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(Securities Code: 4047)

June 9, 2023

(Electronic Provision Measures Commencement Date) June 6, 2023

To Shareholders with Voting Rights:

Jun'ichi Hasegawa
President
Kanto Denka Kogyo Co., Ltd.
3-2, Marunouchi 2-chome, Chiyoda-ku,
Tokyo, Japan

NOTICE OF THE 116TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to inform you that we will hold the 116th Ordinary General Meeting of Shareholders of Kanto Denka Kogyo Co., Ltd. (the "Company") as described below.

In convening this General Meeting of Shareholders, the Company has taken measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (items for which the measures for providing information in electronic format will be taken) in electronic format. It has posted the items for which the measures for providing information in electronic format will be taken as the "Notice of the 116th Ordinary General Meeting of Shareholders" and "Other Items Provided Electronically for the 116th Ordinary General Meeting of Shareholders (Matters Omitted in the Paper-Based Documents to be Delivered)" (Japanese only) on the Company's website on the Internet.

The Company's website: <https://www.kantodenka.co.jp/english/ir/>

To confirm the items for which the measures for providing information in electronic format will be taken, please access, in addition to the website above, the Tokyo Stock Exchange (TSE) website (TSE Listed Company Information Service) at the URL below, enter the Company's name in "Issue name (company name)" or our securities code in "Code," and click "Search." Then, select "Basic Information" and "Documents for public inspection/PR information" in that order.

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:30 p.m. on Wednesday, June 28, 2023, Japan time.

- 1. Date and Time:** Thursday, June 29, 2023, at 10:00 a.m. Japan time
2. Place: 5F Conference Room, Headquarters of the Company
Yusen Building 5F, 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan

3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 116th Fiscal Year (April 1, 2022–March 31, 2023) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company's 116th Fiscal Year (April 1, 2022–March 31, 2023)

Proposals to be resolved:

- Proposal:** Election of 12 Directors

1. When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
2. On the day of the meeting, the Company will adopt "Cool Biz" attire. Shareholders are also encouraged to attend the meeting in light clothing.
3. Due to a change in the Japanese government's basic policy on measures against COVID-19 infections, the wearing of masks is now left to individual judgment. Shareholders attending this Ordinary General Meeting of Shareholders are kindly requested to make a determination about their own mask-wearing in consideration of their physical condition and the risk of infection.
4. Although the Company has launched the system for providing informational materials for general meetings of shareholders in electronic format, in order to avoid confusion among shareholders, we will uniformly send paper-based documents stating the items for which the measures for providing information in electronic format will be taken for this General Meeting of Shareholders, regardless of whether or not a request for delivery of paper-based documents has been made.
5. Of the items for which the measures for providing information in electronic format will be taken, the following items are not included in this Notice pursuant to the provisions of laws and regulations as well as Article 14 of the Company's Articles of Incorporation. Accordingly, this Notice is a part of the documents audited by the Audit & Supervisory Board members and the Accounting Auditor in preparing their audit reports.
 - The Notes to the Consolidated Financial Statements in the Consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements in the Non-consolidated Financial Statements
6. In the event of revision to the items for which the measures for providing information in electronic format will be taken, the content of the revisions will be posted on the respective websites listed.

Business Report

(From April 1, 2022 to March 31, 2023)

1. Matters Related to the Status of the Corporate Group

(1) Business Progress and Achievements

In the consolidated fiscal year ended March 31, 2023, while the Japanese economy showed signs of a moderate recovery due to the effects of various government policies, severe conditions continued to prevail amid factors such as rising raw material and fuel prices, and sharp fluctuations in exchange rates. Overseas, outlooks remained uncertain due to the need for caution amid downside risks from such factors as the prolonged situation in Ukraine and fluctuations in financial and capital markets.

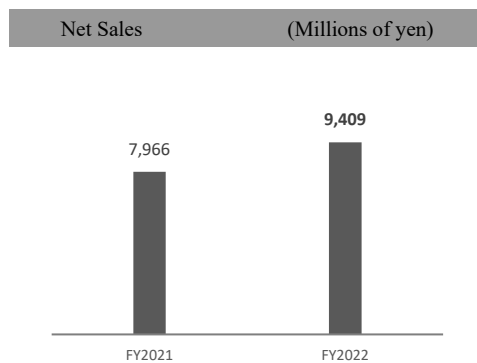
The chemical industry also continued to face a challenging business environment, with rising raw material, fuel and logistics prices coupled with the impact of production adjustments in the semiconductor and electronic materials industries.

Amid these circumstances, the Kanto Denka Group worked to strengthen the earning power of its fundamental chemicals, fine chemicals, and ferrochemicals businesses, while striving to develop new products that leverage its competitive fluorochemical technologies.

Net sales for the fiscal year under review amounted to ¥78,675 million, up ¥16,388 million or 26.3% year on year, mainly due to higher sales in the Fine Chemicals Division. For profit and loss, ordinary profit amounted to ¥13,679 million, up ¥2,534 million or 22.7% year on year, and profit attributable to owners of parent amounted to ¥9,382 million, up ¥1,620 million or 20.9% year on year, mainly due to higher sales in the Fine Chemicals Division, despite increases in raw material and fuel prices and depreciation.

The following provides an overview for each segment.

Fundamental Chemicals Division



Inorganic Products

Sales of caustic soda and hydrochloric acid were up year on year due to effects from price revisions, despite lower sales volumes.

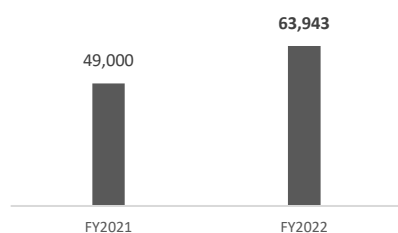
Organic Products

Sales of trichloroethylene and perchloroethylene were up due to effects from price revisions, despite lower sales volumes.

As a result of the above, net sales in the Fundamental Chemicals Division amounted to ¥9,409 million, up ¥1,442 million or 18.1%. Operating profit amounted to ¥325 million (versus operating loss of ¥69 million in the previous fiscal year).

Fine Chemicals Division

Net Sales (Millions of yen)



Fluorochemicals

For fluorochemicals for semiconductors, sales of nitrogen trifluoride were up year on year due to effects from price revisions, despite lower sales volumes. Sales of tungsten hexafluoride and hexafluoro-1,3-butadiene were up due to higher sales volumes.

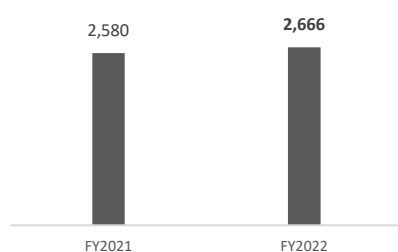
Battery Materials

Sales of lithium hexafluorophosphate, a battery material, were up due to effects from price revisions.

As a result of the above, net sales in the Fine Chemicals Division amounted to ¥63,943 million, up ¥14,943 million or 30.5%. Operating profit amounted to ¥11,450 million, up ¥1,407 million or 14.0%.

Ferrochemicals Division

Net Sales (Millions of yen)

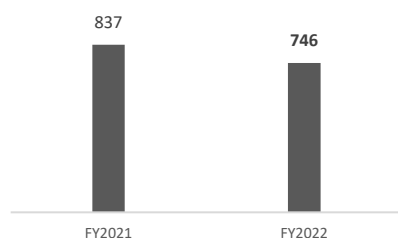


Sales of reprographic carriers, used in developers for copiers and printers, were up year on year due to switching to new products. Sales of iron oxide were down due to lower sales of colorants.

As a result of the above, net sales in the Ferrochemicals Division amounted to ¥2,666 million, up ¥86 million or 3.4%. Operating profit amounted to ¥685 million, up ¥145 million or 27.0%.

Commercial Business Division

Net Sales (Millions of yen)

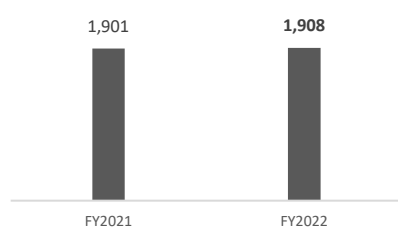


Commercial business sales were down year on year due to lower sales of chemical products.

As a result of the above, net sales in the Commercial Business Division amounted to ¥746 million, down ¥91 million or 10.9%. Operating profit amounted to ¥199 million, up ¥4 million or 2.6%.

Facilities Division

Net Sales (Millions of yen)



Net sales in chemical facility plant and general industrial plant construction were up year on year due to an increase in contract work.

As a result of the above, net sales in the Facilities Division amounted to ¥1,908 million, up ¥6 million or 0.4%. Operating profit amounted to ¥602 million, up ¥222 million or 58.7%.

(2) Capital Investment and Financing

Total capital investment amounted to ¥16,624 million.

Main activities here include the expansion of manufacturing facilities for fluorochemicals.

These requirements were funded by cash on hand and borrowings.

(3) Issues to Be Addressed

Looking ahead, as social and economic activities increase in intensity, impact from various policies is expected to gradually lead to a rebound. However, attention must be paid to the risk that a downturn in overseas economies may put downward pressure on the Japanese economy, global geopolitical risks, and the risk of fluctuations in financial and capital markets. Amid these factors, the future remains highly uncertain, and the business environment is expected to remain a challenging one.

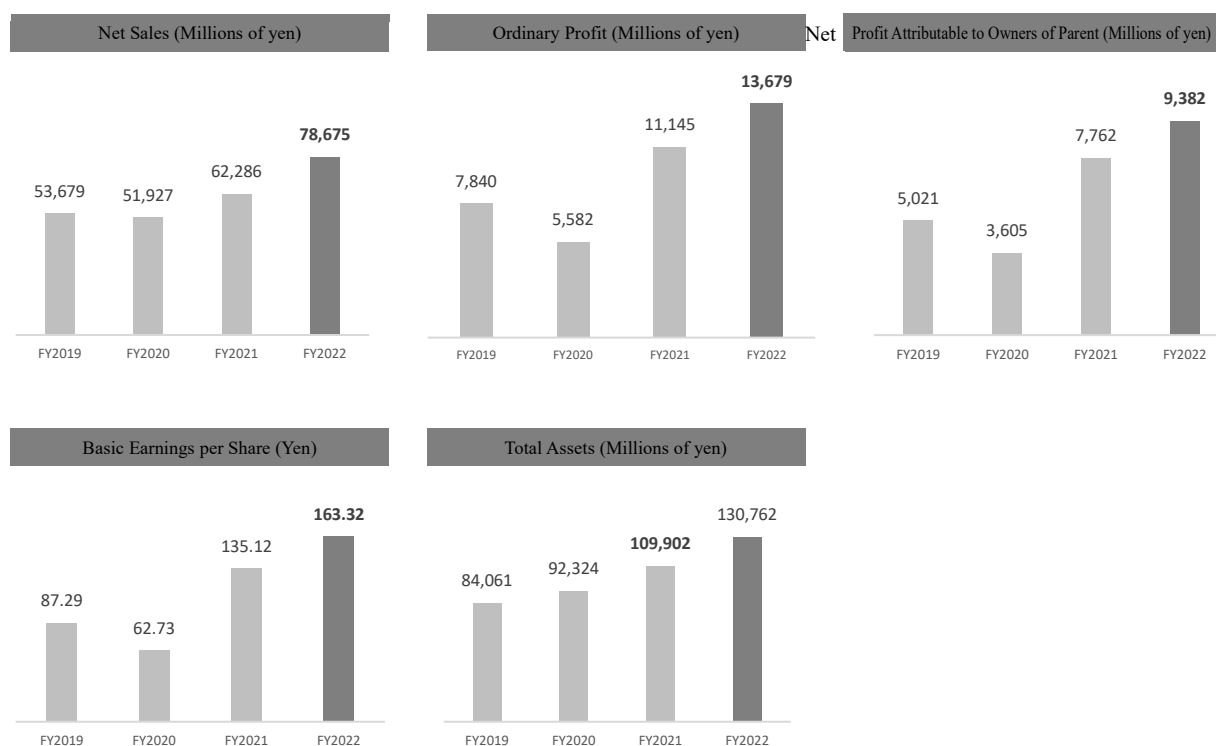
Here, the Group has launched its new medium-term management plan, “Dominate 1000 —Sustainable Growth and Fostering Competitiveness—,” starting in fiscal 2022, ended March 31, 2023. In this plan, we will strive to achieve our target of ¥100 billion in consolidated net sales in fiscal 2024 through the core strategies of “promote expansion of the fine chemicals business,” “raise the level of the production technology,” “enhance human resource development,” and “increase social value.”

Furthermore, we have established the prime initiatives of our business activity as “giving the highest priority to safety,” “being a profitable company,” and “development by and for everyone.” With this, a stable management foundation, and an eye on where we want to be in 2030, 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 aim to be an innovative, development-driven company to contribute to a sustainable society.

It is my hope that you, our valued shareholders, will continue to lend your support going forward.

(4) Changes in Assets and Income

| Item | | FY2019 | FY2020 | FY2021 | FY2022 |
|---|-------------------|--------|--------|---------|---------|
| Net sales | (Millions of yen) | 53,679 | 51,927 | 62,286 | 78,675 |
| Ordinary profit | (Millions of yen) | 7,840 | 5,582 | 11,145 | 13,679 |
| Profit attributable to owners of parent | (Millions of yen) | 5,021 | 3,605 | 7,762 | 9,382 |
| Basic earnings per share | (Yen) | 87.29 | 62.73 | 135.12 | 163.32 |
| Total assets | (Millions of yen) | 84,061 | 92,324 | 109,902 | 130,762 |



(5) Significant Subsidiaries (As of March 31, 2023)

| Company Name | Capital | Kanto Denka Kogyo's Share of Investment | Major Business Lines |
|---|-----------------|---|---|
| Kanden Kosan Co., Ltd. | ¥10 million | 100.0% | Sale of chemical products and maintenance of containers |
| Jobi Engineering Co., Ltd. | ¥120 million | 49.4% | Manufacture and sale of chemical industry equipment |
| Morishita Bengara Kogyo Co., Ltd. | ¥27 million | 100.0% | Manufacture and sale of iron oxide |
| Kanto Denka Korea Co., Ltd. | ₩300 million | 100.0% | Sale of fluorine compounds |
| Taiwan Kanto Denka Co., Ltd. | NT\$7 million | 100.0% | Sale of fluorine compounds |
| Kanto Denka Fine Products Korea Co., Ltd. | ₩42,000 million | 100.0% | Manufacture and sale of fluorine compounds |
| Xuancheng KDK Technology Co., Ltd. | US\$50 million | 98.3% | Manufacture and sale of fluorine compounds |

- (Notes) 1. During fiscal 2022, Morishita Bengara Kogyo Co., Ltd. purchased treasury shares, which increased the Company's share of investment from 99.9% at the end of the previous fiscal year to 100.0%.
2. Morishita Bengara Kogyo Co., Ltd. changed its name to Kanto Denka Finetech Co.,Ltd. on April 1, 2023.
3. During fiscal 2022, Kanto Denka Korea Co., Ltd. purchased and canceled treasury shares, which increased the Company's share of investment from 90.0% at the end of the previous fiscal year to 100.0%.

(6) Major Business Activities (As of March 31, 2023)

| Segment | Principal Products and Services | Composition of Net Sales |
|-----------------------|--|--------------------------|
| Fundamental Chemicals | (Inorganic products) Caustic soda, hydrochloric acid, sodium hypochlorite, aluminum chloride, etc. (Organic products) Trichloroethylene, perchloroethylene, vinylidene chloride, cyclohexanol, etc. | 12.0% |
| Fine Chemicals | (Fluorochemicals) Sulfur hexafluoride, carbon tetrafluoride, trifluoromethane, hexafluoroethane, nitrogen trifluoride, hexafluoro-1,3-butadiene, octafluoropropane, tungsten hexafluoride, silicon tetrafluoride, chlorine trifluoride, octafluorocyclobutane, monofluoromethane, carbonyl sulfide, iodine pentafluoride, etc. (Battery materials) Lithium hexafluorophosphate, lithium tetrafluoroborate, etc. (Other products) Organic fluorine compounds, etc. | 81.3% |
| Ferrochemicals | Carriers, magnetite, toner, etc. | 3.4% |
| Commercial Business | Sale of chemical products, maintenance of containers, insurance agency services, etc. | 0.9% |
| Facilities | Factory plant construction, plant facility maintenance work, etc. | 2.4% |

(7) Major Sales Offices and Plants (As of March 31, 2023)

1. Kanto Denka Kogyo Co., Ltd. Headquarters: 3-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan
Sales Offices: Osaka Branch Office, Nagoya Office
Plants: Shibukawa Plant (Gunma Prefecture), Mizushima Plant (Okayama Prefecture)
Research Laboratories: Research & Development Center (Gunma Prefecture), Research & Development Center Shibukawa Branch (Gunma Prefecture), Research & Development Center Mizushima Branch (Okayama Prefecture)
2. Subsidiaries Kanden Kosan Co., Ltd. (Tokyo, Gunma Prefecture, Okayama Prefecture), Jobi Engineering Co., Ltd. (Tokyo, Gunma Prefecture, Okayama Prefecture), Morishita Bengara Kogyo Co., Ltd. (Mie Prefecture, Tokyo, Osaka Prefecture, Aichi Prefecture), Kanto Denka Korea Co., Ltd. (South Korea), Taiwan Kanto Denka Co., Ltd. (Taiwan, Singapore), Kanto Denka Fine Products Korea Co., Ltd. (South Korea), Xuancheng KDK Technology Co., Ltd. (China)

(8) Status of Employees (As of March 31, 2023)

| Segment | No. of Employees | Year-on-Year Change |
|-----------------------|------------------|---------------------|
| Fundamental Chemicals | 39 | -8 |
| Fine Chemicals | 555 | +58 |
| Ferrochemicals | 49 | +3 |
| Commercial Business | 45 | -1 |
| Facilities | 104 | +5 |
| Company-wide (shared) | 267 | +20 |
| Total | 1,059 | +77 |

(9) Major Lenders (As of March 31, 2023)

| Lender | Borrowing Balance (Millions of yen) |
|-------------------------------------|-------------------------------------|
| Mizuho Bank, Ltd. | 10,484 |
| The Gunma Bank, Ltd. | 6,851 |
| The Chugoku Bank, Ltd. | 5,052 |
| Sumitomo Mitsui Trust Bank, Limited | 4,412 |
| Asahi Mutual Life Insurance Company | 4,010 |

2. Matters Related to Company Shares (As of March 31, 2023)

(1) Total Number of Authorized Shares 200,000,000 shares

(2) Total Number of Shares Issued 57,546,050 shares

(Notes) 1. The total number of shares issued includes 22,592 treasury shares.

2. Treasury shares do not include 70,545 shares held in trust account for the stock-based remuneration plan.

(3) Number of Shareholders 10,581

(4) Major Shareholders (Top 10)

| Shareholder Name | Status of Investment in Kanto Denka Kogyo Co., Ltd. | |
|--|---|-------------------------|
| | Number of Shares Held (thousand shares) | Share of Investment (%) |
| The Master Trust Bank of Japan, Ltd. (trust account) | 5,807 | 10.10 |
| Goldman Sachs International | 4,348 | 7.56 |
| Asahi Mutual Life Insurance Company | 3,570 | 6.21 |
| Zeon Corporation | 3,550 | 6.17 |
| Custody Bank of Japan, Ltd. (trust account) | 3,208 | 5.58 |
| The Gunma Bank, Ltd. | 1,600 | 2.78 |
| J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT | 1,526 | 2.65 |
| The Chugoku Bank, Ltd. | 1,400 | 2.43 |
| Mizuho Bank, Ltd. | 1,202 | 2.09 |
| ADEKA Corporation | 1,148 | 2.00 |

(Note) Treasury shares (22,592 shares) are excluded when calculating share of investment.

(5) Shares Issued to Corporate Officers as Compensation for Execution of Duties during the Fiscal Year Under Review

Stock-based remuneration issued during the fiscal year under review is as follows.

| Item | Number of Shares Held (shares) | Number of Eligible Officers |
|---|-----------------------------------|-----------------------------|
| Directors (excluding outside directors) | 3,780 | 1 |

3. Matters Related to Corporate Officers

(1) Names and Other Information for Directors and Audit & Supervisory Board Members (As of March 31, 2023)

| Position | Name | Areas of Responsibility and Significant Concurrent Positions |
|--|--------------------|--|
| President | Jun'ichi Hasegawa | General Manager, Business Div., in charge of Internal Auditing Dept. |
| Director and Managing Executive Officer | Yasunari Yamaguchi | General Manager, Technical Div., in charge of Purchasing Dept. |
| Director and Executive Officer | Kazuki Niimi | In charge of Accounting & Finance Dept., Information Systems Dept. |
| Director and Executive Officer | Yuki Abe | Deputy General Manager, Business Div.; Representative Director, Kanto Denka Korea Co., Ltd. |
| Director and Executive Officer | Kunihiko Uramoto | In charge of Sustainability Dept., Legal & General Affairs Dept., Personnel Dept., Business Support Dept. |
| Director and Executive Officer | Ryoji Masujima | General Manager, Corporate Planning Dept., in charge of Corporate Planning Dept., Overseas Business Development Dept. |
| Director and Executive Officer | Go Takikawa | General Manager, New Products Development Div.; Plant Manager, Mizushima Plant |
| Director | Hideki Matsui | Co-Representative Attorney-at-law, Marunouchi Sogo Law Office |
| Director | Masaharu Sugiyama | |
| Director | Hitoshi Habuka | Professor Emeritus, National University Corporation Yokohama National University Lecturer (part-time), Faculty of Engineering, National University Corporation Yokohama National University |
| Director | Yuko Kariya | Outside Director, NIPPON KINZOKU CO.,LTD. |
| Full-time Audit & Supervisory Board Member | Takeaki Yajima | |
| Full-time Audit & Supervisory Board Member | Masatomo Hayashi | |
| Audit & Supervisory Board Member | Naozumi Furukawa | Honorary Chairman, Zeon Corporation |
| Audit & Supervisory Board Member | Kenichi Ikeda | Director and Managing Executive Officer (In charge of Corporate Planning Div., Research & Public Relations Dept., and Overseas and Direct Business Unit), Asahi Mutual Life Insurance Company |

(Notes) 1. Directors Hideki Matsui, Masaharu Sugiyama, Hitoshi Habuka, and Yuko Kariya are outside directors. Each is an independent officer as stipulated by the rules of the Tokyo Stock Exchange.

2. Audit & Supervisory Board members Naozumi Furukawa and Kenichi Ikeda are outside Audit & Supervisory Board members. Each is an independent officer as stipulated by the rules of the Tokyo Stock Exchange.

3. Takeaki Yajima has many years of experience in banking and considerable knowledge of finance and accounting.

4. Position changes for officers during the fiscal year under review are as follows.

Retirement and resignation:

Effective as of the conclusion of the 115th Ordinary General Meeting of Shareholders held on June 29, 2022, Fuyuhiko Ishii retired from the position of director.

Election: At the 115th Ordinary General Meeting of Shareholders held on June 29, 2022, Ryoji Masujima, Go Takikawa, and Yuko Kariya were newly elected as directors.

(2) Overview of Limited Liability Agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act ("the Act"), the Company has entered into agreements with its outside directors and outside Audit & Supervisory Board members to limit their liabilities stipulated in Article 423, Paragraph 1 of the Act to the total of the amounts stipulated in each item of Article 425, Paragraph 1 of the Act.

(3) Overview of Directors and Officers Liability Insurance Agreement

The Company has entered into a directors and officers liability insurance agreement for directors and Audit & Supervisory Board members of the Company and its subsidiaries (excluding subsidiaries for which the Company holds all shares) as insureds, which is outlined below. The Company plans to renew the agreement in October 2023.

1) Outline of events insured against

The agreement covers damages that may arise due to insured directors, Audit & Supervisory Board

members, officers, etc. being held liable for the execution of his or her duties or being subject to a claim for this liability. However, the policy does include certain exemption clauses, such as for liabilities arising from acts committed by insureds while aware that doing so would be in violation of laws and regulations.

2) Premiums

Insurance premiums will be fully borne by the Company.

(4) Matters Related to Remuneration of Corporate Officers

Total Amount of Remuneration for Directors and Audit & Supervisory Board Members

| Officer Remuneration | Total Remuneration Amount (Millions of yen) | Total Remuneration Amount by Type (Millions of yen) | | | Officers Paid |
|---|---|---|---------------------------------|---------------------------|---------------|
| | | Fixed Remuneration | Performance-Linked Remuneration | Non-Monetary Remuneration | |
| Directors (Outside Directors) | 276 (21) | 185 (21) | 80 (—) | 10 (—) | 12 (4) |
| Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members) | 52 (11) | 52 (11) | — (—) | — (—) | 4 (2) |
| Total | 328 | 237 | 80 | 10 | 16 |

(Notes) 1. The above table is inclusive of the one director who retired from the position at the conclusion of the 115th Ordinary General Meeting of Shareholders held on June 29, 2022.

2. The total amount of remuneration for directors does not include employee salaries.

Remuneration for Directors

1) Basic approach to director remuneration

The Company determines the remuneration of its directors with care toward the balance between fixed and variable remuneration, and between short-term and medium- to long-term remuneration, in order to provide healthy incentives to improve business performance and corporate value.

Specifically, remuneration for directors (excluding outside directors) consists of monthly remuneration (fixed portion), officer bonuses (performance-linked portion, short-term remuneration), and stock-based remuneration (medium- to long-term remuneration), while remuneration for outside directors consists solely of monthly remuneration.

2) Monthly remuneration (fixed portion)

Monthly remuneration is a fixed amount (in cash) determined for each position (chairman, president, director and senior managing executive officer, director and managing executive officer, director and senior executive officer, director and executive officer, and outside director).

The Company reviews remuneration levels as necessary, with consideration to business performance, peer remuneration levels, social conditions, and other factors.

(Notes) 1. The total amount of monthly remuneration for directors (not exceeding ¥24 million) was resolved at the 100th Ordinary General Meeting of Shareholders held on June 28, 2007 (the number of directors at the conclusion of said meeting was 10).

2. For the position of director and executive officer, employee bonuses (for the executive officer role) are paid in addition to monthly remuneration. However, for those with the position of director and executive officer who are not concurrently serving as employees, the remuneration amount is determined by adding the amount of the employee bonuses to the monthly remuneration amount.

3) Officer bonuses (performance-linked portion and short-term remuneration)

As an incentive to improve business performance for each fiscal year, a certain percentage of the Company's ordinary profit, a solid indicator of earnings, is paid in cash to directors (excluding outside directors) in July of each year. This payment is explained in detail below.

- Officer bonuses shall be paid at a level of 0.8% of the Company's ordinary profit (rounded down to the nearest million yen) for the relevant fiscal year, with an upper limit of ¥80 million. However, if the Company's ordinary profit for the relevant fiscal year is less than ¥1 billion, no officer bonuses shall be paid. Note that the Company's ordinary profit for the fiscal year under review

was ¥12.2 billion.

- Officer bonuses are paid to all directors (excluding outside directors). However, this excludes directors who have performed their duties for less than one-half of the relevant fiscal year.
- The distribution of officer bonuses per director is as follows.

$$\text{Total amount of officer bonuses} \times \frac{\text{Rank points}}{\text{Total of all rank points for eligible officers}}$$

(Notes) 1. Rank points for each rank are as follows. Chairman: 2.0; president: 2.0; director, vice president and executive officer: 1.5; director and senior managing executive officer: 1.3; director and managing executive officer: 1.0; director and executive officer: 0.1. However, if there is a period during the relevant fiscal year in which the officer in question does not serve as a director, the number of months of service (periods of less than one month shall be counted as one month) shall be divided by 12 and then multiplied by the number of rank points. In the event of a change in position during the relevant fiscal year, the number of months shall be prorated.

2. By resolution at the 100th Ordinary General Meeting of Shareholders held on June 28, 2007, the bonus (performance-linked remuneration) for directors was set at 0.8% of the Company's ordinary profit for the relevant fiscal year, with ¥80 million as the upper limit. (However, if the Company's ordinary profit for said fiscal year is less than ¥1 billion, no payment shall be made. The number of directors at the conclusion of said meeting was 10).

4) Stock-based remuneration (medium- to long-term remuneration)

The Company pays stock-based remuneration through a stock issuance trust to directors (excluding outside directors) for the purpose of increasing their awareness of contributing to enhancement of the Company's performance and corporate value over the medium- to long-term. This is achieved by presenting a clear link between director remuneration and the value of Company shares, and having directors share the benefits and risks associated with share price fluctuations with shareholders. The Company will contribute up to ¥70 million over the applicable period (five years), and will grant up to 20,000 points per fiscal year (one point is equivalent to one share of the Company's stock), which will be allocated annually on the date of the Ordinary General Meeting of Shareholders in proportion to the position held by each director. In principle, these Company shares, which are calculated based on the number of points accumulated, are issued to directors at the time of their retirement from the position of director. In accordance with the rules on share issuance, directors eligible under this plan shall be granted points in proportion to their position each year on the date of the Ordinary General Meeting of Shareholders and, at the time of their retirement from the position of director, shall be granted shares of Company stock calculated based on the number of points accumulated.

(Notes) 1. By resolution at the 113th Ordinary General Meeting of Shareholders held on June 26, 2020, the Company decided to contribute up to ¥70 million over the applicable period (five years) to directors (excluding outside directors). It was also resolved to grant 20,000 points per fiscal year (one point is equivalent to one share of the Company's stock) in proportion to the position held by each director. In principle, these Company shares, which are calculated based on the number of points accumulated, are issued to directors at the time of their retirement from the position of director (the number of directors [excluding outside directors] at the conclusion of said meeting was six).

2. In consideration of tax treatment outside of Japan, non-resident directors are to join the officers' shareholding association, which shall contribute to the purchase of shares.

5) Policy for determining the ratio of the amount of monthly remuneration, the amount of officer bonuses (performance-linked portion), and the amount of stock-based remuneration, to the amount of remuneration paid to each individual director

The Company determines the ratio of remuneration to directors (excluding outside directors) per remuneration type with care toward the balance between fixed and variable remuneration, and between short-term and medium- to long-term remuneration, in order to provide healthy incentives. Although the ratio of remuneration by type will vary depending on the Company's ordinary profit and stock price levels, calculation based on past performance shows that monthly remuneration is approximately 60–70%, officer bonuses are approximately 25–35%, and stock-based remuneration is approximately 5%.

6) Matters related to procedures for determining individual remuneration for directors

Individual remuneration for directors is determined by resolution of the Board of Directors after consulting with the Nomination & Compensation Committee, whose members include independent outside directors, on remuneration proposals.

- 7) Important matters related to determining individual remuneration for directors
In cases where there are reasonable grounds for paying no officer bonus to a director, such as when they have inflicted serious harm to the Company, said director shall be excluded from those eligible for payment.
- 8) Alignment between individual remuneration for directors for the fiscal year under review and the aforementioned policy
Policies on director remuneration (the basic policy and determination method for each remuneration amount per individual) are determined by resolution of the Board of Directors after consultation with the Nomination & Compensation Committee, and individual remuneration for directors is calculated by the individual determination method per remuneration amount. Therefore, the details of individual remuneration for directors are in alignment with the aforementioned policy.

Remuneration for Audit & Supervisory Board members

Remuneration for Audit & Supervisory Board members consists solely of monthly remuneration, emphasizing independence and objectivity on management. Remuneration amounts per Audit & Supervisory Board member are determined in discussion among Audit & Supervisory Board members.

(Note) The total amount of monthly remuneration for Audit & Supervisory Board members was resolved to be no more than ¥5 million at the 100th Ordinary General Meeting of Shareholders held on June 28, 2007 (the number of Audit & Supervisory Board members at the conclusion of said meeting was four).

(5) Matters Related to Outside Officers

- 1) Status of concurrent positions of executive officers, outside officers, etc. at other corporations (As of March 31, 2023)

| Item | Name | Status of concurrent positions at other corporations |
|--|-------------------|--|
| Outside Director | Hideki Matsui | Co-Representative Attorney-at-law, Marunouchi Sogo Law Office |
| Outside Director | Masaharu Sugiyama | |
| Outside Director | Hitoshi Habuka | Professor Emeritus, National University Corporation Yokohama National University Lecturer (part-time), Faculty of Engineering, National University Corporation Yokohama National University |
| Outside Director | Yuko Kariya | Outside Director, NIPPON KINZOKU CO.,LTD. |
| Outside Audit & Supervisory Board Member | Naozumi Furukawa | Honorary Chairman, Zeon Corporation |
| Outside Audit & Supervisory Board Member | Kenichi Ikeda | Director and Managing Executive Officer (In charge of Corporate Planning Div., Research and Public Relations Div., and Overseas and Direct Business Unit), Asahi Mutual Life Insurance Company |

(Notes) 1. Marunouchi Sogo Law Office is an advisory body to the Company to which the Company pays fees for legal services.

2. There are no material transactions or other special relationships between the Company and National University Corporation Yokohama National University or NIPPON KINZOKU CO.,LTD.
3. Zeon Corporation holds 3,550,000 shares (6.17% share of investment) in the Company. Although there are transactions between Zeon Corporation's group and the Group, these transactions in fiscal 2022 constituted less than 1% of the Company's consolidated net sales.
4. Asahi Mutual Life Insurance Company holds 3,570,000 shares (6.21% share of investment) in the Company. In addition, the Company has received financing from Asahi Mutual Life Insurance Company.

2) Major activities during the fiscal year under review

(a) Outside directors

| Name | Status of Board of Directors Meeting Attendance | Activity Status |
|-------------------|---|--|
| Hideki Matsui | 13 of 14 | Hideki Matsui has been engaged in corporate legal affairs as an attorney-at-law for many years and has a wealth of experience and broad insights. He has met expectations by making comments as appropriate at the Board of Directors and has fully fulfilled his management oversight function. |
| Masaharu Sugiyama | 14 of 14 | Masaharu Sugiyama has been engaged in corporate accounting as a certified public accountant for many years and has a wealth of experience and broad insights. He has met expectations by making comments as appropriate at the Board of Directors and has fully fulfilled his management oversight function. |
| Hitoshi Habuka | 14 of 14 | Hitoshi Habuka has been engaged in technology development and R&D at universities and other companies for many years and has a wealth of experience and broad insights. He has met expectations by making comments as appropriate at the Board of Directors and has fully fulfilled his management oversight function. |
| Yuko Kariya | 9 of 10 | Yuko Kariya has engaged in management of a pharmaceutical manufacturer as director for many years, and has a wealth of experience and broad insights. She has met expectations by making comments as appropriate at the Board of Directors and has fully fulfilled her management oversight function. |

(Note) Yuko Kariya was appointed as director on June 29, 2022; therefore, the number of Board of Directors meetings she was eligible to attend differs from other directors.

(b) Outside Audit & Supervisory Board members

| Name | Status of Board of Directors Meeting Attendance | Status of Audit & Supervisory Board Meeting Attendance | Activity Status |
|------------------|---|--|---|
| Naozumi Furukawa | 13 of 14 | 5 of 6 | Naozumi Furukawa utilized his wealth of experience in company management at manufacturers operating on a global scale, making comments as appropriate at the Board of Directors and Audit & Supervisory Board. In addition, he performed audits in accordance with audit policies established by the Audit & Supervisory Board and fully exercised his auditing function. |
| Kenichi Ikeda | 14 of 14 | 6 of 6 | Kenichi Ikeda utilized his wealth of experience in company management at financial institutions, making comments as appropriate at the Board of Directors and Audit & Supervisory Board. In addition, he performed audits in accordance with audit policies established by the Audit & Supervisory Board and fully exercised his auditing function. |

4. Matters Related to the Accounting Auditor

(1) Name

Ernst & Young ShinNihon LLC

(2) Amount of Remuneration for the Fiscal Year under Review

(i) Remuneration as accounting auditor for the fiscal year under review ¥37 million

(ii) Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the accounting auditor ¥37 million

- (Notes) 1. The Audit & Supervisory Board has reviewed audit content, hours, and fees over time, as well as the status of audit plans and results for past fiscal years, in accordance with the Practical Guidelines for Cooperation with Accounting Auditors issued by the Japan Audit & Supervisory Board Members Association, and has considered the appropriateness of estimates for audit hours and fees for the fiscal year under review. Based on this, the Audit & Supervisory Board consents to the remuneration for the accounting auditor as stipulated in Article 399, Paragraph 1 of the Companies Act.
2. Since the audit contract between the Company and the accounting auditor does not distinguish between the amount of audit fees for audits based on the Companies Act and the amount of audit fees for audits based on the Financial Instruments and Exchange Act, the amount in (i) above includes the amount of audit fees for audits based on the Financial Instruments and Exchange Act.
3. Among the Company's significant subsidiaries, Kanto Denka Korea Co., Ltd., Taiwan Kanto Denka Co., Ltd., Kanto Denka Fine Products Korea Co., Ltd., and Xuancheng KDK Technology Co., Ltd. are audited by auditing firms other than the Company's accounting auditor.

(3) Non-Audit Services

Not applicable.

(4) Policy on Dismissal or Non-Reappointment Decisions

The Audit & Supervisory Board shall make decisions on dismissal or non-reappointment of the accounting auditor after comprehensively considering the independence and reliability of the accounting auditor and other conditions related to its performance of duties, as required by laws, regulations, and standards.

If the Audit & Supervisory Board determines that it is necessary to take such action, such as when there are impedances to the performance of the accounting auditor's duties, the Audit & Supervisory Board will determine the content of the relevant proposal to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the accounting auditor. If the accounting auditor is found to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor with the unanimous consent of its members. In such an event, an Audit & Supervisory Board member selected by said board shall report the dismissal of the accounting auditor and the reasons thereof at the first General Meeting of Shareholders convened after the dismissal.

Note that if the Board of Directors determines that dismissal or non-reappointment of the accounting auditor is necessary, such as when there are impedances to the execution of the accounting auditor's duties, the Board of Directors shall request the Audit & Supervisory Board to cause the dismissal or non-reappointment of the accounting auditor to be proposed to the General Meeting of Shareholders. The Audit & Supervisory Board shall determine whether this request is appropriate and determine the content of the relevant proposal to be submitted to the General Meeting of Shareholders.

5. Systems for Ensuring Appropriate Business Activities and Status of System Operation (Summary)

(1) Basic Policy for Internal Control Systems

The Company has resolved a basic policy for internal control systems, as follows, to establish a system for ensuring appropriate business activities.

(i) Basic policy for business operation

The management philosophy, presented below, serves as the basis of Company management.

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.

Furthermore, the Company has established the following six principles of conduct that transform the aforementioned management philosophy into specific actions, as a guidepost for our daily business activities.

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.

(ii) Systems to ensure that director and employee execution of duties complies with laws, regulations, and the Articles of Incorporation

The Company has established the Compliance and Risk Management Committee, chaired by the President and attended by outside attorneys, as an organization managing overall compliance. In addition, the Company has established the RC Promotion Council, chaired by the president, as an organization with exclusive responsibility for environment and safety-related laws and regulations, which are important issues for a chemical manufacturer.

To promote compliance, we have established the Compliance Manual of the Kanto Denka Kogyo Group, and provide guidance through training and other means to ensure that all officers and employees conduct their business operations with a sense of ownership of compliance at each workplace.

The Company has established a system for consultation and reporting, and stipulates that if any officer or employee discovers a compliance violation or believes one will be committed internally, they are obliged to report this to the general manager of the Legal & General Affairs Department, a full-time Audit & Supervisory Board member, or to an outside attorney (anonymous reporting is also acceptable). The Company shall keep the content of the report confidential and will not treat the person filing the report unfavorably. A contact system has also been established for instances of reports received on compliance issues from external parties, such as business partners.

The Company firmly rejects antisocial forces and any unreasonable demands they may make.

Furthermore, the Internal Auditing Department carries out internal audits for all operations under the direct supervision of the president.

(iii) Regulations and other systems for managing the risk of loss

The Company has established the RC Promotion Council, chaired by the president, as an organization with exclusive responsibility for environmental and safety risks. The Safety and Environment Committee, Quality Assurance Committee, and Logistics Safety Committee have been established as subordinate organizations to this. Here, the relevant divisions conduct audits on health

and safety, the environment, product safety, and logistics given their specialized positions. In addition, each plant has received certification for occupational health and safety management systems as the Company continues to strive toward occupational safety.

The Company has established the Compliance and Risk Management Committee as an organization that oversees overall risk management, and in the event of an emergency, the Emergency Response Headquarters, headed by the president, will be responsible for crisis management.

During normal times, each division of the Company shall identify its own risks and work to mitigate these risks. During emergencies, the Company as a whole shall respond in accordance with the Emergency Response Manual.

(iv) Systems to ensure appropriateness of financial reporting

With regard to internal controls for financial reporting, in accordance with the basic policy on financial reporting established by the Board of Directors, the Company maintains relevant rules and operational documents within each division, and the Internal Auditing Department independently evaluates these internal controls.

(v) Systems to ensure the efficient execution of director duties

The Company's Board of Directors meets once a month to make decisions on important matters and supervise the directors' execution of their duties. To further strengthen the functions of the Board of Directors and improve management efficiency, the Management Committee, attended by directors and executive officers responsible for execution of Company business, meets once a month to flexibly make decisions on fundamental and important matters related to business execution. In addition, the Company has established the Business Promotion Meeting, with directors as main members. This organization discusses more refined themes.

For business operations, the Company formulates medium-term management plans and annual budgets based on the future business environment, and sets company-wide targets. Each division formulates and implements specific measures to achieve these targets.

The term of office for directors is set at one year to facilitate agility in addressing the rapidly-changing business environment. In addition, an executive officer system has been adopted to separate functions of business decision-making and supervision from functions of business execution, as well as to strengthen the checking function of the Board of Directors.

(vi) Systems for the storage and management of information related to the execution of director duties

The Company stores documents and other materials in accordance with laws, regulations, and internal rules.

The Company also handles information management by establishing guidelines for information security and a basic policy regarding the protection of personal information.

(vii) Systems to ensure appropriate business activities in the Company's corporate group

The Company has established a mechanism for sharing compliance and other internal control policies within the Company's corporate group. The Company also appoints compliance managers at each company within the Company's corporate group, while the Compliance and Risk Management Committee oversees and promotes compliance for the entire Group. Furthermore, the Compliance Manual of the Kanto Denka Kogyo Group and the consultation and reporting system are both designed to cover the entire Group.

Regarding management of affiliated companies, while respecting affiliates' autonomy, the Company regularly receives reports on their business activities and conducts advance discussions about important matters in accordance with its affiliated company management regulations. In addition, the Company dispatches officers to each Group company to check the status of business operations and internal controls there.

(viii) Matters related to employees assigned to assist the duties of Audit & Supervisory Board members and their independence from directors

Although there are currently no employees assigned to assist the duties of Audit & Supervisory Board members, such staff may be assigned as necessary. Directors and Audit & Supervisory Board members will exchange opinions on personnel matters for such employees.

(ix) Systems for reporting to Audit & Supervisory Board members and other systems to ensure effective audits by Audit & Supervisory Board members

Audit & Supervisory Board members hold regular meetings with the president to exchange opinions. In addition, Audit & Supervisory Board members receive presentations on accounting audit details from the Internal Auditing Department and Ernst & Young ShinNihon LLC, the Company's accounting auditor, and collaborate with them through information exchange and other means.

If any officer or employee of the Company or any Group company discovers any fact that may cause significant damage to any of these companies, they are obliged to immediately report this to an Audit & Supervisory Board member in accordance with laws and regulations. The Company and its Group companies shall not treat the person filing the report unfavorably.

Full-time Audit & Supervisory Board members shall attend meetings of the Board of Directors as well as important meetings, such as that of the Compliance and Risk Management Committee and the Management Committee in order to understand the process behind important decision-making and the status of business execution. Full-time Audit & Supervisory Board members shall also view key approval documents and other important documents related to business execution and, as necessary, request that directors and/or employees make presentations regarding these.

If an Audit & Supervisory Board member requests advance payment or reimbursement of expenses necessary for the performance of their duties, the Company shall promptly grant such expenses or dispose of liabilities.

(2) Status of Internal Control System Operations (Summary)

The Company's internal controls are operated in accordance with its basic policy for internal control systems, as follows.

The management philosophy serves as the basis of Company management, and the principles of conduct guide daily business operations, with educational programs provided as appropriate.

With regard to compliance, the Compliance and Risk Management Committee and the RC Promotion Council meet on a regular basis. The content of these meetings, including the status of internal reporting, is reported to the Board of Directors.

The RC Promotion Council plays a central role in managing the risk of loss, as well as environmental and safety risks. The Compliance and Risk Management Committee has overall control with regard to risk, including others than those previously mentioned.

The Internal Auditing Department independently evaluates the appropriateness of financial reporting while cooperating as appropriate with the accounting auditor. The results of its evaluations are reported to the Board of Directors.

As for efficient execution of director duties, the Company has implemented an executive officer system and has appropriately established the purpose, roles, and participating members of various meetings, including of the Board of Directors and the Management Committee, to ensure efficient business operations. In addition, performance levels are tracked with respect to budgets.

Information is stored and managed appropriately in accordance with internal rules.

With regard to the management of each of the Company's corporate group companies, each of these is tasked with regular reporting on the details of their business operations, and the Company's officers and others are dispatched to meetings of the board of directors to confirm the appropriateness of their business operations. Audit & Supervisory Board members and the Internal Auditing Department also conduct audits for them.

Although there are no full-time employees assigned to assist the duties of Audit & Supervisory Board members, the relevant divisions work together to provide this assistance.

Information necessary for audits is provided to Audit & Supervisory Board members as appropriate, ensuring effective audits by said members. Furthermore, Audit & Supervisory Board members share information with the Internal Auditing Department and the accounting auditor and appropriately exchange opinions with the president.

6. Basic Policy on the Control of Stock Corporations

(1) Basic Policy on Company Financial and Business Policy Decision Controllers (Summary; herein referred to the “Basic Policy”)

As a public company, the Company permits the shares of the Company to be traded freely. Accordingly, we believe that the intent of shareholders should ultimately be reflected in who the person controlling decisions on the Company’s financial and business policies should be. We also believe that any large-scale purchase of share certificates, etc. of the Company should not be denied unless it is inappropriate or insufficient from the perspective of protecting and improving the corporate value of the Company, and in turn, the common interests of the shareholders of the Company over the medium- to long-term.

However, there is a possibility that a large-scale purchaser is unwilling to provide the Board of Directors of the Company and shareholders with sufficient information and time to determine whether the large-scale purchaser is appropriate as a person controlling decisions on the Company’s financial and business policies. There is also a possibility that a large-scale purchaser is inappropriate or insufficient from the perspective of protecting and improving the corporate value of the Company, and in turn, the common interests of the shareholders of the Company over the medium- to long-term, given the purpose, etc., of the large-scale purchase. This can include those that would be clearly detrimental to the aforementioned corporate value and common shareholder interests, or those that would effectively force shareholders to sell the share certificates, etc. of the Company.

For these reasons, the Board of the Directors of the Company has determined that a large-scale purchaser should only be allowed to commence a large-scale purchase in accordance with certain rules that the Company established and disclosed in advance (hereinafter referred to as the “Large-Scale Purchase Rules”).

(2) Efforts to Improve Corporate Value for Realization of the Basic Policy (Summary)

The Company has established the following management policy: “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.” In other words, the Company’s corporate goal is to contribute to the realization of a sustainable society while enhancing its corporate value. To realize this goal, the Company is working to establish a good relationship with stakeholders including shareholders, local communities, users, and employees.

The Company believes that the source of its corporate and social value is its unique proprietary technologies developed through steady research activities, and that the foundation of these technologies is its human resources supporting technologies and generating new innovative ones. Since its founding in 1938, the Company has focused on the core technologies of electrolysis, fluorination, chlorination, and organic/inorganic synthesis. In particular, to this day, the Company has accumulated expertise in hydrofluoric acid electrolysis technology, which efficiently generates large amounts of high-purity fluorine gases, and fluorine-related technology, which has a wide range of applications including battery materials and medical and agricultural chemicals.

For fluorochemicals, the Company utilizes its unique fluorination technology to supply fluorinated gas products such as etching gases, cleaning gases, and wiring material gases. These products are essential in the manufacture of semiconductors, liquid crystals, and other products. While fluorine is dangerous and very difficult to handle, the Company produces and supplies various fluorinated gas products in a stable and efficient manner. This is done through the electrolysis of anhydrous hydrofluoric acid to generate fluorine and reacting this with nitrogen, tungsten, and other substances. The Company’s core technology of hydrofluoric acid electrolysis may also be converted to military applications. The Amendment to the Foreign Exchange and Foreign Trade Act, which came into effect on May 8, 2020, was enacted with the aim of appropriately responding to investments that may undermine national security. In this act and related ministerial ordinances and notices, the Company is listed as a listed company that operates within what are called “core industries” among a series of designated industries.

For battery materials products, the Company is the only manufacturer in Japan that produces and sells high-purity electrolytes for lithium-ion secondary batteries. Amid the urgent worldwide need for

environmental reforms to curb global warming, the move toward electrification of society is accelerating in Japan, with the declaration of carbon neutrality by 2050 and the ban on the sale of new gasoline and diesel vehicles by mid-2030. The Company is also the only Japanese provider of high-purity electrolytes for lithium-ion secondary batteries, a core component of this market and one that is expected to grow. It supplies world-class, high-grade products that meet the demanding needs of customers, supports the high performance and long life of lithium-ion secondary batteries, and plays an important role in the supply chain toward the realization of a decarbonized society.

The Company will continue to create unique proprietary technologies by building the capabilities of its human resources and harnessing its accumulated specialized technologies. We believe that this will improve our corporate value and contribute to the realization of a sustainable society.

(3) Efforts to Prevent Decisions on the Company's Financial and Business Policies from Being Controlled by Inappropriate Parties in the Context of the Basic Policy (Summary)

In line with the Basic Policy, and with the aim of securing and enhancing the Company's corporate value and the common interests of its shareholders over the medium- to long-term, the Company has adopted the Policy toward Large-Scale Purchase of Share Certificates, Etc. of the Company (Takeover Defense Measures; herein referred to as the "Policy") at the General Meeting of Shareholders held on June 29, 2021. Within the Policy, the Company has stipulated the Large-Scale Purchase Rules. The outline of the rules are that (i) the Company shall request that the large-scale purchaser provides necessary and sufficient information regarding the large-scale purchase, (ii) a certain assessment period for the Board of Directors of the Company shall be secured, (iii) the Board of Directors of the Company shall present the plans, alternatives, etc., of the Company's management to shareholders and conduct negotiations with the large-scale purchaser, and (iv) in principle, a General Meeting of Shareholders or other appropriate meeting shall be held to confirm the shareholders' intent as to whether to take countermeasures against the large-scale purchase. With these procedures established, the large-scale purchaser shall only commence the large-scale purchase after the completion of the procedures described in (i) to (iv) above so as to secure the opportunity to confirm the shareholders' intent.

(Note) For details on the Policy, please refer to the May 14, 2021 press release "Notice of the Policy toward Large-Scale Purchase of Share Certificates, Etc. of the Company (Takeover Defense Measures)" published on the Company's website (<https://www.kantodenka.co.jp/>) (Japanese only).

(4) The Policy's Compliance with the Basic Policy, Non-Harmfulness to Company Shareholder Common Interest, Non-Pursuance of Maintaining the Status of the Company Officers, and the Reasons Therefor

(i) The Policy's compliance with the Basic Policy

In the Policy, it is stipulated that a large-scale purchaser is required to provide the Board of Directors of the Company with all necessary and sufficient information concerning the large-scale purchase in advance, that it is required to commence the large-scale purchase only after a certain assessment period for the Board of Directors of the Company has elapsed and the intention of shareholders as to whether the Board of Directors should take countermeasures has been confirmed directly, in principle, at a General Meeting of Shareholders, etc., and that the Board of Directors of the Company may take countermeasures against any large-scale purchaser who does not observe these rules. In addition, it is stipulated that, even if the large-scale purchaser observes the Large-Scale Purchase Rules, in the event that the Board of Directors of the Company judges that the large-scale purchase by the large-scale purchaser is inappropriate or insufficient from the perspective of protecting and improving the corporate value of the Company and the common interests of the shareholders of the Company over the medium- to long-term, the Board of Directors of the Company may take countermeasures against the large-scale purchaser, in principle, based on the judgment of the shareholders at a General Meeting of Shareholders or other appropriate meeting. As set forth above, the Policy is consistent with the Basic Policy.

(ii) The Policy shall not be harmful to the common interests of shareholders of the Company

The Policy is consistent with the Basic Policy and intended to ensure that shareholders of the Company are provided with the information necessary to decide whether or not to accept a large-scale purchase, the opinion of the Board of Directors of the Company, and the opportunity to receive alternative plans, so that ultimately the shareholders can decide whether countermeasures should be taken at the time the Company has received the proposal for a large-scale purchase. Because the

shareholders of the Company and investors can make proper investment judgments through the Policy, it does not damage the common interests of the shareholders of the Company, but rather contributes to their interests.

(iii) The Policy shall not pursue the maintenance of the status of the Company officers

The Policy has a broad principle that leaves the final decision whether or not a large-scale purchase shall be accepted to the judgment of the shareholders of the Company, while requiring compliance with the Large-Scale Purchase Rules and allowing countermeasures to the extent necessary to protect the common interests of the shareholders of the Company. The Policy discloses instances where the Board of Directors of the Company may take countermeasures in advance and in detail, and any countermeasures by the Board of Directors will be taken in accordance with the provisions of the Policy. In addition, the Policy prescribes that when the Board of Directors of the Company intends to take countermeasures against a large-scale purchase, it shall, in principle, hold a General Meeting of Shareholders or other appropriate meeting to seek the judgment of the shareholders. Furthermore, in exceptional situations in which the Board of Directors makes a decision to take such countermeasures or any other important judgment concerning the Policy without holding a General Meeting of Shareholders or other appropriate meeting, the Board of Directors shall request advice from outside experts and others, as necessary, and consult with the Special Committee consisting of members who are independent of the management team operating businesses of the Company and give utmost respect to the recommendation of the Special Committee. As such, the Policy includes procedures through which the appropriate operations by the Board of Directors of the Company are ensured. As described above, it is clear that the Policy is not designed arbitrarily to pursue the maintenance of the status of the Company officers.

7. Policy for Determining Dividends from Surplus, etc.

In determining dividends from surplus, the Company's basic policy is to provide appropriate return of profits while securing funds for capital investment, an indispensable driver of greater earnings, and strengthening its financial position. These actions are founded in its business plans over the medium- to long-term and take into consideration trends of business performance over time.

The target dividend payout ratio is 20% pursuant to the medium-term management plan, "Dominate 1000," introduced in April 2022.

(Note) The year-end dividend for the fiscal year under review was set at ¥23 per share at the Board of Directors meeting held on May 26, 2023, after comprehensive consideration of the business performance and environment for the fiscal year ended March 31, 2023. This makes the annual dividend per share ¥33, including the interim dividend already paid. Note that the start date for payment of the year-end dividend will be June 30, 2023.

(Note) Figures in this business report are rounded down to the indicated unit for monetary amounts and share amounts, and rounded off for ratios and figures otherwise.

Consolidated Balance Sheet

(Millions of yen)

| | As of March 31, 2023 | As of March 31, 2022 (Reference) | | As of March 31, 2023 | As of March 31, 2022 (Reference) |
|--|-------------------------|--|--|-------------------------|--|
| Assets: | | | Liabilities: | | |
| Current assets | 72,919 | 61,705 | Current liabilities | 33,680 | 27,265 |
| Cash and deposits | 22,355 | 26,728 | Notes and accounts payable—trade | 9,620 | 8,068 |
| Notes and accounts receivable—trade, and contract assets | 20,560 | 16,921 | Electronically recorded obligations—operating | 1,022 | 835 |
| Electronically recorded monetary claims—operating | 1,130 | 1,101 | Short-term borrowings | 4,516 | 4,200 |
| Merchandise and finished goods | 7,055 | 5,182 | Current portion of long-term borrowings | 6,914 | 5,886 |
| Work in process | 9,332 | 4,416 | Lease obligations | 135 | 100 |
| Raw materials and supplies | 7,516 | 3,526 | Income taxes payable | 2,701 | 2,600 |
| Other | 5,030 | 3,896 | Provision for bonuses to officers | 134 | 134 |
| Allowance for doubtful accounts | (62) | (68) | Other | 8,634 | 5,439 |
| Non-current assets | 57,842 | 48,196 | Non-current liabilities | 28,308 | 22,727 |
| Property, plant and equipment | 47,404 | 38,221 | Long-term borrowings | 25,591 | 20,166 |
| Buildings and structures | 10,930 | 8,872 | Lease obligations | 635 | 558 |
| Machinery and equipment | 19,291 | 11,655 | Deferred tax liabilities | 36 | 23 |
| Land | 2,657 | 2,633 | Provision for retirement benefits for directors (and other officers) | 143 | 137 |
| Lease assets | 266 | 351 | Provision for share awards for directors (and other officers) | 18 | 11 |
| Construction in progress | 10,512 | 11,001 | Retirement benefit liability | 1,805 | 1,754 |
| Other | 3,745 | 3,707 | Other | 75 | 75 |
| Intangible assets | 676 | 728 | Total liabilities | 61,988 | 49,993 |
| Other | 676 | 728 | Net assets: | | |
| Investments and other assets | 9,762 | 9,246 | Shareholders' equity | 63,157 | 55,122 |
| Investment securities | 7,399 | 7,464 | Capital | 2,877 | 2,877 |
| Retirement benefit assets | 14 | — | Capital surplus | 1,859 | 1,829 |
| Deferred tax assets | 1,404 | 1,165 | Retained earnings | 58,486 | 50,483 |
| Other | 950 | 621 | Treasury shares | (65) | (68) |
| Allowance for doubtful accounts | (7) | (4) | Accumulated other comprehensive income | 4,323 | 3,132 |
| | | | Valuation difference on available-for-sale securities | 2,512 | 2,527 |
| | | | Foreign currency translation adjustment | 1,534 | 413 |
| | | | Remeasurements of defined benefit plans | 275 | 191 |
| | | | Non-controlling interests | 1,293 | 1,654 |
| | | | Total net assets | 68,774 | 59,908 |
| Total assets | 130,762 | 109,902 | Total liabilities and net assets | 130,762 | 109,902 |

Consolidated Statement of Income

(Millions of yen)

| | From April 1, 2022 to March 31, 2023 | From April 1, 2021 to March 31, 2022 (Reference) |
|---|---|---|
| Net sales | 78,675 | 62,286 |
| Cost of sales | 56,107 | 42,421 |
| Gross profit | 22,567 | 19,864 |
| Selling, general and administrative expenses | 9,619 | 8,700 |
| Operating profit | 12,947 | 11,164 |
| Non-operating profit | 1,164 | 694 |
| Interest income | 20 | 10 |
| Dividend income | 248 | 204 |
| Foreign exchange gains | 112 | 243 |
| Gain on sales of prototypes | 515 | — |
| Miscellaneous income | 268 | 235 |
| Non-operating expenses | 432 | 713 |
| Interest expenses | 318 | 313 |
| Loss on valuation of derivatives | 59 | 84 |
| Loss on sale of trial products | — | 204 |
| Miscellaneous loss | 53 | 110 |
| Ordinary profit | 13,679 | 11,145 |
| Extraordinary income | — | 131 |
| Gain on sale of investment securities | — | 131 |
| Extraordinary losses | 254 | 116 |
| Loss on retirement of non-current assets | 242 | 116 |
| Loss on valuation of investment securities | 11 | — |
| Profit before income taxes | 13,425 | 11,160 |
| Income taxes—current | 4,166 | 3,234 |
| Income taxes—deferred | (244) | (36) |
| Profit | 9,503 | 7,961 |
| Profit attributable to non-controlling interests | 121 | 198 |
| Profit attributable to owners of parent | 9,382 | 7,762 |

Consolidated Statement of Changes in Equity

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance on April 1, 2022 | 2,877 | 1,829 | 50,483 | (68) | 55,122 |
| Changes during the consolidated fiscal year | | | | | |
| Dividends of surplus | | | (1,380) | | (1,380) |
| Profit attributable to owners of parent | | | 9,382 | | 9,382 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | | | 2 | 2 |
| Increase (decrease) in capital surplus resulting from change in equity interest in consolidated subsidiaries | | 30 | | | 30 |
| Net changes in items other than shareholders' equity during the consolidated fiscal year | | | | | |
| Total changes during the consolidated fiscal year | — | 30 | 8,002 | 2 | 8,035 |
| Balance on March 31, 2023 | 2,877 | 1,859 | 58,486 | (65) | 63,157 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance on April 1, 2022 | 2,527 | 413 | 191 | 3,132 | 1,654 | 59,908 |
| Changes during the consolidated fiscal year | | | | | | |
| Dividends of surplus | | | | | | (1,380) |
| Profit attributable to owners of parent | | | | | | 9,382 |
| Purchase of treasury shares | | | | | | (0) |
| Disposal of treasury shares | | | | | | 2 |
| Increase (decrease) in capital surplus resulting from change in equity interest in consolidated subsidiaries | | | | | | 30 |
| Net changes in items other than shareholders' equity during the consolidated fiscal year | (14) | 1,121 | 84 | 1,191 | (360) | 830 |
| Total changes during the consolidated fiscal year | (14) | 1,121 | 84 | 1,191 | (360) | 8,865 |
| Balance on March 31, 2023 | 2,512 | 1,534 | 275 | 4,323 | 1,293 | 68,774 |

Balance Sheet

(Millions of yen)

| | As of March 31, 2023 | As of March 31, 2022 (Reference) | | As of March 31, 2023 | As of March 31, 2022 (Reference) |
|--|----------------------------|--|---|----------------------------|--|
| Assets: | | | Liabilities: | | |
| Current assets | 55,418 | 46,664 | Current liabilities | 27,230 | 23,038 |
| Cash and deposits | 9,369 | 14,743 | Notes payable—trade | 67 | 79 |
| Notes receivable—trade | 757 | 462 | Electronically recorded obligations—operating | 1,117 | 881 |
| Electronically recorded monetary claims—operating | 961 | 930 | Accounts payable—trade | 5,260 | 5,165 |
| Accounts receivable—trade | 20,081 | 16,024 | Short-term borrowings | 3,050 | 3,050 |
| Merchandise and finished goods | 4,473 | 3,402 | Current portion of long-term borrowings | 6,440 | 5,418 |
| Work in process | 8,941 | 4,191 | Lease obligations | 71 | 73 |
| Raw materials and supplies | 7,141 | 3,318 | Accounts payable—other | 2,686 | 2,532 |
| Advance payments to suppliers | 0 | 1,461 | Accrued expenses | 1,308 | 1,174 |
| Prepaid expenses | 246 | 203 | Income taxes payable | 2,392 | 2,326 |
| Short-term loans receivable from subsidiaries and associates | 144 | 549 | Derivatives liabilities | — | 42 |
| Accounts receivable—other | 3,282 | 1,371 | Advances received | 1,716 | 10 |
| Other | 39 | 23 | Deposits received | 65 | 55 |
| Allowance for doubtful accounts | (22) | (18) | Notes payable—facilities | 774 | 171 |
| | | | Electronically recorded obligations—facilities | 2,199 | 1,980 |
| Non-current assets | 54,848 | 46,745 | Provision for bonuses to officers | 80 | 75 |
| Property, plant and equipment | 29,878 | 26,200 | Non-current liabilities | 24,795 | 19,151 |
| Buildings | 5,491 | 4,860 | Long-term borrowings | 22,560 | 17,001 |
| Structures | 2,460 | 2,066 | Lease obligations | 174 | 241 |
| Machinery and equipment | 13,684 | 10,135 | Provision for retirement benefits | 2,029 | 1,879 |
| Vehicles | 24 | 18 | Provision for share awards for directors (and other officers) | 18 | 11 |
| Tools, furniture and fixtures | 3,089 | 3,289 | Other | 11 | 18 |
| Land | 2,065 | 2,065 | Total liabilities | 52,025 | 42,190 |
| Lease assets | 244 | 314 | | | |
| Construction in progress | 2,819 | 3,449 | Net assets: | | |
| | | | Shareholders' equity | 55,910 | 48,884 |
| Intangible assets | 493 | 548 | Capital | 2,877 | 2,877 |
| Software | 488 | 543 | Capital surplus | 1,524 | 1,524 |
| Other | 5 | 5 | Legal capital surplus | 1,524 | 1,524 |
| Investments and other assets | 24,475 | 19,996 | Retained earnings | 51,575 | 44,551 |
| Investment securities | 6,395 | 6,449 | Legal retained earnings | 436 | 436 |
| Shares of subsidiaries and associates | 4,704 | 4,704 | Other retained earnings | 51,139 | 44,115 |
| Investments in capital of subsidiaries and associates | 5,393 | 5,393 | Reserve for dividends | 371 | 371 |
| Long-term loans receivable from subsidiaries and associates | 6,214 | 2,070 | General reserve | 4,608 | 4,608 |
| Long-term loans receivable from employees | 9 | 12 | Retained earnings brought forward | 46,159 | 39,135 |
| Deferred tax assets | 1,246 | 1,071 | Treasury shares | (65) | (68) |
| Other | 518 | 298 | Valuation and translation adjustments | 2,331 | 2,335 |
| Allowance for doubtful accounts | (6) | (2) | Valuation difference on available-for-sale securities | 2,331 | 2,335 |
| | | | Total net assets | 58,241 | 51,219 |
| Total assets | 110,267 | 93,410 | Total liabilities and net assets | 110,267 | 93,410 |

Statement of Income

(Millions of yen)

| | From April 1, 2022 to March 31, 2023 | From April 1, 2021 to March 31, 2022 (Reference) |
|---|---|---|
| Net sales | 72,044 | 55,750 |
| Cost of sales | 53,162 | 39,603 |
| Gross profit | 18,882 | 16,146 |
| Selling, general and administrative expenses | 7,670 | 7,126 |
| Operating profit | 11,211 | 9,020 |
| Non-operating profit | 1,293 | 909 |
| Interest income | 123 | 28 |
| Dividend income | 303 | 244 |
| Foreign exchange gains | 101 | 410 |
| Gain on sales of prototypes | 515 | — |
| Miscellaneous income | 249 | 225 |
| Non-operating expenses | 288 | 528 |
| Interest expenses | 177 | 164 |
| Loss on valuation of derivatives | 59 | 119 |
| Loss on sale of trial products | — | 204 |
| Miscellaneous loss | 50 | 39 |
| Ordinary profit | 12,217 | 9,400 |
| Extraordinary income | — | 131 |
| Gain on sale of investment securities | — | 131 |
| Extraordinary losses | 278 | 145 |
| Loss on retirement of non-current assets | 266 | 145 |
| Loss on valuation of investment securities | 11 | — |
| Profit before income taxes | 11,938 | 9,386 |
| Income taxes—current | 3,683 | 2,842 |
| Income taxes—deferred | (148) | (109) |
| Profit | 8,404 | 6,652 |

Statement of Changes in Equity

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | |
|---|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------|-----------------------------------|-------------------------|-----------------|----------------------------|
| | Capital | Capital surplus | | Retained earnings | | | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | | Total retained earnings | | |
| | | | | | Reserve for dividends | General reserve | Retained earnings brought forward | | | |
| Balance on April 1, 2022 | 2,877 | 1,524 | 1,524 | 436 | 371 | 4,608 | 39,135 | 44,551 | (68) | 48,884 |
| Changes during the fiscal year | | | | | | | | | | |
| Dividends of surplus | | | | | | | (1,380) | (1,380) | | (1,380) |
| Profit | | | | | | | 8,404 | 8,404 | | 8,404 |
| Purchase of treasury shares | | | | | | | | | (0) | (0) |
| Disposal of treasury shares | | | | | | | | | 2 | 2 |
| Net changes in items other than shareholders' equity during the fiscal year | | | | | | | | | | |
| Total changes during the fiscal year | — | — | — | — | — | — | 7,023 | 7,023 | 2 | 7,026 |
| Balance on March 31, 2023 | 2,877 | 1,524 | 1,524 | 436 | 371 | 4,608 | 46,159 | 51,575 | (65) | 55,910 |

| | Valuation and translation adjustments | | Total net assets |
|---|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance on April 1, 2022 | 2,335 | 2,335 | 51,219 |
| Changes during the fiscal year | | | |
| Dividends of surplus | | | (1,380) |
| Profit | | | 8,404 |
| Purchase of treasury shares | | | (0) |
| Disposal of treasury shares | | | 2 |
| Net changes in items other than shareholders' equity during the fiscal year | (4) | (4) | (4) |
| Total changes during the fiscal year | (4) | (4) | 7,021 |
| Balance on March 31, 2023 | 2,331 | 2,331 | 58,241 |

Accounting Audit Report on Consolidated Financial Statements

Independent Auditor's Report (English Translation)

May 22, 2023

The Board of Directors of Kanto Denka Kogyo Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Certified Public Accountant Shigeyuki Honda
Designated Limited Liability Partner
Engagement Partner

Certified Public Accountant Tsuyoshi Nakano
Designated Limited Liability Partner
Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements, of Kanto Denka Kogyo Co., Ltd. ("the Company") for the fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

Other information is the business report and the supplementary schedules thereof. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the execution of directors' duties related to designing and operating reporting processes for other information.

Other information is not subject to our audit opinion on the consolidated financial statements, and we express no opinion on the other information.

Our responsibility when auditing the consolidated financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in

accordance with accounting principles generally accepted in Japan. This includes designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the execution of directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act.

Accounting Audit Report

Independent Auditor's Report (English Translation)

May 22, 2023

The Board of Directors of Kanto Denka Kogyo Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo Office

Certified Public Accountant Shigeyuki Honda
Designated Limited Liability Partner
Engagement Partner

Certified Public Accountant Tsuyoshi Nakano
Designated Limited Liability Partner
Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the non-consolidated financial statements, and the supplementary schedules, of Kanto Denka Kogyo Co., Ltd. (“the Company”) for the fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company for the period covered by the financial statements in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in “Auditor’s Responsibility for the Audit of the Financial Statements.” We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

Other information is the business report and the supplementary schedules thereof. Management is responsible for preparation and disclosure of the other information. The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the execution of directors’ duties related to designing and operating reporting processes for other information.

Other information is not subject to our audit opinion on the financial statements, and we express no opinion on the other information.

Our responsibility when auditing the financial statements and the accompanying supplementary schedules is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring the execution of directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements in the audit report, or if the notes to the financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements including related notes, and whether the financial statements fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act.

Audit & Supervisory Board's Report

Audit Report (English Translation)

We, the Audit & Supervisory Board, based on the audit report prepared by each Audit & Supervisory Board member on the performance by the directors of their duties during the fiscal year from April 1, 2022 to March 31, 2023, prepared this audit report upon deliberation and hereby report as follows.

1. Method of Audit by the Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof
 - (1) The Audit & Supervisory Board determined the audit policy and plans and received from each Audit & Supervisory Board member reports on the state of their performance of audits and the results thereof. The Board also received reports from the directors and other parties as well as the accounting auditor on the state of performance of their duties, and sought explanations as necessary.
 - (2) Each Audit & Supervisory Board member, in accordance with the auditing standards of Audit & Supervisory Board members and the audit policy and plans determined by the Audit & Supervisory Board, maintained communication with the directors, internal auditing unit, employees, and other parties in an effort to collect information and improve the environment for auditing, and conducted audits in accordance with the following methods.
 - i. Members attended important meetings, such as those of the Board of Directors, received reports from directors, employees, and other parties about the status of execution of their duties, asked for explanations as necessary, inspected important approval documents and others, and investigated the status of operations and assets at the Headquarters and major business locations. Members worked to communicate and exchange information with the directors, auditors, and others at subsidiaries, receiving business reports from these subsidiaries as necessary.
 - ii. For the system (internal control system) listed in the business report established based on resolution of the Board of Directors and the content thereof related to the establishment of systems as prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, as a system for ensuring that the execution of duties of directors complies with laws, regulations, and the Articles of Incorporation and for ensuring the propriety of business activities in a group of enterprises comprised of the relevant stock company and its subsidiaries, members regularly received reports on its structure and operation status from directors, employees, and other parties, asked for explanations as necessary, and expressed their opinions, in accordance with the auditing standards related to internal control systems established by the Audit & Supervisory Board.
 - iii. For the basic policy and efforts listed in the business report corresponding to Article 118, Item 3, (a) and (b) of the Ordinance for Enforcement of the Companies Act, respectively, the contents of these have also been examined based on the status of deliberations at the Board of Directors meetings and other meetings.
 - iv. Members monitored and verified whether the accounting auditor had maintained an independent position and conducted adequate audits, received from the accounting auditor reports on the state of performance of their duties, and requested explanations as necessary. In addition, members received from the accounting auditor a notice that the systems to secure adequate performance of duties (as listed in the items of Article 131 of the Ordinance for Corporate Accounting) had been established in accordance with the Standard for Quality Control Concerning Audits (the Business Accounting Council, October 28, 2005), and requested explanations as necessary.

In accordance with these methods, we investigated the business report and its supplementary schedules, non-consolidated financial statements (the balance sheet, the statement of income, the statement of changes in equity, and the notes to financial statements) and its supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to consolidated financial statements), for the fiscal year under review.

2. Results of Audit

(1) Results of audit of the business report, etc.

We are of the opinion:

- i. That the business report and its supplementary schedules fairly present the state of the Company in accordance with laws and regulations and the Articles of Incorporation;
- ii. That in connection with the performance by the directors of their duties, no fraudulent act or material fact of violation of laws and regulations and the Articles of Incorporation exists;
- iii. That the details of the resolutions of the Board of Directors on internal control systems are proper. Furthermore, that there are no matters to be pointed out regarding the content of the business report and performance by the directors of their duties concerning such internal control systems; and
- iv. That there are no matters to be pointed out regarding the Basic Policy on Company Financial and Business Policy Decision Controllers as listed in the business report, and that the efforts listed in the business report corresponding to Article 118, Item 3, (b) of the Ordinance for Enforcement of the Companies Act are recognized as consistent with this Basic Policy, and these efforts are not found to be detrimental to the Company's common shareholder interest, nor are they intended to protect the positions of the Company officers.

(2) Results of audit of the non-consolidated financial statements and the supplementary schedules

We are of the opinion that the method and results of the audit made by the accounting auditor, Ernst & Young ShinNihon LLC, are proper.

(3) Results of audit of the consolidated financial statements

We are of the opinion that the method and results of the audit made by the accounting auditor, Ernst & Young ShinNihon LLC, are proper.

May 22, 2023

Audit & Supervisory Board, Kanto Denka Kogyo Co., Ltd.
Full-time Audit & Supervisory Board Member Takeaki Yajima (Seal)
Full-time Audit & Supervisory Board Member Masatomo Hayashi (Seal)
Outside Audit & Supervisory Board Member Naozumi Furukawa (Seal)
Outside Audit & Supervisory Board Member Kenichi Ikeda (Seal)

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal: Election of 12 Directors

The terms of office of all 11 directors will expire at the conclusion of this year's Ordinary General Meeting of Shareholders. Therefore, in order to further strengthen the management structure, the Company proposes the election of 12 directors, including 1 additional director and 4 outside directors.

The candidates for director are as follows:

| No. | Name (Date of birth) | Past experience, positions, area of responsibility and significant concurrent positions | Number of shares of the Company held |
|-----|---|--|---|
| 1 | Jun'ichi Hasegawa (November 11, 1958) Reappointment | <p>January 2000 Joined the Company</p> <p>July 2004 General Manager, Fine Chemicals Sales Dept.-II, Sales Div.</p> <p>June 2007 Executive Officer; General Manager, Fine Chemicals Sales Dept.-II, Sales Div.</p> <p>June 2009 Director and Executive Officer; General Manager, Sales Div.</p> <p>January 2011 Director and Executive Officer; General Manager, Sales Div.; General Manager, Fine Chemicals Sales Dept.-I</p> <p>June 2011 Director and Executive Officer of the Company; Chairman and Managing Director, Kanto Denka Kogyo (Shanghai) Co., Ltd.</p> <p>June 2015 President</p> <p>June 2019 President; General Manager, Business Div. (to present) (In charge of Internal Auditing Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Jun'ichi Hasegawa as a candidate for director because Mr. Hasegawa has long experience in the sales division and at overseas subsidiaries, experience as a director and broad insights concerning the overall management of the Company.</p> | <p>44,489</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>7,089</p> |
| 2 | Yasunari Yamaguchi (August 1, 1965) Reappointment | <p>April 1990 Joined the Company</p> <p>April 2009 General Manager, Production Dept.-I, Shibukawa Plant</p> <p>June 2013 General Manager, Corporate Planning Dept.</p> <p>June 2015 Executive Officer; Plant Manager, Mizushima Plant</p> <p>June 2019 Director and Executive Officer; Plant Manager, Shibukawa Plant</p> <p>November 2019 Director and Executive Officer; Plant Manager, Shibukawa Plant; General Manager, Production Engineering Dept., Shibukawa Plant</p> <p>June 2020 Director and Executive Officer; Plant Manager, Shibukawa Plant</p> <p>June 2021 Director and Executive Officer; General Manager, Technical Div.</p> <p>June 2022 Director and Managing Executive Officer; General Manager, Technical Div. (to present) (In charge of Purchasing Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Yasunari Yamaguchi as a candidate for director because Mr. Yamaguchi has long experience in engineering divisions, including plant operations as well as corporate planning divisions, experience as a director and broad insights concerning the overall management of the Company.</p> | <p>10,858</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>5,158</p> |

| No. | Name (Date of birth) | Past experience, positions, area of responsibility and significant concurrent positions | Number of shares of the Company held |
|-----|--|--|---|
| 3 | Kazuki Niimi (September 22, 1960) Reappointment | <p>April 1984 Joined Asahi Mutual Life Insurance Company</p> <p>April 2006 General Manager, Finance Unit, Asahi Mutual Life Insurance Company</p> <p>April 2010 General Manager, Accounting Unit, Asahi Mutual Life Insurance Company</p> <p>April 2013 General Manager, Bond Management Unit, Asahi Mutual Life Insurance Company</p> <p>April 2015 General Manager, Securities Management Dept., Asahi Mutual Life Insurance Company</p> <p>April 2016 General Manager, Financial Controller Dept., Asahi Mutual Life Insurance Company</p> <p>April 2020 General Manager, in charge of Financial Controller Dept., Asahi Mutual Life Insurance Company</p> <p>June 2020 Director and Executive Officer of the Company (to present) (In charge of Accounting & Finance Dept., Information Systems Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Kazuki Niimi as a candidate for director because Mr. Niimi has long experience at a financial institution, experience as a director, considerable knowledge in finance and accounting, and broad insights concerning the overall management of the Company.</p> | <p>8,622</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>4,922</p> |
| 4 | Yuki Abe (January 21, 1969) Reappointment | <p>April 1991 Joined the Company</p> <p>June 2009 Representative Director, Kanto Denka Korea Co., Ltd.</p> <p>April 2012 General Manager, Fine Chemicals Sales Dept.-II, Sales Div. of the Company</p> <p>June 2018 Executive Officer; General Manager of Osaka Branch Office</p> <p>June 2020 Director and Executive Officer; Deputy General Manager, Business Div.; General Manager of Osaka Branch Office</p> <p>January 2021 Director and Executive Officer; Deputy General Manager, Business Div. of the Company; Representative Director, Kanto Denka Korea Co., Ltd. (to present)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Yuki Abe as a candidate for director because Mr. Abe has long experience in the sales division and at an overseas subsidiary, experience as a director, and broad insights concerning the overall management of the Company.</p> | <p>5,088</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>788</p> |
| 5 | Kunihiko Uramoto (August 24, 1959) Reappointment | <p>April 1982 Joined Asahi Mutual Life Insurance Company</p> <p>December 2002 Joined the Company</p> <p>April 2008 General Manager, Personnel & General Affairs Dept.</p> <p>June 2011 Executive Officer; General Manager, Personnel & General Affairs Dept.</p> <p>June 2017 Senior Executive Officer; General Manager, Legal & General Affairs Dept.</p> <p>June 2018 Full-time Audit & Supervisory Board Member</p> <p>June 2021 Director and Executive Officer (to present) (In charge of Sustainability Dept., Legal & General Affairs Dept., Personnel Dept., Business Support Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Kunihiko Uramoto as a candidate for director because Mr. Uramoto has long experience at the personnel and legal & general affairs divisions of the Company, experience as an Audit & Supervisory Board member and director, and broad insights concerning the overall management of the Company.</p> | <p>14,347</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>3,347</p> |

| No. | Name (Date of birth) | Past experience, positions, area of responsibility and significant concurrent positions | Number of shares of the Company held |
|-----|---|--|--|
| 6 | Ryoji Masujima (June 16, 1967) Reappointment | <p>April 1992 Joined the Company</p> <p>June 2015 General Manager, Corporate Planning Dept.</p> <p>June 2017 Chairman and Managing Director, Kanto Denka Kogyo (Shanghai) Co., Ltd.</p> <p>June 2019 Executive Officer of the Company; Chairman and Managing Director, Kanto Denka Kogyo (Shanghai) Co., Ltd.</p> <p>March 2021 Executive Officer; General Manager, Legal & General Affairs Dept.</p> <p>December 2021 Executive Officer; General Manager of Legal & General Affairs Dept. and General Manager of Sustainability Dept.</p> <p>June 2022 Director and Executive Officer; General Manager, Corporate Planning Dept., (to present) (In charge of Corporate Planning Dept., Overseas Business Development Dept.)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Ryoji Masujima as a candidate for director because Mr. Masujima has long experience in the corporate planning division, the legal & general affairs division, and at an overseas subsidiary, experience as a director and broad insights concerning the overall management of the Company.</p> | <p>3,072</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>1,772</p> |
| 7 | Go Takikawa (January 12, 1970) Reappointment | <p>April 1994 Joined the Company</p> <p>April 2010 General Manager, Production Dept.-II, Mizushima Plant</p> <p>June 2020 Executive Officer; General Manager, Production Dept.-II, Mizushima Plant; Deputy General Manager, New Products Development Div.</p> <p>June 2021 Executive Officer; Plant Manager, Mizushima Plant; Deputy General Manager, New Products Development Div.</p> <p>June 2022 Director and Executive Officer; General Manager, New Products Development Div.; Plant Manager, Mizushima Plant (to present)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Go Takikawa as a candidate for director because Mr. Takikawa has long experience in the engineering division, including plant operations, and the new products development division of the Company, experience as a director and broad insights concerning the overall management of the Company.</p> | <p>3,472</p> <p>Of which, number of shares to be delivered in the stock-based remuneration plan</p> <p>1,772</p> |
| 8 | Kenichi Yako (January 11, 1969) New appointment | <p>April 1992 Joined the Company</p> <p>April 2009 General Manager, Production Engineering Dept., Shibukawa Plant</p> <p>June 2013 General Manager, Production Dept.-I, Shibukawa Plant</p> <p>January 2017 General Manager, Overseas Business Development Dept.</p> <p>November 2017 General Manager, Overseas Business Development Dept.; Representative Director, Kanto Denka Fine Products Korea Co., Ltd.</p> <p>June 2020 Executive Officer; General Manager, Overseas Business Development Dept. of the Company; Representative Director, Kanto Denka Fine Products Korea Co., Ltd.</p> <p>April 2023 Executive Officer; Representative Director, Kanto Denka Fine Products Korea Co., Ltd. (to present)</p> <p>[Reasons for nomination as candidate for director] The Company has nominated Kenichi Yako as a candidate for director because Mr. Yako has long experience in the engineering division, including plant management, and at an overseas subsidiary, and he also has broad insights concerning the overall management of the Company.</p> | <p>0</p> |

| No. | Name (Date of birth) | Past experience, positions, area of responsibility and significant concurrent positions | Number of shares of the Company held |
|-----|--|---|--|
| 9 | Hideki Matsui (July 9, 1962) Reappointment Outside | <p>April 1987 Admitted as Attorney-at-Law</p> <p>April 1987 Joined Marunouchi Sogo Law Office</p> <p>October 2006 Outside Auditor, Kanebo Cosmetics Inc.</p> <p>September 2011 Co-Representative Attorney-at-law, Marunouchi Sogo Law Office (to present)</p> <p>June 2015 Outside Director of the Company (to present)</p> <p>[Significant concurrent position] Co-Representative Attorney-at-law, Marunouchi Sogo Law Office</p> <p>[Reasons for nomination as candidate for outside director and overview of expected roles] Although Hideki Matsui has not been involved in corporate management other than as an outside officer, the Company has nominated him as a candidate for outside director because Mr. Matsui has engaged in corporate legal affairs as an attorney-at-law for many years, and the Company expects him to utilize his wealth of experience and broad insights for the management of the Company.</p> | 0 |
| 10 | Masaharu Sugiyama (June 20, 1954) Reappointment Outside | <p>November 1979 Joined Daiichi Audit Corporation (current Ernst & Young ShinNihon LLC)</p> <p>August 1983 Registered as Certified Public Accountant (CPA)</p> <p>May 2002 Representative Partner (current Senior Partner), Ernst & Young ShinNihon LLC</p> <p>August 2008 Councilor of Employee Council, Ernst & Young ShinNihon LLC</p> <p>August 2010 Audit Commissioner, Ernst & Young ShinNihon LLC</p> <p>August 2013 Chairman of Audit Committee, Ernst & Young ShinNihon LLC</p> <p>August 2014 Vice-Chairman of Employee Council, Ernst & Young ShinNihon LLC</p> <p>June 2016 Outside Director of the Company (to present)</p> <p>[Reasons for nomination as candidate for outside director and overview of expected roles] Although he has not been involved in corporate management other than as an outside officer, the Company has nominated Masaharu Sugiyama as a candidate for outside director because Mr. Sugiyama has engaged in corporate accounting for many years as a Certified Public Accountant, and the Company expects him to utilize his wealth of experience and broad insights for the management of the Company.</p> | 0 |

| No. | Name (Date of birth) | Past experience, positions, area of responsibility and significant concurrent positions | Number of shares of the Company held |
|-----|--|--|--|
| 11 | Hitoshi Habuka (March 25, 1957) Reappointment Outside | <p>April 1981 Joined Shin-Etsu Chemical Co., Ltd.</p> <p>March 2000 Retired from Shin-Etsu Chemical Co., Ltd.</p> <p>April 2000 Associate Professor, Department of Material Science and Chemical Engineering, Faculty of Engineering, Yokohama National University (current National University Corporation Yokohama National University)</p> <p>April 2002 Professor, Department of Chemical Engineering Science, Faculty of Engineering, National University Corporation Yokohama National University</p> <p>April 2017 Vice Dean, College of Engineering Science, National University Corporation Yokohama National University</p> <p>June 2019 Outside Director of the Company (to present)</p> <p>April 2022 Professor Emeritus, National University Corporation Yokohama National University (to present) Lecturer (part-time), Faculty of Engineering, National University Corporation Yokohama National University (to present)</p> <p>[Significant concurrent positions] Professor Emeritus, National University Corporation Yokohama National University Lecturer (part-time), Faculty of Engineering, National University Corporation Yokohama National University</p> <p>[Reasons for nomination as candidate for outside director and overview of expected roles] Although he has not been involved in corporate management other than as an outside officer, the Company has nominated Hitoshi Habuka as a candidate for outside director because Dr. Habuka has worked at Shin-Etsu Chemical Co., Ltd. and has experience as an engineering advisor and guest researcher, etc. at other companies. Also, he has engaged in research and development for many years, and the Company expects him to utilize his wealth of experience and broad insights for the management of the Company.</p> | 0 |

| No. | Name (Date of birth) | Past experience, positions, area of responsibility and significant concurrent positions | Number of shares of the Company held |
|-----|---|---|--|
| 12 | Yuko Kariya (April 15, 1960) Reappointment Outside | <p>April 1983 Joined Torii Pharmaceutical Co., Ltd.</p> <p>June 2012 Executive Vice President; Head of Pharmacovigilance & Quality Assurance Group, Torii Pharmaceutical Co., Ltd.</p> <p>June 2013 Member of the Board, Director; Head of Pharmacovigilance & Quality Assurance Group, Torii Pharmaceutical Co., Ltd.</p> <p>March 2020 Standing Corporate Advisor, Torii Pharmaceutical Co., Ltd.</p> <p>March 2021 Retired from Torii Pharmaceutical Co., Ltd.</p> <p>June 2022 Outside Director of the Company (to present) Outside Director, NIPPON KINZOKU CO.,LTD. (to present)</p> <p>[Significant concurrent position] Outside Director, NIPPON KINZOKU CO.,LTD.</p> <p>[Reasons for nomination as candidate for outside director and overview of expected roles] The Company has nominated Yuko Kariya as a candidate for outside director because Ms. Kariya has engaged in management of a pharmaceutical manufacturer as director for many years, and the Company expects her to utilize her wealth of experience and broad insights, including with regard to quality assurance, for the management of the Company.</p> | 0 |

- (Notes) 1. The number of shares of the Company held includes shares to be delivered in the stock-based remuneration plan.
2. Hideki Matsui, Masaharu Sugiyama, Hitoshi Habuka, and Yuko Kariya are candidates for outside director. Each is a candidate for independent officer as stipulated by the rules of the Tokyo Stock Exchange.
3. Although Hideki Matsui belongs to the Marunouchi Sogo Law Office, with which the Company has a legal advisory retainer contract and to which it pays fees for legal services provided by attorneys, the Company paid only about ¥3 million for the fiscal year ended March 31, 2023, and this amount does not affect the independence of Mr. Matsui either from the Company or from the law office.
4. Although Masaharu Sugiyama belonged to Ernst & Young ShinNihon LLC, which is the Company's accounting auditor, he retired from the audit firm in June 2016. Although the Company pays compensation for audits conducted by the firm, the Company paid only ¥37 million for the fiscal year ended March 31, 2023, and this amount does not affect the independence of Mr. Sugiyama with regard to either the Company or the audit firm. Mr. Sugiyama has not been in charge of audits of the Company.
5. The Company has an agreement with Hideki Matsui, Masaharu Sugiyama, Hitoshi Habuka, and Yuko Kariya to limit their liability as outside director on the basis of the provisions of Article 427, Paragraph 1, of the Companies Act with the liability limit set forth in the relevant law. In case Mr. Matsui, Mr. Sugiyama, Mr. Habuka, and Ms. Kariya are elected as outside directors and assume office as such, the Company plans to continue to enter into a similar agreement with them.
6. The Company has entered into a directors and officers liability insurance agreement for directors and Audit & Supervisory Board members of the Company and its subsidiaries (excluding subsidiaries for which the Company holds all shares) as insureds, which is outlined below. The Company plans to renew the agreement in October 2023. Each candidate who is currently a director is included as an insured under the said agreement, and when each candidate is elected and assumes office, they will all be included as an insured under the said agreement.
- 1) Outline of events insured against
The agreement covers damages that may arise due to insured directors, Audit & Supervisory Board members, officers, etc. being held liable for the execution of his or her duties or being subject to a claim for this liability. However, the policy does include certain exemption clauses, such as for liabilities arising from acts committed by insureds while aware that doing so would be in violation of laws and regulations.
- 2) Insurance premiums will be fully borne by the Company.
7. The term of office of Hideki Matsui, Masaharu Sugiyama, Hitoshi Habuka, and Yuko Kariya as outside directors of the Company upon the conclusion of this General Meeting of Shareholders will be eight years, seven years, four years, and one year, respectively.

[Reference] Director candidate expertise and experience (skill matrix)

The expertise and experience of the candidates for director are as follows:

| Expertise and experience | | | | | | | |
|--------------------------|--|---------------|-------------------|------------------|----------------|----------------------|---------------------------------|
| Name | Corporate management / management strategy | Globalization | Sales / marketing | Technology / R&D | Sustainability | Finance / accounting | Legal affairs / risk management |
| Jun'ichi Hasegawa | √ | √ | √ | | √ | | |
| Yasunari Yamaguchi | √ | | | √ | √ | | |
| Kazuki Niimi | √ | | | | | √ | |
| Yuki Abe | √ | √ | √ | | | | |
| Kunihiko Uramoto | √ | | | | √ | √ | √ |
| Ryoji Masujima | √ | √ | | | √ | | √ |
| Go Takikawa | √ | | | √ | | | |
| Kenichi Yako | √ | √ | | √ | | | |
| Hideki Matsui | | | | | | | √ |
| Masaharu Sugiyama | | | | | | √ | |
| Hitoshi Habuka | | | | √ | | | |
| Yuko Kariya | √ | | | √ | | | |

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