or falsification caused by information systems, the Information Security Sectional Meeting is established under the Compliance and Risk Management Committee, and the Kanto Denka CSIRT* systematically promotes the understanding and analysis of the information security risks of the entire Kanto Denka Kogyo Group, the study and implementation of continuous and systematic risk reduction measures, and the analysis of their effectiveness.

For external threats, the SOC*, which includes security vendor, takes the lead in constantly monitoring new threats, and the Kanto Denka Kogyo CSIRT implements appropriate countermeasures promptly.

The Group has established the Information Security Basic Policy, Information Security Guidelines, Internal Information Management Rules, etc., and implements various security measures (such as deploying EDR* to all Group companies both in Japan and overseas). We are striving to thoroughly manage information by means of both hard and soft initiatives, such as by continuously providing education to all officers and employees.

* CSIRT: Computer Security Incident Response Team. A specialized organization whose main responsibility is responding to information security-related incidents (accidents).

* SOC: Security Operation Center. A specialized organization or team that monitors corporate and organizational networks and systems, detects and analyzes cyberattacks, and provides advice on response measures.

* EDR: Endpoint Detection & Response. A security measure that detects and responds to threats that could not be prevented through behavior monitoring of devices, rather than preventing attacks and intrusions to devices.

Status of Officers

(as of June 27, 2024)

Directors



Jun'ichi Hasegawa
President
(In charge of Internal Auditing Department)



Kazuki Niimi
Director and Managing Executive Officer
(In charge of Accounting & Finance Department and Information Systems Department)



Kenichi Yako
Director and Executive Officer
(In charge of Overseas Plants and Purchasing Department)
General Manager, Technical Division



Taisuke Yonemura
Director and Executive Officer
(In charge of Corporate Planning Department and Overseas Business Development Department)
General Manager, Corporate Planning Department



Hideki Matsui
Outside Director



Hitoshi Habuka
Outside Director



Yuko Kariya
Outside Director



Takako Amitani
Outside Director



Junko Koshino
Outside Director

Expertise and Experience of Directors

Name	Gender	Corporate Management / Management Strategy	Globalization	Sales / Marketing	Technology / R&D	Sustainability	Finance / Accounting	Financial Capital Markets	Legal Affairs / Risk Management
Jun'ichi Hasegawa	Male	●	●	●		●			●
Kazuki Niimi	Male	●					●	●	
Kenichi Yako	Male	●	●		●				
Taisuke Yonemura	Male	●			●	●			
Hideki Matsui	Male								●
Hitoshi Habuka	Male				●				
Yuko Kariya	Female	●			●				
Takako Amitani	Female						●		
Junko Koshino	Female	●	●				●	●	

(Note) The above list is not intended to be an exhaustive list of the expertise and experience possessed by each Director.

Audit & Supervisory Board Members



Takeaki Yajima
Full-time Audit & Supervisory Board Member



Ryoji Masujima
Full-time Audit & Supervisory Board Member



Naozumi Furukawa
Outside Audit & Supervisory Board Member



Kenichi Ikeda
Outside Audit & Supervisory Board Member

Status of Executive Officers

(as of June 27, 2024)



Yasunari Yamaguchi
Managing Executive Officer
Vice President,
Jobi Engineering Co., Ltd.



Yuki Abe
Managing Executive Officer
General Manager, Business Division



Kunihiko Uramoto
Managing Executive Officer
(In charge of Sustainability Department, Legal & General Affairs Department, Public Relations & Investor Relations Department, Personnel Department, and Business Support Department)



Go Takikawa
Managing Executive Officer
General Manager, New Products Development Division; Mizushima Plant Manager



Masatomo Hayashi
Managing Executive Officer
Shibukawa Plant Manager



Hiromi Oya
Senior Executive Officer
Deputy General Manager, Technical Division
In charge of Carbon Neutrality and Quality Assurance and President, Kanto Denka Finetech Co., Ltd.



Akira Muranushi
Senior Executive Officer
Deputy General Manager, Business Division and General Manager, Osaka Branch Office



Yasushi Koseki
Executive Officer
Deputy General Manager, Business Division and General Manager, Fine Chemicals Sales Department-III



Shotaro Murase
Executive Officer
General Manager, Overseas Business Development Department



Ikuo Maeda
Executive Officer
Deputy General Manager, New Products Development Division and General Manager, New Business Development & Promotion Department

Five Years of Key Financial Data (Consolidated)

March 2020March 2021March 2022March 2023March 2024

Profit and Loss/Financial Position (million yen)					
Net sales	53,679	51,927	62,286	78,675	64,768
Operating income	7,729	5,668	11,164	12,947	(1,968)
Ordinary income	7,840	5,582	11,145	13,679	(1,304)
Net income attributable to owners of parent	5,021	3,605	7,762	9,382	(4,610)
Net assets	47,214	52,423	59,908	68,774	65,578
Total assets	84,061	92,324	109,902	130,762	125,302

Per Share Information

Net assets per share	(Yen)	800.26	887.42	1,014.01	1,174.54	1,114.07
Profit per share	(Yen)	87.29	62.73	135.12	163.32	(80.25)
Dividend per share	(Yen)	14	14	22	33	14
Dividend payout ratio	(%)	16.0	22.3	16.3	20.2	-

Financial Indicators

Equity ratio	(%)	54.8	55.2	53.0	51.6	51.1
Return on equity (ROE)	(%)	11.3	7.4	14.2	14.9	(7.0)
Price earnings ratio (PER)	(times)	8.9	14.3	8.0	6.3	-
Return on invested capital (ROIC)	(%)	8.2	5.4	9.3	9.3	(1.3)

Cash Flow (million yen)

Cash flows from operating activities	9,102	11,984	11,176	7,291	11,208
Cash flows from investing activities	(10,612)	(9,872)	(11,120)	(16,627)	(10,554)
Cash flows from financing activities	(90)	4,350	2,416	4,424	1,780
Cash and cash equivalents at end of period	16,321	23,339	26,372	21,987	25,225

Other

Number of employees	(persons)	892	927	982	1,059	1,145
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Key Sustainability Information (Non-consolidated)

<The 9th RC Action Targets>

RC Action Target for FY2022–2024 (three-year plan)		Results in FY2023	
1 Actions for zero accidents and zero disasters 0 incidents	- Major occupational accidents (four or more lost workdays) 0 (employees and partner company contractors) - Equipment accidents 0	Major occupational accidents 3 Equipment accidents 0	Although there were no major occupational accidents involving employees, three occupational accidents that lasted for four or more days of lost work time occurred partner company contractors that were engaged in construction or contracting work at our plants. In addition to reviewing management regulations related to contracting work, we will thoroughly share information with all workers, including subcontractors, on on-site risk prediction (KY) before construction starts, improve safety awareness, and thoroughly prevent recurrence.
2 Energy-saving measures 3% reduction	Reduce energy consumption (crude oil equivalent) per plant production volume by 3% compared to FY2021 (1% reduction per year).	Shibukawa Plant 0.9% reduction Mizushima Plant 0.8% reduction	Although both plants fell short of their targets, the Mizushima Plant worked on improving energy intensity by optimizing facility operating conditions, while the Shibukawa Plant reduced production volume and energy consumption. As a result, energy intensity was reduced by 2.2% compared to the base year, with a five-year average improvement of 1% or more, achieving the non-binding goals of the Energy Saving Act.
3 Reduction of the final disposal of industrial waste 9% reduction	Reduce final disposal of industrial waste by 9% compared to FY2021 by improving the recycling rate (3% reduction per year).	60.1% decrease	We achieved our target by reducing the final disposal amount of industrial waste through both a decrease in total industrial waste due to reduced production and ongoing efforts to improve recycling rates.
4 Reduction of PRTR target substance emissions 3% reduction	Reduce emissions of PRTR-designated chemical substances under the JCIA method by 3% compared to FY2021 (1% reduction per year).	40.7% reduction	The Shibukawa Plant saw a decrease in emissions due to improved conversion rates through equipment improvements, in addition to reduced handling of environmental pollutants from partial production cuts of some products. The Mizushima Plant achieved the target because the amount of environmental pollutants handled and emissions decreased due to the reduction in production of some products.
5 Reduction of greenhouse gas emissions 6% reduction	Reduce CO ₂ equivalent greenhouse gas emissions by 6% compared to FY2021 (2% reduction per year).	28.0% reduction	We achieved our target by reducing emissions through lower emission factors from power companies, procurement of electricity with non-fossil certificates, and installation of solar power generation facilities, and due to a decrease in production volume.

<Greenhouse Gas Emissions Calculation System>

To ensure the reliability of the information provided in this report and other documents for our stakeholders, we have decided to undergo third-party verification starting from FY2023.

Our greenhouse gas emissions from business activities in FY2023, including Scope 1, Scope 2 (location-based and market-based), and Scope 3 for the period from April 1, 2023 to March 31, 2024, received limited assurance in September 2024 from SOCOTEC Certification Japan based on ISO14064-3:2019 assurance standards.



“Third-Party Verification and Assurance” Page

https://www.kantodenka.co.jp/english/sustainability/environment/tcfd_disclosure.html



<Scope1 and Scope2 Emissions in FY2023>

(t-CO ₂)	
Scope1	17,078
Scope2	164,789
Total of Scope 1 to 2	181,867

<Scope3 Emissions by Category in FY2023>

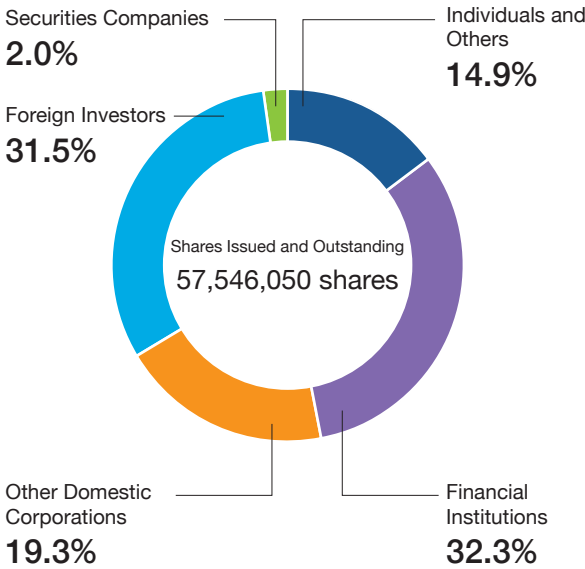
Category	Category Name	Emissions (t-CO ₂)
Category 1	Purchased goods and services	96,437
Category 2	Capital goods	35,718
Category 3	Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	37,494
Category 4	Upstream transportation and distribution	38,502
Category 5	Waste generated in operations	4,717
Category 6	Business travel	518
Category 7	Employee commuting	931
Category 8	Upstream leased assets	-
Category 9	Downstream transportation and distribution	-
Category 10	Processing of sold products	34,942
Category 11	Use of sold products	145,360
Category 12	End-of-life treatment of sold products	1,665,496
Total		2,060,115

Stock Information

(as of March 31, 2024)

- Securities Code..... 4047
- Stock Exchange Listings Prime Market of the Tokyo Stock Exchange
- Transfer Agent 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Sumitomo Mitsui Trust Bank, Limited
- Authorized Shares 200,000,000 shares
- Shares Issued and Outstanding 57,546,050 shares
- Number of Shareholders 10,115
- Share Unit 100 shares

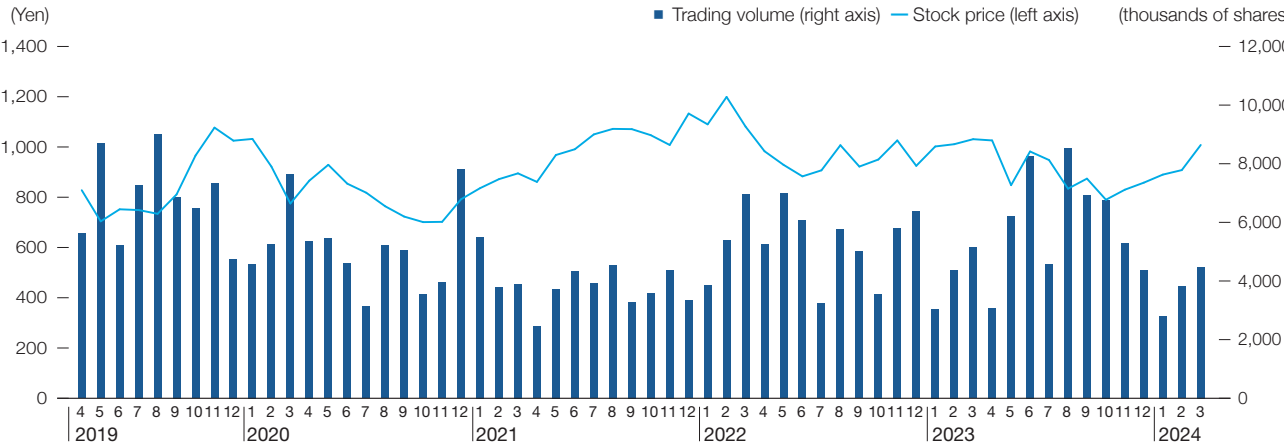
Distribution of Shareholders (Ratio of shares)



Major Shareholders (Top 10)

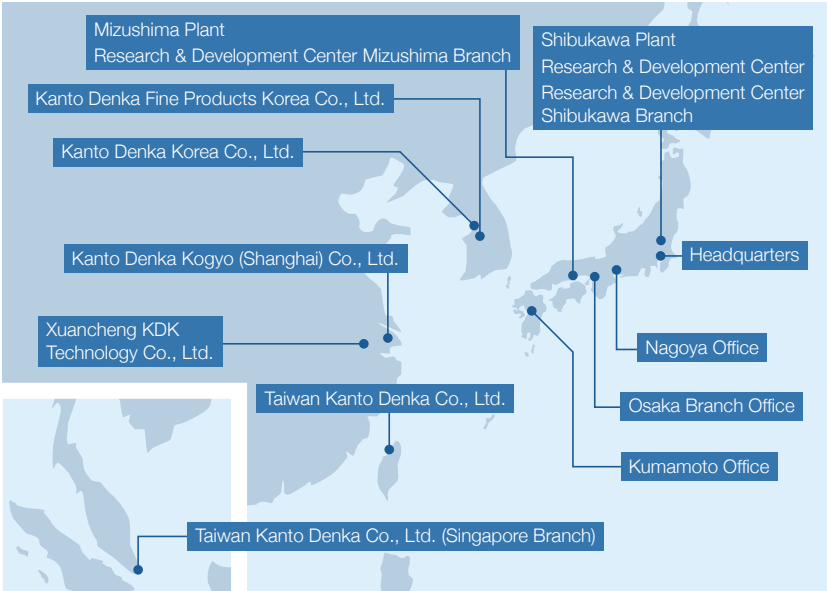
Name of Shareholder	Investment in Our Company	
	No. of Shares (thousands of shares)	Investment Ratio (%)
GOLDMAN SACHS INTERNATIONAL	5,956	10.35
The Master Trust Bank of Japan, Ltd. (Trust account)	5,046	8.77
Asahi Mutual Life Insurance Company	3,570	6.21
Zeon Corporation	3,550	6.17
Custody Bank of Japan, Ltd. (trust account)	2,084	3.62
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	1,528	2.66
The Chugoku Bank, Limited	1,400	2.43
STATE STREET BANK AND TRUST COMPANY 505223	1,322	2.30
Mizuho Bank, Ltd.	1,202	2.09
ADEKA Corporation	1,148	2.00

Trend in Stock Price and Trading Volume



Company Information

- Company Name:**
Kanto Denka Kogyo Co., Ltd.
- Headquarters:**
〒100-0005
2-3-2, Marunouchi, Chiyoda-ku, Tokyo
Yusen Building
Phone: +81-3-4236-8801
- Established:**
September 22, 1938
- Capital:**
¥2.877 billion
- Employees:**
Consolidated: 1,145
Non-consolidated: 808



Network

Manufacturing Plants

- Shibukawa Plant**
1497, Shibukawa, Shibukawa City, Gunma 377-8513, Japan
Phone: +81-279-23-3211
- Mizushima Plant**
4-4-8, Matsue, Kurashiki City, Okayama 712-8533, Japan
Phone: +81-86-455-5231

Operating Bases

- Osaka Branch Office**
Seiwa Umeda Building, 2-12-7, Sonezaki, Kita-ku, Osaka City, Osaka 530-0057, Japan
Phone: +81-6-6366-0681
- Nagoya Office**
Nagoya Mitsui Building Main Wing 1-24-30, Meiekininami, Nakamura-ku, Nagoya City, Aichi 450-0003, Japan
Phone: +81-52-571-1371
- Kumamoto Office**
5-8-34, Kusunoki, Kita-ku, Kumamoto City, Kumamoto 861-8003, Japan
Phone: +81-96-221-2811

Research & Development Bases

- Research & Development Center**
425, Kanai, Shibukawa City, Gunma 377-0027, Japan
Phone: +81-279-23-2712
- Research & Development Center Shibukawa Branch**
1497, Shibukawa, Shibukawa City, Gunma 377-8513, Japan
Phone: +81-279-22-3533
- Research & Development Center Mizushima Branch**
4-4-8, Matsue, Kurashiki City, Okayama 712-8533, Japan
Phone: +81-86-455-5234

Group Companies

- Japan**
 - Kanden Kosan Co., Ltd.**
PMO Nihonbashi Mitsukoshi-mae, 3-4-5, Nihonbashi Honcho, Chuo-ku, Tokyo 103-0023, Japan
Phone: +81-3-3548-3130
 - Jobi Engineering Co., Ltd.**
Yamaman Building, 1-12, Kanda Sudacho, Chiyoda-ku, Tokyo 101-0041, Japan
Phone: +81-3-3254-7541
 - Kanto Denka Finetech Co., Ltd.**
2397, Shijuku-cho, Iga City, Mie 518-0823, Japan
Phone: +81-595-21-2636
 - Kanden Shibukawa Sangyo Co., Ltd.**
1497, Shibukawa, Shibukawa City, Gunma 377-8513, Japan
Phone: +81-279-22-1705
 - Kanto Denka Sangyo Co., Ltd.**
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