

Sustainable Procurement

Policies and Management

The Showa Denko Group aspires to build long-term relations of trust with suppliers and contribute to the realization of a sustainable society. To this end, we adhere to high ethical standards in our procurement activities and develop fair and impartial procurement frameworks to promote responsible procurement activities. We also strive to develop sustainable businesses across the supply chain, ranging from raw material procurement to manufacturing, sales, and distribution.

As we work toward the full integration of Showa Denko and Showa

Denko Materials as a corporate entity, we are moving ahead with the integration of our procurement policies, supplier screening standards, procurement procedures, and procurement regulations through the Purchasing & Distribution Subcommittee. This organization is staffed by representatives of the procurement divisions of Showa Denko and Showa Denko Materials under the guidance of the chief operations, manufacturing, and engineering officer (CMEO). In addition, important meetings and training programs have been held jointly since 2021.

Strategies

In its procurement activities, the Group is committed to exercising social responsibility with regard to the environment, human rights, and compliance from a global perspective. To this end, we have established procurement guidelines detailing the initiatives that we want suppliers to join. Adherence to these guidelines in collaborative activities is anticipated to lead to improved corporate value for both parties. Moreover, the CSR procurement guidelines issued by Showa Denko and Showa Denko Materials were integrated and revised in 2022 to enhance our

competitiveness on the global stage as a newly integrated company, to form the Sustainability Procurement Guidelines. We aim to spread awareness among suppliers of the new guidelines in the years ahead.

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In addition, our long-term vision defines the following priority measures for material sustainability issues, and we are working to advance these measures.

Priority measures	Targets for 2025	Results in 2021
Improvement of communication quality through supplier self-assessment questionnaires	Improved response rates Higher rate of suppliers exceeding the satisfactory threshold	Began formulating the Sustainability Procurement Guidelines for the newly integrated company (established in 2022, with awareness raising activities underway)

Initiatives in 2021

Showa Denko previously requested that all of its suppliers comply with the Showa Denko Group's CSR Procurement Guidelines. To raise suppliers' awareness with regard to our sustainable procurement activities, we asked new suppliers to fill out CSR self-assessment questionnaires when starting business with us, and we requested major existing suppliers to do so once every three years. Additionally, each year we visit around 40 suppliers to conduct on-site CSR inspections, during which we speak with them about their environmental, human rights, compliance, and other initiatives.

The results of CSR self-assessment questionnaires and on-site CSR inspections have been aggregated, and applicable suppliers were provided with feedback reports that clarified their standing relative to the average of all suppliers and of their own business category and provided advice on making improvements. These activities are positioned as the pillars of our supplier risk assessment activities,

and in principle we conduct supplier risk assessments for all items and services that we purchase.

Concurrently, Showa Denko Materials distributed its Supply Chain CSR Procurement Guidelines to new suppliers when starting business with them and asked them to submit a report on the completion of checking as part of efforts to raise awareness among suppliers. In the future, efforts will be advanced as a newly integrated company based on the KPIs defined in our long-term vision.

In addition, we issued a declaration to voluntarily take actions based on our endorsement of the principles of the white logistics movement aimed at improving working conditions in the logistics industry advocated by the Ministry of Land, Infrastructure, Transport and Tourism; the Ministry of Economy, Trade and Industry; and the Ministry of Agriculture, Forestry and Fisheries. Initiatives are underway in accordance with this declaration.

Results of Supplier CSR Self-Assessment in 2021

Number of respondents: **327** companies Average score: **65.4**

Score	Number of companies (%)	Improvement efforts
50 or more	239 companies (73%)	Were requested to work on matters that needed improvement and pursue higher-scoring initiatives
30 to 50	78 companies (24%)	Were requested to work on matters that needed improvement, and were offered Showa Denko's proposal on improvement measures Note: Visits made as needed, to exchange opinions on efforts on both sides and check improvements with the next self-assessment.
Below 30	10 companies (3%)	Were requested to work on matters that needed improvement, and were offered Showa Denko's proposal on improvement measures Note: Visits made as needed, to discuss early improvement and check improvements with the next self-assessment.

Compliance

Policies and Management

The Company believes a compliance philosophy that emphasizes adherence to both laws and soft law standards is imperative for the continuity of its business. Accordingly, we are implementing systems and initiatives to entrench, throughout the organization, an ethical standard based on honesty, impartiality, and integrity alongside our commitment to compliance with the laws, regulations, and social norms of every country and region that we serve.

The upcoming milestone of the corporate integration of Showa Denko and Showa Denko Materials, scheduled for January 2023, is being positioned as an opportunity to instill awareness of corporate ethics and compliance among all Group employees. We will also be examining methods of installing and operating frameworks to appropriately monitor the state of compliance.

Strategies

The newly integrated company will focus on introducing and enacting global compliance standards over the medium to long term, with the goal of gaining social credibility through responsible business management. In addition, a new code of conduct will be prepared and its understanding and awareness promoted. We will also seek to increase recognition of our Corporate Ethics Hotline, so that we can protect our reputation and improve the ability of the organization to combat internal misconduct.

The new code of conduct among all Group companies.

Furthermore, code of conduct booklets are scheduled for production. These booklets will be used as a tool to facilitate a deeper understanding of the code and help employees reflect this code in their daily business activities and everyday life. Meanwhile, our annual Corporate Ethics Month will continue to serve as a time to promote understanding of the code through the Group.

Group Code of Conduct

A project team comprised of employees from both Showa Denko and Showa Denko Materials is currently in the process of formulating a code of conduct that will set forth the minimum required standards of actions and the rules we will expect all members of the newly integrated company to observe. This code of conduct is scheduled to be announced during our annual Corporate Ethics Month in October 2022. We plan to prepare Japanese-, English-, and Chinese-language versions of this code for the announcement, which will then be used to promote understanding of and adherence

Corporate Ethics Hotline Consultation and Whistleblowing System

Showa Denko and Showa Denko Materials have set up compliance hotlines that are available to all stakeholders who wish to seek consultation or report any issues regarding compliance. The two companies, moreover, make proper and prompt responses to such reports, with due consideration to confidentiality and the prevention of disadvantageous treatment of hotline users. As for serious cases, all matters, from reporting to investigation to corrective and preventive measures, are reported to the Management Committee and the Board of Directors.

Priority measures	Targets for 2025	Results in 2021
1) Entrenchment of the Group Code of Conduct 2) Penetration of Group global compliance standards	1) Increase workplace communication opportunities and number of participants 2) Reduction in number of serious legal breaches and increase in number of reports through the whistleblowing system	1) Commencement of the formulation of the new Group Code of Conduct (scheduled for completion in 2022) 2) Commencement of the formulation of global compliance standards (introduction completed in 2022)

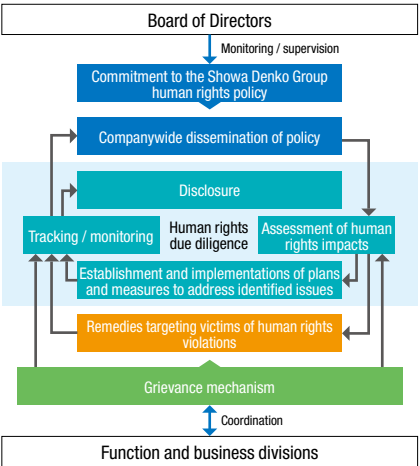
Initiatives Based on Our Human Rights Policy

The Showa Denko Group Human Rights Policy was established in 2021. All employees are expected to conform their actions to this policy, and we request that suppliers and all other business partners adopt the spirit of the policy. We also continue to build upon human rights due diligence activities in accordance with this policy.

In 2021, focus was placed on risk assessments of Showa Denko Group employees in Japan and on process assessments of sustainable procurement activities. Any human rights issues discovered through these assessments will be addressed through concrete improvement activities, including training to raise awareness, revisions to regulations, and reforms to procurement processes.

In 2022, we expanded the scope of human rights due diligence activities to include overseas Group employees, workers with non-direct employment schemes in Japan and overseas, and the supply chain in its entirety. This move was made based on the rising geopolitical risks and on our need to act as a newly integrated company. Through this expanded scope of activities, we have begun identifying high-risk areas.

Priority measures	Targets for 2025	Results in 2021
Human rights	Establishment of human rights due diligence processes and implementation frameworks	Commencement of human rights policy establishment, issue identification in Japan, and response measure formulation



Risk Management

Mission of Creating Value

The Company takes steps to identify the risks that could potentially impact business management, to support management decision-making and thereby facilitate the appropriate allocation of finite resources.

Risk Management Policies and Frameworks

The Showa Denko Group has adopted a risk assessment, response, and review process that is compliant with the ISO 31000 standard. Once a year, a comprehensive identification of risks, including potential risks associated with business activities, and an evaluation of risks (risk inventory) are conducted at more than 140 frontline organizations, such as sections and groups. Results of risk inventory activities are reviewed at the site level by the top leadership of the respective division, plant, or Group company before being registered in the Group's risk management system. Registered risks may be identified as serious risks based on their potential frequency or degree of impact.

The Risk Management Committee deliberates on the directions of countermeasures for identified serious risks and their appropriateness before reporting its findings to the Management Committee and the Board of Directors. The risk management departments of business sites then carry out the measures approved through this process. Of the risks examined by the Risk Management Committee, strategy risks are overseen by the CSO and the CFO, while operational and hazard risks are overseen by the CRO. These officers coordinate with business divisions to address the respective risks. Moreover, the perspective of risks management is installed within the scenario planning and business intelligence functions of the CSO, to effectively embed risk management into management strategies.

The chief officer organizations act as risk oversight divisions by drafting risk scenarios and countermeasures for their respective areas of risk responsibility. Business divisions, meanwhile, take risk inventory of the subsidiaries they oversee. In these ways, risk management is conducted on a Groupwide scale.

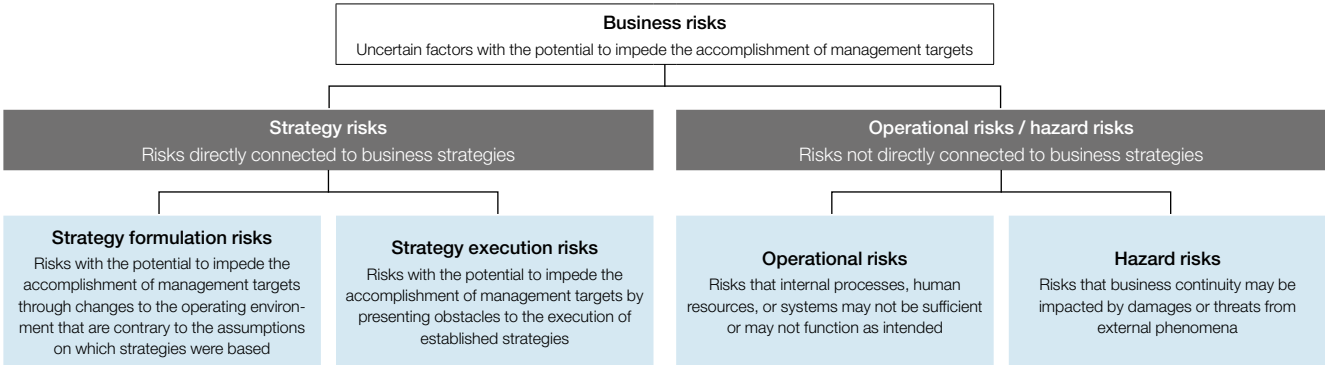
Risk Management System

As of June 30, 2022



Showa Denko's Definition of Risks

Showa Denko divides risks into three categories: strategy risks, operational risks, and hazard risks. Strategy risks are then further subdivided into risks of changes in the assumptions on which strategies are based and risks that the established strategies cannot be implemented as intended. Passive risk management based on the conventional focuses of safety and compliance will not be enough to ensure ongoing improvements in corporate value; it will also be necessary to engage in aggressive risk management that entails promoting appropriate risk taking. Based on this recognition, the newly integrated company will judge risks from a comprehensive perspective and reflect these judgments in management strategies.



Measures and KPIs to Address Material Sustainability Issues

The following are two priority measures for reconciling the disparity between the current risk management systems and those envisioned for the newly integrated company. By advancing these measures, we aim to develop a world-class risk management system.

Priority measures	Targets for 2025	Results in 2021
1) Development and operation of comprehensive risk management systems 2) Reinforcement of the second line of defense*	1) Operation of comprehensive risk management systems for strategy risks, operational risks, and hazard risks 2) Exercise of management functions through the risk assessment system	1) Trial introduction of the new risk management system (initial deployment in Japan operations) 2) Commencement of integration of the management functions of both companies (with implementation of monitoring functions scheduled for 2022)

* The second line of defense: Corporate divisions that monitor the relevant risks and provide warnings and advice positioned between the business execution divisions that control risks as risk owners (the first line of defense) and the internal control divisions (the third and final line of defense)

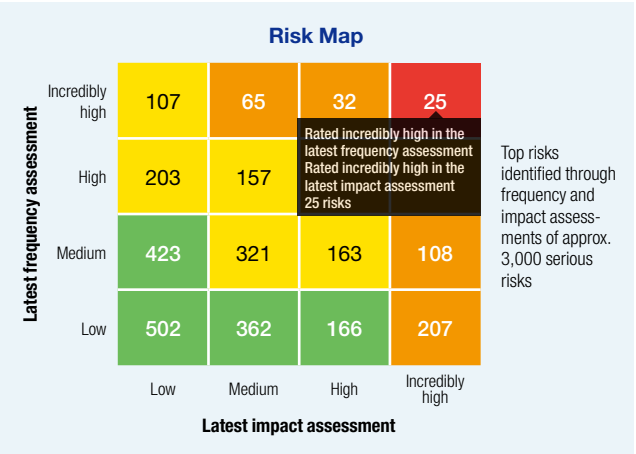
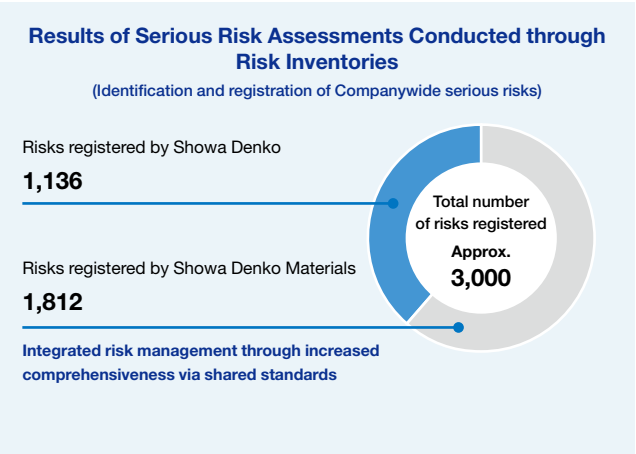
Risk Inventory Activities

In 2021, the RSA Archer® Suite* was introduced as a shared tool for integrated management for use by both Showa Denko and Showa Denko Materials. This decision was made after a comparative assessment of the risk management systems of both companies.

Approximately 3,000 serious risks from among the risks threatening both companies have been registered in this system. These risks were then categorized based on their potential frequency and degree of impact, to identify serious and priority risks. Risks that are judged

to have both an incredibly high frequency and a potential degree of impact have been positioned as top risks. The risk phenomena and response plans for the top risks were discussed among the relevant divisions, with information shared, and reports were issued to the management committee. Moreover, the results of assessments through the system were shared with Companywide managers to help mitigate frontline risks.

* A risk management system provided by RSA Security LLC



Specific Risks and Countermeasures

<p>Accidents</p> <p>Risk of impediments to product supply due to damages to the production facility or loss of employee safety as a result of accidents, etc.</p> <p>Countermeasures</p> <ul style="list-style-type: none"> • Extensive utilization of the safety management system • Analyses and training based on case studies of past accidents occurring inside and outside the Company, etc. 	<p>Information security risks</p> <p>Risk of leaks of confidential or personal information, halts to operation of internal systems due to cyberattacks, alteration of corporate websites, etc.</p> <p>Countermeasures</p> <ul style="list-style-type: none"> • Training programs to improve information security awareness • Measures to prevent information security incidents • Response measures to limit the impact of incidents, etc. 	<p>Supply chain risks (Natural disasters, infectious diseases, environmental and human rights issues, conflicts, trade friction, etc.)</p> <p>Risk of impediments to product supply due to damages to production facilities as a result of earthquakes, floods, or other natural disasters; pandemics; environmental or human rights issues; conflicts; or trade friction occurring in areas of the Company's supply chains</p> <p>Countermeasures</p> <ul style="list-style-type: none"> • Preemptive identification of multiple risks and implementation of swift response measures • Establishment of risk mitigation regulations and rules, and dissemination to business partners • Identification of priority products, establishment of business continuity plan manuals, institution of training programs, etc.
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