



Masaharu Oshima
Outside Director
Chairman of the Nomination
Advisory Committee

Kohei Morikawa
Representative Director and
Chairman of the Board,
Showa Denko K.K.

Discussion

Process for Selecting the New President and CEO

In January 2022, Hidehito Takahashi became Showa Denko's president and CEO.

In this dialogue, Representative Director and Chairman Kohei Morikawa and Chairman of the Nomination Advisory Committee Masaharu Oshima discussed their thoughts on the process for selecting the new president and CEO, the unification of the presidencies of Showa Denko and Showa Denko Materials, the background to generational change, and efforts to accelerate integration and promote speedy management as a Group.

Two Factors in Changing a President

■ Morikawa There are two important factors when a company changes its president. One is timing, and the other is the availability of a successor. A company must consider the right timing to make a change and decide who to appoint. The matters that a company must address will change over a period of between four years and six years. I believe it is vital to select a candidate at a suitable time who can do what needs to be done.

■ Oshima To proceed with its consideration of a new president and CEO, the Nomination Advisory Committee must properly understand Showa Denko's present circumstances and ascertain the type of candidates who are available.

The first stage of the process for selecting the new president and CEO saw discussions at meetings of the committee on a suitable timing for change, with committee members exchanging views on a variety of issues. These included questioning the need to appoint a successor in 2022 and considering the suggestion that it would be better to make the appointment a year later in 2023, when the newly integrated company was established.

■ Morikawa The most important role of a president is to decide on the timing of the change by getting to the bottom of a company's immediate requirements. Mindful of this, I began the process of considering the selection of the next president and CEO, based on my judgment in my capacity as president and CEO.

I have often explained that the integration of Showa Denko and Showa Denko Materials (formerly Hitachi Chemical) entails creating a new company—I call it "X"—as opposed to combining companies "A" and "B" to create a company called "AB." Both companies will together create a new company, rather than simply integrate. Because speed is of the utmost importance to achieve this goal, we must begin to create now the conditions (in terms of structures and systems) that we will have in 2023 rather than waiting until we establish the newly integrated company. I decided that if we could create the conditions now, then now would be the best time to change the president and CEO. This explains why the new president and CEO serves concurrently in that position at both Showa Denko and Showa Denko Materials.

The Ideal Leadership Values Required in a Critical Situation

■ Oshima In the second stage of the process, the committee defined the ideal leadership values required in a successor by Showa Denko at the present time. The establishment of the newly integrated company—representing a second foundation for Showa Denko—will serve as a major turning point in the Company's history. Accordingly, the committee placed emphasis on confirming whether the Company had the capacity and the reserves of strength to navigate this challenging situation and the vigor to accomplish post-merger integration (PMI). Moreover, given that the international

Discussion: Process for Selecting the New President and CEO

situation is in a considerable state of flux, we were keenly aware of the need to select a leader capable of dealing with this critical period, recognizing that an international mindset would be an extremely important attribute in a successor.

The next stage in the process saw the directors narrow down to four the number of successor candidates from the list of individuals chosen by Showa Denko and the former Hitachi Chemical. The successful candidate was then selected through an interview with the Nomination Advisory Committee, becoming the new president and CEO after receiving the approval of the Board of Directors.

■ Morikawa Scores indicating a high or low level of ability in the manner of an academic grade point average are irrelevant. The key point is that the successor is a good fit for the Showa Denko of today. The Company selected a leader needed by the Showa Denko Group of the present. Had the Company not been integrating with the former Hitachi Chemical, it might have selected a different individual.



■ Oshima I was struck by comments you made during our discussions that, although all times are critical, the critical situation facing the Company at this moment is the PMI process, and that while hidden critical situations exist at all times, the critical situation of today is in plain sight.

■ Morikawa When I became president and CEO in 2017, the Company recognized that it would be difficult for it to survive. Acquiring the former Hitachi Chemical had not been discussed at that time, and we had to foster the attitude that we should all aim to create a first-class company, with settling for second best deemed unacceptable.

■ Oshima The nature of the critical circumstances facing Showa Denko has changed significantly. The Company appointed president and CEO Takahashi based on the qualities and abilities it requires in light of this change.

■ Morikawa A company president must make a clear distinction between what he/she is good and not good at doing. If a president lacks ability in a particular aspect of their role that is growing in importance at the company, then it is time to change the president. Assuming that the timing of the change is suitable, a company must choose a successor who can do what the outgoing president could not.

When Showa Denko integrated with Showa Denko Materials to become a new company, I felt that my abilities were perhaps ill suited to the role of the president and CEO.

Key Points in Evaluating President and CEO Takahashi

■ Oshima Turning to president and CEO Takahashi, I find him to be a highly logical, articulate, and persuasive person. He also analyzes matters fairly and accurately. In addition, I have a high regard for his track record, which includes the acquisition of Germany's SGL GE Holding when he served in the Carbon Division. He was the candidate who fulfilled the key points that we emphasized in the selection process, such as an international mindset, popularity, a long-term vision, and a strong track record.

Speaking personally, when Mr. Takahashi gave a lecture on frontier chemistry in 2021 at the University of Tokyo's Faculty of Engineering, where I was a professor, I was impressed by his tremendous power to inspire young people. Students listened intently to his lecture, and many of them then lined up to ask him questions. Seeing students waiting to ask questions after a lecture—despite having a subsequent class to attend—was no ordinary spectacle. Some students wrote in the questionnaire regarding the lecture that they would like to work at Showa Denko. In this way, I thought that he was someone with the power to engage people.

■ Morikawa Setting the wheels in motion for such an endeavor as the integration, which no one has yet experienced, requires a considerable amount of energy. President and CEO Takahashi has the ability to quickly drive forward such endeavors. Indeed, he excels at doing so.

■ Oshima He also engages vigorously in discussions. A feature that you and president and CEO Takahashi share is your focus on transforming Showa Denko into the leading player in the manufacturing industry. I regard the establishment in 2022 of Showa Denko's vision—as that of becoming a company that develops co-creative talent that represents Japan's manufacturing industry—as an expression of that strong determination. President and CEO Takahashi is crucially aware that Showa Denko will not survive unless it sets its sights on becoming a first-class company. Among the final four candidates, such an awareness was most prevalent in president and CEO Takahashi. I believe that this is because he pays close attention to the world in a wide-ranging manner.

■ Morikawa There is no doubt that he is the person best suited to create the post-integration company.

Looking toward the Future

■ Morikawa Diversity is an essential element of Showa Denko's quest to become a first-class company. It also holds the key to corporate sustainability, ongoing growth, and value creation. We will capture a diverse range of human resources by offering opportunities to talented individuals, regardless of their gender, age, or nationality. Doing so will enable Showa Denko to boost the number of outstanding human resources that it has to lead the next generation.

I believe that boosting such human resources will, in turn, help Showa Denko to become a better company.

To achieve this goal, it is important that we fear neither change nor difference. Our first experience of change in life is probably when we change classes at school. The way a person's abilities develop will vary significantly depending on whether they feel negatively about becoming separated from their friends to that point or view the change as an opportunity to make new ones. In this way, our first test in life is whether we can take advantage of change.

In addition to female managers, we must give consideration to the promotion of non-Japanese employees. I envisage a trend in which regional operations are managed locally, with personnel taking charge who are suited to each region. For example, local human resources could become the heads of regional headquarters, which would invigorate communication and facilitate the development of next-generation human resources.

■ Oshima I intend to focus on employee development by drawing on my experience as general manager of human resource development at NTT's research laboratories* and my experience of education and training at the University of Tokyo. Following my appointment as an outside director of Showa Denko in 2015, I have served on the Nomination Advisory Committee since its establishment in 2016, becoming chairman of the committee in 2019. While the Nomination Advisory Committee played only a minor role in employee development at the time of its establishment, it currently views monitoring the development of next-generation human resources as one of its key roles.

Although still a work in progress, Showa Denko has greatly expanded its human resource development initiatives, which include efforts to identify and develop human resources with high potential through leadership training and a leadership program. Showa Denko monitors a considerable number of next-generation human resources and holds discussions on its aims for their development and the actions that must be taken to realize such aims. Nevertheless, I believe that the development program for next-generation human resources must evolve even further. This is because personnel affairs and human resource development are closely connected with each other. Although the Nomination Advisory Committee did in fact actively discuss human resource development in 2020, the selection of a president and CEO to enable Showa Denko to navigate critical circumstances became the committee's primary agenda item in 2021. Accordingly, I hope to advance discussions on a vision for the future of human resource development as a newly integrated company.

* In charge of human resource development at the Musashino Electrical Communication Laboratory, Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)

■ Morikawa Showa Denko must work carefully on the management and operation of its human resources pool. Another issue for the Company to address as it moves forward is succession planning. Addressing this matter is one of the roles of the Nomination Advisory Committee. Succession planning is also part of the Company's crisis management. We will ascertain the type of president and CEO that we require and verify whether we must update the requirements for the position on an annual basis. In the event of an unforeseen eventuality, we must be able to respond according to such requirements.



Along with PMI, the evolution of the Board of Directors is an urgent priority. I think that 2022 is a good time to once again redefine the role of the Board. We must decide on the kind of Board of Directors that will be appropriate for the newly integrated company, including the relationship between business oversight and execution. I believe that issues that include the personnel matters you pointed out will come in the wake of such a decision. I recognize that clarifying our vision for the future of the Board of Directors and carefully arranging the issues accompanying that clarification are major tasks to be addressed in 2022.

I became the chairman of the Board of Directors in 2022. While maintaining business execution rights, I recognize that I must further strengthen my role in terms of oversight. My role, particularly in my capacity as representative director and chairman of the Board, and the role of Representative Director and Chairman of the Board Hisashi Maruyama of Showa Denko Materials, is to successfully link the approaches of those who are experienced in business execution at Showa Denko with those who have accumulated extensive experience outside the Company.

Our goal is to improve our corporate value. While it is acceptable for methods and viewpoints to differ slightly, recognizing that our sights are set on the same goal is the starting point for our endeavors.

Process for Selecting the New President and CEO

- (1) Discussion on a suitable timing for the changeover
- (2) Definition of the requirements of the new president and CEO (leadership values needed)
- (3) Selection of candidates*
- (4) Interviews by the Nomination Advisory Committee
- (5) Reporting of the interview results to the Board of Directors for approval

* Interviews were conducted with the final four candidates selected by inside directors from a list of successor candidates. In preparing the candidate list, the personnel divisions of both Showa Denko and Showa Denko Materials narrowed down the number of candidates by carrying out their own investigations while using the findings of an external research organization for reference.

Directors

(As of June 30, 2022)

Directors



1 Kohei Morikawa

Frequency of participation in 2021
Board meetings: 14 times in 14 meetings

April 1982	Joined the Company
January 2013	Corporate Officer; General Manager, Electronic Chemicals Division
January 2016	Managing Corporate Officer; Chief Technology Officer (CTO)
March 2016	Director; Managing Corporate Officer; Chief Technology Officer (CTO)
January 2017	Director; President and Chief Executive Officer (CEO)
January 2022	Representative Director; Chairman of the Board (incumbent)

2 Hidehito Takahashi

Frequency of participation in 2021
Board meetings: 14 times in 14 meetings

April 1986	Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
February 2002	Joined GE Japan Holding Corporation as General Manager, Business Development Department
October 2004	Asia Pacific President, GE Sensing & Inspection Technologies, GE Japan Holding Corporation
October 2008	Joined Silicones Business, Momentive Performance Materials Japan Inc. as President & CEO
January 2013	Joined GKN Driveline Japan plc as President and CEO
October 2015	Joined the Company, Senior Corporate Fellow
January 2016	Corporate Officer; General Manager, Corporate Strategy Department
January 2017	Managing Corporate Officer
March 2017	Director; Managing Corporate Officer
July 2017	Director; Managing Corporate Officer, General Manager, Carbon Division
January 2020	Director; Managing Corporate Officer; Chief Strategy Officer (CSO)
June 2020	Director, Showa Denko Materials Co., Ltd.
January 2022	Director; President and Chief Executive Officer (CEO), Showa Denko K.K. (incumbent) Director, President and Chief Executive Officer (CEO), Showa Denko Materials Co., Ltd. (incumbent)

3 Hisashi Maruyama

Frequency of participation in 2021
Board meetings: 11 times in 11 meetings
(number of meetings after assuming position)

April 1983	Joined Hitachi Chemical Company, Ltd. (currently Showa Denko Materials Co., Ltd.)
April 2011	Corporate Officer, Hitachi Chemical Company, Ltd.
April 2015	Vice President and Executive Officer, Hitachi Chemical Company, Ltd.
April 2016	President, Hitachi Chemical Company, Ltd.
June 2020	Director; President, Chief Executive Officer (CEO), and Chief Quality Officer (CQO), Hitachi Chemical Company, Ltd.
January 2021	Director; President and Chief Executive Officer (CEO), Showa Denko Materials Co., Ltd.
March 2021	Director of the Company (incumbent)
January 2022	Director; Chairman of the Board, Showa Denko Materials Co., Ltd. (incumbent)

4 Hiroshi Sakai

Frequency of participation in 2021
Board meetings: 14 times in 14 meetings

April 1986	Joined the Company
January 2012	Corporate Fellow; General Manager, Technology Development Department, HD Division
January 2013	Senior Corporate Fellow; General Manager, Technology Development Control Department, HD Division
January 2015	Senior Corporate Fellow; General Manager, Technology Development Control Department, HD Division
January 2019	Corporate Fellow; General Manager, Technology Development Control Department, Device Solutions Division
January 2020	Corporate Officer, Chief Technology Officer (CTO)
March 2020	Director; Corporate Officer, Chief Technology Officer (CTO)
June 2020	Director, Showa Denko Materials Co., Ltd.
January 2022	Director; Managing Corporate Officer; Chief Technology Officer (CTO), Showa Denko K.K. (incumbent) Director; Managing Corporate Officer; Chief Technology Officer (CTO); General Manager, Research and Innovation Promotion Headquarters, Showa Denko Materials Co., Ltd. (incumbent)

5 Hideki Somemiya

Newly appointed

April 1990	Joined Nomura Research Institute, Ltd., and was assigned to the Office for Research in Corporate Finance
June 1997	Joined Nomura Securities Co., Ltd., as Deputy Head Researcher, Institute for Financial Research
May 1999	Joined Merrill Lynch Japan Securities Co., Ltd., and was assigned to the investment bank section
January 2007	General Manager, Telecommunication & Media Technology Group, Merrill Lynch Japan Securities Co., Ltd.
July 2009	Joined JPMorgan Securities Japan Co., Ltd., as Managing Director, Technology, Media & Telecommunication Group, Investment Banking Division
July 2015	Joined Sony Corporation (currently Sony Group Corporation), as Vice President attached to the CFO, Chief Financial Strategist
May 2016	Temporarily transferred to Sony Semiconductor Solutions Corporation
June 2016	General Manager, Corporate Strategy Headquarters, Sony Semiconductor Solutions Corporation
December 2016	General Manager, Planning & Administration Headquarters (CFO), Sony Semiconductor Solutions Corporation
June 2019	General Manager, System Solution Division, Sony Semiconductor Solutions Corporation
July 2020	Corporate Officer in charge of the solution business, Sony Semiconductor Solutions Corporation
March 2021	Officer Attached to CFO in charge of special assignments, Sony Corporation (currently Sony Group Corporation)
October 2021	Joined the Company as General Manager, Preparation Office for Group CFO
January 2022	Managing Corporate Officer; Chief Financial Officer (CFO), Showa Denko K.K. (incumbent) Managing Corporate Officer; Chief Financial Officer (CFO), Showa Denko Materials Co., Ltd. (incumbent) Director; Managing Corporate Officer; Chief Financial Officer (CFO), Showa Denko K.K. (incumbent) Managing Corporate Officer; Chief Financial Officer (CFO), Showa Denko Materials Co., Ltd. (incumbent)

6 Tomomitsu Maoka

Newly appointed

April 1999	Joined A.T. Kearney, Inc.
April 2005	Joined Infineon Technologies Japan K.K. as General Manager in charge of Strategy in Japan
May 2009	General Manager, Industrial & Chip Card Business Headquarters, Infineon Technologies Japan K.K.
October 2010	General Manager, Industrial & Multi Market Business Headquarters, Infineon Technologies Japan K.K.
December 2011	Joined Lenovo Japan K.K. as Lenovo/NEC Project Director
April 2012	Strategy Director, Lenovo Japan Corporation
April 2013	Commercial Operations Director, Lenovo Japan Corporation
December 2013	Joined Renesas Electronics Corporation as General Manager, Corporate Planning, Planning Headquarters
December 2015	Corporate Officer; General Manager, Corporate Planning, Renesas Electronics Corporation
February 2016	Corporate Officer; Deputy General Manager, Second Solution Business Headquarters, Renesas Electronics Corporation
March 2017	Corporate Officer; China Business Headquarters, Renesas Electronics Corporation
April 2019	Corporate Officer; Deputy General Manager, Production Headquarters, Renesas Electronics Corporation
August 2019	Corporate Officer; Deputy General Manager, Automotive Solution Business Headquarters, Renesas Electronics Corporation
October 2021	Joined the Company as General Manager, Preparation Office for Group CSO
January 2022	Managing Corporate Officer; Chief Strategy Officer (CSO), Showa Denko K.K. (incumbent) Managing Corporate Officer; Chief Strategy Officer (CSO), Showa Denko Materials Co., Ltd. (incumbent) Director; Managing Corporate Officer; Chief Strategy Officer (CSO), Showa Denko K.K. (incumbent) Managing Corporate Officer; Chief Strategy Officer (CSO), Showa Denko Materials Co., Ltd. (incumbent)

7 Masaharu Oshima

Outside Director

Frequency of participation in 2021

Board meetings: 14 times in 14 meetings

Based on his abundant expertise and experience as a researcher in the field of electronics, has provided useful management advice in the field of R&D since becoming an outside director of Showa Denko. Also, as outside director, supervises the management of the Company's business in anticipation of future technological trends.

April 1974	Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)
November 1995	Professor, Applied Chemistry Department, Graduate School of Engineering, The University of Tokyo
April 2006	Director, Synchrotron Radiation Research Organization, The University of Tokyo
October 2009	Chairman, The Japanese Society for Synchrotron Radiation Research
April 2013	Project Professor, Synchrotron Radiation Research Organization, The University of Tokyo
May 2013	Chairman, The Surface Science Society of Japan
June 2013	Emeritus Professor, The University of Tokyo (incumbent)
April 2014	Project Researcher, Synchrotron Radiation Research Organization, The University of Tokyo
March 2015	Director of the Company (incumbent)
April 2015	Special Professor, Tokyo City University (incumbent)
July 2016	Project Researcher, School of Engineering, The University of Tokyo
December 2016	Project Researcher, Institute for Solid State Physics, The University of Tokyo (incumbent)

8 Kiyoshi Nishioka

Outside Director

Frequency of participation in 2021

Board meetings: 14 times in 14 meetings

Based on his experience in the research, production, and sales departments of a steelmaker and in the firm-wide management of technology development, has broad expertise and knowledge. Also conducts activities for technology-oriented management and industry-academia collaboration as a university researcher. Since becoming an outside director of Showa Denko, has been providing objective and useful advice and appropriately supervising the management of the Company's business.

April 1977	Joined Nippon Steel Corporation
April 1997	Plant Manager, Thick Steel Plate Plant, Kimitsu Works, Nippon Steel Corporation (General Manager)
April 2001	General Manager, Thick Steel Plate Sales Department, Head Office, Nippon Steel Corporation
June 2005	Director; General Manager, Technology Development Planning Department, Technology Development Headquarters, Nippon Steel Corporation
June 2009	Counselor, Nippon Steel Corporation
November 2012	Special Professor, Research Center for Advanced Science and Technology, The University of Tokyo
April 2017	Adviser, Research Center for Advanced Science and Technology, The University of Tokyo (incumbent)
April 2017	Visiting Professor, Ehime University (incumbent)
March 2018	Director of the Company (incumbent)
July 2019	Director, VCRI Co., Ltd. (incumbent)

9 Kozo Isshiki

Outside Director

Frequency of participation in 2021

Board meetings: 14 times in 14 meetings

Engaged in the financial industry for many years and has abundant expertise across industries, in particular in the chemical industry. As outside director since 2019, has been supervising Showa Denko's business execution and contributing a deep understanding of and advice on its businesses.

July 1969	Joined Japan Development Bank (currently Development Bank of Japan Inc.)
April 1993	General Manager, General Affairs Department, Japan Development Bank
May 1994	Executive Secretary, Japan Development Bank
June 1996	General Manager, Industry & Technology Department, Japan Development Bank
May 1998	General Manager, Human Resources Department, Japan Development Bank
June 2001	Executive Director, Development Bank of Japan Inc.
May 2005	Chairman of the Board, Technology Alliance Investment, Ltd.
June 2015	Director, Medical System Network Co., Ltd. (Outside Director) (incumbent)
March 2019	Outside Director of the Company (incumbent)

10 Noriko Morikawa

Outside Director

Frequency of participation in 2021

Board meetings: 14 times in 14 meetings

After working for a securities company and an accounting firm, engaged in business management as an accounting/financial manager in the information and communication and automotive component industries. Presently also serves as an outside director for another company. Has a range of knowledge in electronics, automobiles, and other key target markets for Showa Denko and supervises the Company's operations.

April 1981	Joined CHORI CO., LTD.
August 1988	Joined Daiwa Securities America Inc.
September 1991	Joined Arthur Andersen
March 1995	Joined Motorola Inc.
March 2005	Director, in charge of accounting and finance; General Manager, Accounting and Finance Headquarters in Japan, Motorola Inc.
June 2009	Joined Bosch Corporation
August 2010	Director; Vice President, in charge of Administrative Headquarters, Bosch Corporation
June 2018	Outside Director, CHORI CO., LTD.
March 2020	Director of the Company (incumbent)
June 2020	Outside Director, Mitsubishi Heavy Industries, Ltd. (incumbent)

Audit & Supervisory Board Members / Corporate Officers (As of June 30, 2022)

Audit & Supervisory Board Members



1 Toshiharu Kato

Frequency of participation in 2021

Board meetings: 14 times in 14 meetings

Audit & Supervisory Board meetings: 13 times in 13 meetings

April 1981	Joined Showa Aluminum Corporation (currently Showa Denko K.K.)
August 2014	General Manager, Finance & Accounting of the Company
January 2016	Corporate Officer; General Manager, Finance & Accounting Department
January 2017	Corporate Officer; Chief Financial Officer (CFO); General Manager, Finance & Accounting Department
March 2017	Director; Corporate Officer, Chief Financial Officer (CFO); General Manager, Finance & Accounting Department
January 2018	Director; Corporate Officer, Chief Financial Officer (CFO) in charge of Finance & Accounting and Information Systems departments
January 2019	Director, Attached to President
March 2019	Audit & Supervisory Board Member (incumbent)

2 Jun Tanaka

Frequency of participation in 2021

Board meetings: 14 times in 14 meetings

Audit & Supervisory Board meetings: 13 times in 13 meetings

April 1982	Joined the Company
January 2012	Corporate Fellow; Deputy General Manager, Advanced Battery Materials Department
January 2013	Corporate Officer; General Manager, Advanced Battery Materials Department
January 2017	Managing Corporate Officer; Chief Technology Officer (CTO)
March 2017	Director; Managing Corporate Officer; Chief Technology Officer (CTO)
January 2019	Director; Managing Corporate Officer, Chief Technology Officer (CTO) in charge of Advanced Battery Materials Division, Institute for Integrated Product Development, Advanced Technology Laboratory, Corporate R&D and Intellectual Property departments
January 2020	Director, Attached to President
March 2020	Audit & Supervisory Board Member (incumbent)

3 Kiyomi Saito

Outside Member

Frequency of participation in 2021

Board meetings: 14 times in 14 meetings

Audit & Supervisory Board meetings: 13 times in 13 meetings

Based on her experience of launching a business consulting company and a securities company specializing in the online trading of bonds and the knowledge gained through operating these companies, has been appropriately auditing Showa Denko's business execution since becoming an Audit & Supervisory Board member of the Company in 2012.

April 1973	Joined Nikkei Inc.
September 1975	Joined Sony Corporation
August 1984	Joined Morgan Stanley Investment Bank
January 1990	Executive Director, Morgan Stanley Investment Bank
April 2000	Director; President, JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.)
April 2011	Director; President, The Totan Information Technology Co., Ltd.
March 2012	Audit & Supervisory Board Member of the Company (incumbent)
June 2015	Outside Director, Kajima Corporation (incumbent)
June 2021	Kadoya Sesame Mills Incorporated (incumbent)
October 2021	Representative Director, JBond Totan Securities Co., Ltd. (incumbent)

4 Masako Yajima

Outside Member

Frequency of participation in 2021

Board meetings: 14 times in 14 meetings

Audit & Supervisory Board meetings: 13 times in 13 meetings

Based on her extensive international experience as a lawyer and advanced expertise in corporate legal affairs, she has served as an outside auditor of Showa Denko since 2020. In particular, she undertakes reviews from a legal perspective for the purpose of ensuring the appropriateness and legality of the Company's business execution related to globalization and M&A projects.

April 1994	Registered at Dai-ichi Tokyo Bar Association
	Joined Nishimura Law Office (currently Nishimura & Asahi)
March 2001	Registered as a lawyer in the State of New York
April 2004	Assistant Professor, Law School, Keio University
January 2006	Partner, Nishimura & Tokiwa (currently Nishimura & Asahi) (incumbent)
April 2007	Professor, Law School, Keio University (incumbent)
March 2020	Audit & Supervisory Board Member of the Company (incumbent)

5 Yasuyuki Miyasaka

Outside Member

Newly appointed

As a certified public accountant, he has been engaged in auditing inside and outside Japan over many years. He has expert knowledge and rich experience in relation to corporate finance and accounting. Therefore, it is anticipated that he will to offer appropriate auditing-related opinions regarding the entire Company. Based on these reasons, the Company has judged that he is suitable for the position of outside Audit & Supervisory Board member. In the past, he has only been involved in management in an external capacity. For this reason, it was judged that he will be able to properly perform his duties as an outside Audit & Supervisory Board member.

November 1975	Joined Tohmatsu & Aoki (currently Deloitte Touche Tohmatsu LLC)
March 1980	Registered as a certified public accountant (CPA)
June 1990	Partner, Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)
August 1993	Resident at the Singapore Office, Deloitte & Touche
October 2010	General Manager, Risk Management & Examination Office (International Financial Reporting Standards), Deloitte Touche Tohmatsu LLC
July 2017	Established Yasuyuki Miyasaka CPA Office, and became President of the CPA Office (incumbent)
June 2018	Outside Director, ITOCHUSHOKUHN Co., Ltd. (incumbent)
	Outside Corporate Auditor, Board of Corporate Auditors, Santen Pharmaceutical Co., Ltd.
March 2022	Audit & Supervisory Board Member of the Company (incumbent)

Corporate Officers

Managing Corporate Officers

Keiichi Kamiguchi Chief Risk Management Officer (CRO); Chairman, Security Export Control Committee

Hiroyuki Yamashita General Manager, Preparation Office for Electronics Business Headquarters

Corporate Officers

Mitsuo Katayose General Manager, Preparation Office for Advanced Functional Materials Business Headquarters

Shigeru Fujita Chief Marketing Officer (CMO)

Yoshito Ishii General Manager, Preparation Office for Mobility Business Headquarters

Nori Imai Chief Human Resource Officer (CHRO)

Masami Tobito Chief Operations, Manufacturing and Engineering Officer (CMEO); Chief Quality Officer (CQO); Chairman, Safety Measures Committee

Hideki Shibata Chief Digital Officer (CDO)

Executive Officers

Jiro Ishikawa General Manager, Device Solutions Division

Taichi Nagai Oita Complex Representative

Hirotsugu Fukuda General Manager, Petrochemicals Division

Eishi Wakutsu General Manager, Preparation Office for Risk Management Department; General Manager, Preparation Office for Integration



Kenjiro Yamamasu General Manager, Electronic Chemicals Division

Hiroyuki Eda General Manager, Aluminum Specialty Components

Makoto Takeda General Manager, Carbon Division

Katsuyuki Tsuji General Manager, Advanced Battery Materials Division; President, Showa Denko Packaging Co., Ltd.

The above list does not include the following three corporate officers, who concurrently serve as directors.

 For more details, please refer to **“Directors”**  **P.82–83**

Chief Executive Officer: Hidehito Takahashi

Managing Corporate Officers: Hiroshi Sakai, Hideki Somemiya, and Tomomitsu Maoka

Skill Matrix

The Company has prepared a skill matrix detailing the expertise and experience of directors and Audit & Supervisory Board members. The skills required of directors and Audit & Supervisory Board members were identified based on the following three perspectives.

Post-Integration Vision

The Showa Denko Group has revised its long-term vision, which had been announced in December 2020, in conjunction with the instatement of a new management team and the launch of the new management philosophy. The Group has also stated the purpose of the newly integrated company as “Change society through the power of chemistry,” and now aims to become a company with a strong presence in the global market, a company that contributes to a sustainable global society, and a company that develops co-creative talent representing Japan’s manufacturing industry.

Medium- to Long-Term Strategy to Realize the Vision

To realize the long-term vision, it is necessary for the Group to make the most of its business portfolio, which combines Core Growth businesses, Next-Generation businesses, Stable Earnings businesses, and Fundamental Technologies/Materials businesses. We have positioned our electronics and mobility businesses as growth businesses that will lead the growth of the entire Showa Denko Group and will make these businesses grow rapidly.

Major Issues to Be Discussed at Board of Directors’ Meetings

To enhance the effectiveness of the long-term vision, it will be necessary for the Board of Directors to have lively discussions on the way to compete on the world stage, contribution to initiatives based on the SDGs, autonomous business portfolio reform, and innovation including technical synergy, and to practice quick decision-making.

	Name	Inside / Outside	Terms (Years)	Global business	Innovation and fusion of technology	ESG and sustainability	Portfolio management	Finance / accounting	Personnel management / development	Legal / risk management
Directors	Kohei Morikawa		6	●	●	●	●			●
	Hidehito Takahashi		5	●		●	●	●		●
	Hisashi Maruyama		1	●		●	●	●		●
	Hiroshi Sakai		2	●	●	●				
	Hideki Somemiya		—	●		●	●	●		
	Tomomitsu Maoka		—	●	●	●	●			
	Masaharu Oshima	Outside	7	●	●	●			●	
	Kiyoshi Nishioka	Outside	4	●	●	●	●			
	Kozo Isshiki	Outside	3		●		●	●	●	
	Noriko Morikawa	Outside	2	●		●		●	●	
	Total			9	6	9	7	5	3	3
Audit & Supervisory Board members	Toshiharu Kato		3	●		●		●		
	Jun Tanaka		2		●	●	●		●	
	Kiyomi Saito	Outside	10	●	●		●	●		
	Masako Yajima	Outside	2	●						●
	Yasuyuki Miyasaka	Outside	—	●				●		●
	Total			4	2	2	2	3	1	2

Corporate Governance

Basic Policies

Showa Denko K.K. works to increase its corporate value and expand profit for both the company and its shareholders by collaborating appropriately with stakeholders, including shareholders in line with its Corporate Governance Basic Policies.

We are committed to promoting our corporate governance to ensure the soundness, effectiveness, and transparency of management and to continue enhancing our corporate value, thereby earning more trust and receiving a higher rating from society. We describe our efforts made to this end in our corporate governance report, while fostering constructive dialogue with investors and shareholders.

WEB

Review of 2021

In January 2022, the management teams of Showa Denko K.K. and Showa Denko Materials Co., Ltd., were integrated, making for a structure in which the same 12 individuals, including the president and corporate officers, manage both companies. In addition, the management committee meetings of both companies are held jointly. Going forward, we will continue to craft and reinforce corporate governance structures in preparation for our full integration as a corporate entity in 2023.

Concurrently, organizational integration measures are moving forward, and the progress of these measures is regularly reported to the Board of Directors.

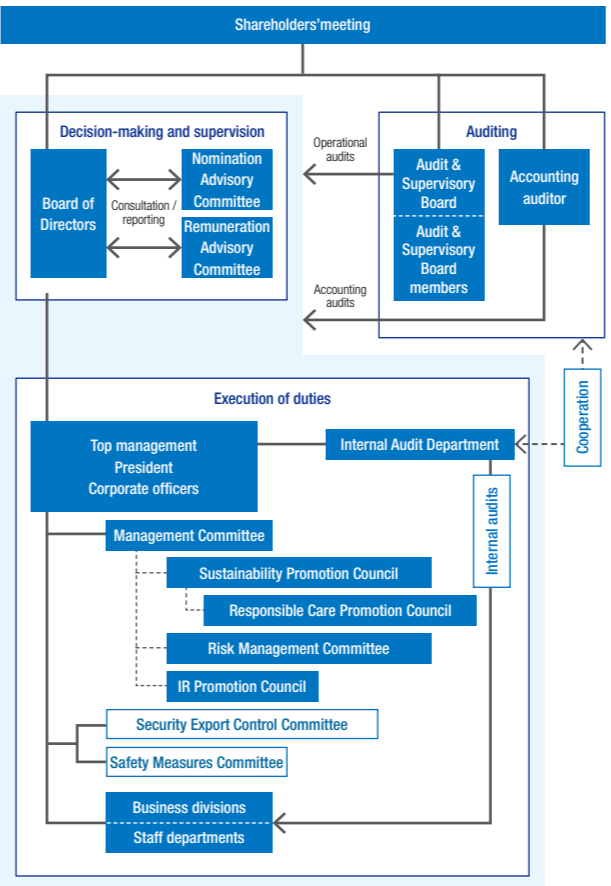
The progress of the integration P.12

In fiscal 2021, discussions at meetings of the Nomination Advisory Committee focused on the nomination of candidates for chief executive officer and other management positions, while the Remuneration Advisory Committee dedicated meeting time to examining new remuneration systems for directors and corporate officers.

Process for selecting the new chief executive officer P.78

Remuneration for directors and corporate officers P.89

Corporate Governance Structure (As of June 30, 2022)



Note: The above corporate governance structure may change as the Company examines the course to be taken leading up to full integration in January 2023.

Board of Directors

Members	Chairperson	Meeting frequency
4 outside directors (one of whom is female) 6 inside directors	Inside director responsible for business execution	Once or twice a month

Audit & Supervisory Board

Members	Chairperson	Meeting frequency
3 Audit & Supervisory Board members (two of whom are female) 2 inside (full-time) Audit & Supervisory Board members	Inside full-time Audit & Supervisory Board member	Once or twice a month

Nomination Advisory Committee

Priority discussion topics in fiscal 2021: Nomination of candidates for chief executive officer and other management positions

Members	Chairperson	Meeting frequency
4 outside directors (one of whom is female) 2 inside directors	Outside director	3 or 4 times a year

Remuneration Advisory Committee

Priority discussion topics in fiscal 2021: New remuneration systems for directors and corporate officers

Members	Chairperson	Meeting frequency
3 outside directors (one of whom is female) 1 outside auditor 2 inside directors	Outside director	3 or 4 times a year

Management Committee

Members	Chairperson	Meeting frequency
President, corporate officers with defined areas of responsibility, and other corporate officers and heads of the staff departments whose presence on the committee is deemed necessary by the president	President	Twice a month in principle

Ratio of Outside Directors



Ratio of Outside Officers (Directors, Audit & Supervisory Board Members)



Ratio of Directors Not in Charge of Business Execution



Ratio of Female Officers (Directors, Audit & Supervisory Board Members)



Corporate Governance

Cross-Shareholding Policy and Method of Verifying the Rationality of Holdings

Policy of Selling All Cross-Shareholdings by 2024
In principle, the Company adheres to a policy of not engaging in cross-shareholdings, and steps are currently underway to reduce existing cross-shareholdings. Investment securities held for purposes other than pure investment are assessed by the Board of Directors each year to verify whether the profitability and business feasibility of holdings are rational given the associated capital costs.

Numbers of Cross-Shareholdings and Amount on the Balance Sheet

	Holdings	Amount on the balance sheet (Millions of yen)
Unlisted stocks	58	¥ 4,256
Other stocks	20	16,638

Holdings for Which Numbers of Shares Held Increased in Fiscal 2021

	Holdings	Acquisition costs of additional shares (Millions of yen)	Reason for increase
Unlisted stocks	2	¥3,037	Increase in holdings of unlisted shares due to restructuring
Other stocks	—	—	

Holdings for Which Numbers of Shares Held Decreased in Fiscal 2021

	Holdings	Gain on sales associated with reduction in the number of shares (Millions of yen)
Unlisted stocks	2	¥ 24
Other stocks	22	6,395

Selection and Dismissal of Management Members and Nomination of Candidates for Director and Audit & Supervisory Board Positions → The process for selecting the new president and CEO ⓘ P.78

Showa Denko selects candidates for positions as director based on the criteria for knowledge, insight, fair judgment, ability to take actions, practical experience, and other requirements for directors. For the selection of management, individual performance as well as corporate performance are also taken into consideration. Candidate Audit & Supervisory Board members must possess sufficient knowledge, experience, and capabilities to fulfill their obligations, including an appropriate level of expertise in the areas of finance and accounting.

The Nomination Advisory Committee deliberates on the nomination of candidates for the aforementioned positions and submits recommendations to the Board of Directors. The committee is an advisory

board to the Board of Directors, and more than half of its members are outside directors designated as independent directors.

Dismissal of the Chief Executive Officer and Other Members of Management

In the event it is revealed that any of the directors, including the chief executive officer, has substantially damaged the corporate value of the Company or does not meet the selection criteria for directors, the Nomination Advisory Committee will discuss whether the person is still suitable for the position and report the results to the Board of Directors, which will make the final decision.

Succession Planning

Showa Denko is taking Groupwide and global steps to cultivate the future leaders who will be necessary to advancing its growth strategies.

Corporate officers are responsible for selecting potential successors, with due consideration paid to diversity, and for formulating

development plans. These plans are discussed and confirmed by the Nomination Advisory Committee based on the Corporate Governance Basic Policies. The Board of Directors monitors all succession planning initiatives based on reports from the Nomination Advisory Committee.

New Remuneration System for Directors and Corporate Officers

An ongoing series of discussions on the ideal remuneration system for directors and corporate officers, to facilitate the realization of the long-term vision of the newly integrated company, were held by the Remuneration Advisory Committee, which is comprised largely of the members of management and outside and independent officers who are responsible for leading the integration process. Through these discussions, it was decided that the remuneration system would be

changed in 2022 to facilitate the recruitment and retention of talented individuals suited to the newly integrated company from inside and outside of the organization, and to commit management to the accomplishment of performance targets and steady improvements in corporate value. The new system will increase the degree to which remuneration is linked to the management indicators and initiatives defined in the long-term vision.

Basic Policies

- Directors (Excluding Outside Directors)**
 - Establishment of a remuneration scheme appropriate for recruiting and retaining talented human resources from inside and outside Japan suited to a global top-level functional chemical manufacturer from Japan
 - Motivation of efforts to achieve performance targets and increase medium- to long-term corporate value, to drive the sustainable growth of the Group
 - A transparent, fair, and rational process for deciding remuneration from the viewpoint of accountability to shareholders and all other stakeholders
- Outside Directors**
 - Establishment of a remuneration scheme appropriate for the role and responsibility of supervising management from an independent and objective standpoint

Composition and Levels of Remuneration

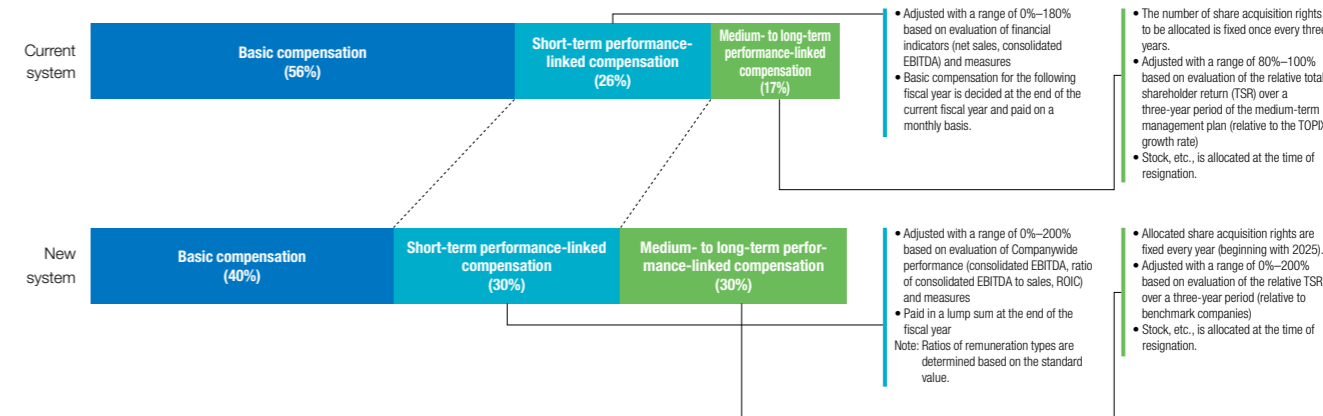
The remuneration of executive directors and corporate officers consists of basic compensation (fixed compensation) based on the position, short-term performance-linked compensation, and medium- to long-term performance-linked compensation (stock-based compensation). The standard amount for the president entails a ratio of 40:30:30 for basic compensation, short-term performance-linked compensation, and medium- to long-term performance-linked compensation. Compensation for other executive directors and corporate officers is decided in line with the standard amount for the president. As for the

chairman of the Board (without right of representation), short-term performance-linked compensation will not be given in view of the basic role of supervising management. Compensation paid to outside directors and Audit & Supervisory Board members will be only basic compensation, in consideration of their roles and responsibilities. In deciding the composition and levels of remuneration, the Company will use objective market research data provided by external specialized institutions (such as Willis Towers Watson’s database on remuneration for executives) and reference comparisons with global chemical or other material companies of a similar scale.

Types of Remuneration and Recipients

Types of remuneration			Recipients			
Fixed / variable	Monetary / non-monetary	Composition	Executive directors, corporate officers	Director and chairman of the Board (without right of representation)	Outside directors	Audit & Supervisory Board members
Fixed	Monetary	Basic compensation	○	○	○	○
		Short-term performance-linked compensation (bonuses)	○	—	—	—
Variable	Non-monetary	Short-term performance-linked compensation (bonuses)	○	—	—	—
		Medium- to long-term performance-linked compensation (stock-based compensation)	○	○	—	—

Comparison of Remuneration of the President under the Current and New Remuneration Systems



Corporate Governance

Incentive Compensation

Incentive compensation will be granted according to performance based on long-term financial targets of the long-term vision. This form of compensation is intended to encourage action based on the Company’s corporate philosophy and management strategies under a remuneration system linked to performance and corporate value.

Short-Term Performance-Linked Compensation (Bonuses)

Individual amounts of short-term performance-linked compensation are decided by multiplying the standard value (decided in advance based on the position) by the performance evaluation coefficient (adjusted within the range of 0%–200%). The performance evaluation coefficient is determined based on a Companywide performance evaluation (70%) and a personal evaluation (30%). In the case of the representative director and chairman of the Board, only an evaluation of overall business results is considered.

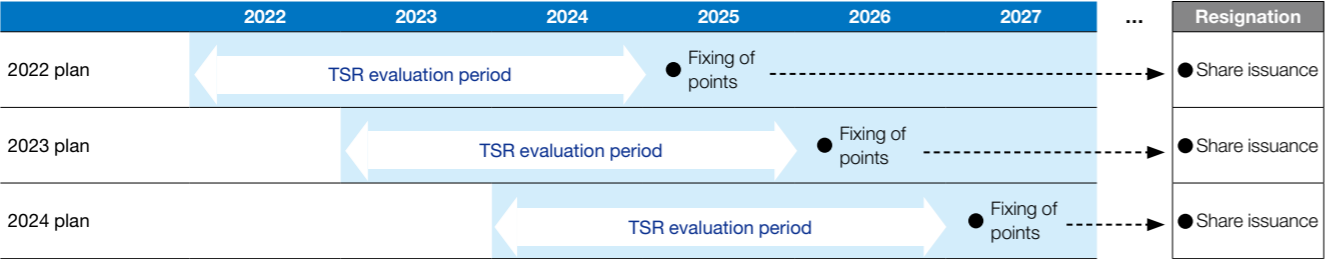
Indexes used for the Companywide performance evaluation consist of the amount of consolidated EBITDA (20%), the ratio of consolidated EBITDA to sales (30%), and ROIC (20%). Consolidated EBITDA and the ratio of consolidated EBITDA to sales are evaluated based on the degree of achievement of goals each year, while ROIC is evaluated on the basis of the average for the past three years. Personal performance evaluations are made by the Remuneration Advisory Committee based on the authority delegated by the Board of Directors and entail assessments concerning individual goals, evaluation, and the amount of payment.

In the case of misconduct, the Company may nullify the right to receive benefits or demand return of compensation, depending on the timing of the misconduct and the timing of its revelation. The

Evaluation Indexes for Short-Term Performance-Linked Compensation (Bonuses)

Evaluation indexes		Evaluation weight
Companywide performance evaluation	Consolidated EBITDA	20%
	Ratio of consolidated EBITDA to sales	30%
	ROIC	20%
Personal performance evaluation		30%

TSR Evaluation Period and Share Issuance



Compensation Governance

The Remuneration Advisory Committee is chaired by an outside director designated as an independent director, and the majority of committee members comprise outside directors designated as independent directors and outside Audit & Supervisory Board members designated as independent auditors. The committee makes proposals and reports as necessary to the Board of Directors based on up-to-date information on executive compensation and market

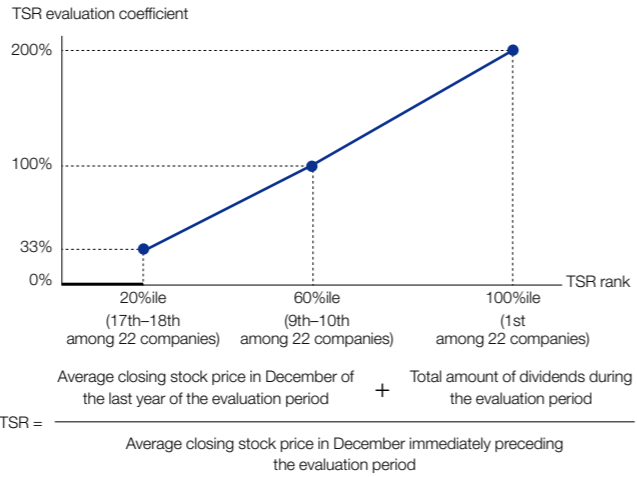
Board of Directors will make a decision on the matter after deliberations by the Remuneration Advisory Committee.

Medium- to Long-Term Compensation (Stock-Based Compensation)

Under the new remuneration system, points are given by multiplying standard figures (decided in advance based on the position) by the TSR evaluation coefficient (adjusted within the range of 0%–200%). The TSR evaluation will be decided based on a rank order of three-year relative TSR evaluation (percentile) by comparison with 22 competitors in the chemical and material industries with similar business models and of the same size or larger. To encourage the realization of the long-term vision, the TSR evaluation coefficient will be set at 100% when the rank order is in the 60th percentile, while it will be 0% when the rank order is below the 20th percentile. To promote long-term sharing of value with shareholders, shares will be given in a lump sum after resignation according to cumulative points.

In the case of misconduct, the Company may nullify the right to receive benefits or demand return of compensation, depending on the timing of misconduct and the timing of its revelation. The Board of Directors will make a decision on the matter after deliberations by the Remuneration Advisory Committee.

Method for Calculating the TSR Evaluation Coefficient



trends, results of comparisons with relevant competitors, and other matters. To ensure high levels of independence and objectivity, decisions on remuneration for respective directors will be entrusted to the Remuneration Advisory Committee starting in fiscal 2022. Moreover, the Company has appointed Willis Towers Watson, an external consultancy, as advisor.

Remuneration of Directors and Audit & Supervisory Board Members

Category	Total amount paid (Millions of yen)	Total amount paid by remuneration type (Millions of yen)			Number of recipients
		Basic compensation	Short-term performance-linked compensation	Stock-based compensation	
Directors	¥307	¥208	¥51	¥48	9
Outside directors	58	58	—	—	4
Audit & Supervisory Board members	96	96	—	—	5
Outside Audit & Supervisory Board members	36	36	—	—	3

- Notes:
- The amounts of basic compensation and short-term performance-linked compensation above are the total amount of compensation paid in fiscal 2021 (all monetary compensation).
 - The amount of stock-based compensation above is the total amount expensed in fiscal 2021. The stock-based compensation represents the number of shares, etc., determined by position in accordance with the TSR evaluation for each medium-term management plan period to be deferred and delivered upon retirement. Of this number, 60% of the shares, etc., to be delivered are physical shares, and 40% are to be paid in cash equivalent to the market value of the shares, etc. For the management of stock-based compensation, we utilize the Stock Benefit Trust of Mizuho Trust & Banking Co.
 - The amount of monetary remuneration for directors was resolved at the 107th Ordinary General Meeting of Shareholders held on March 30, 2016 to be no more than ¥42 million per month (not including employee salaries for directors who also serve as employees). As of the close of the said annual general meeting of shareholders, the number of directors was nine (including three outside directors). Separately from such monetary compensation, a resolution was passed at the same general meeting of shareholders to pay stock-based compensation, etc., to directors, excluding outside directors (up to ¥288 million over three fiscal years to be contributed as funds to acquire shares). The number of directors (excluding outside directors) as of the conclusion of the said ordinary general meeting of shareholders was six. The amount of monetary remuneration for Audit & Supervisory Board members was resolved at the 96th Ordinary General Meeting of Shareholders held on March 30, 2005 to be no more than ¥12 million per month. The number of Audit & Supervisory Board members as of the close of the said annual general meeting of shareholders was four.

Evaluation of the Board of Directors’ Effectiveness

Basic Policies

Showa Denko aims to achieve sustainable corporate growth and to increase its medium- to long-term corporate value. To this end, as its responsibility and role, the Board of Directors is expected to build a system to make decisions in a transparent, fair, prompt, and resolute manner and to supervise the management of the system. The Company issues a questionnaire survey to directors and Audit & Supervisory Board members to evaluate the effectiveness of the Board of Directors as a whole and whether it has fulfilled that responsibility and role. Based on the survey results, issues to be resolved are discussed by the Board of Directors.

Evaluation Method

Regarding the effectiveness of the Board of Directors in 2021, we conducted a survey in December 2021 in which the directors and Audit & Supervisory Board members answered questions and made free comments. Then, in March 2021, the Board of Directors held a meeting for all directors and Audit & Supervisory Board members to discuss the collected self-evaluation results, create a summary of the evaluation results for fiscal 2021, and formulate an action plan for fiscal 2022. To ensure the objectivity of the survey and further boost the effectiveness of the Board of Directors, the survey is conducted and the results are tabulated by an external organization.

Evaluation Results

The evaluation results have determined that, in Board of Directors’ meetings, highly effective Board members with a broad perspective and values reflecting a variety of experiences and expertise are engaged in discussions that help to increase corporate value. Handouts and explanations about agendas are standardized and provided beforehand to encourage the members to take part in vigorous and constructive discussions and allow sufficient time for

discussions. With regard to the action plan for 2021, which was made based on the results of evaluation of overall effectiveness of the Board of Directors for 2020, members of the Board of Directors and Audit & Supervisory Board have confirmed facts and issues as follows.

- Regarding preparations for the substantial integration of Showa Denko and Showa Denko Materials in January 2022, important issues including the optimization of the business portfolio were discussed sufficiently at the Board of Directors’ meetings, at meetings involving exchanges of views among all directors and corporate officers, and at other opportunities to discuss these issues.
- Taking into account the expansion of the Showa Denko Group and the progress in globalization of business activities of the Group, the Board of Directors will continue discussing how the governance and compliance systems of the Group should be developed to boost effectiveness.
- To facilitate the evolution into a “Co-creative Chemical Company,” as put forth in the long-term vision, further discussion from a broader perspective is required with regard to management strategies and the ideal state of the Board of Directors.
- The Board of Directors should revise the internal rules and regulations on the referring of proposals to Board of Directors’ meetings to secure sufficient time to discuss issues effectively and efficiently, even when a Board of Directors’ meeting is held by teleconference.

In the action plan for fiscal 2022, the Board of Directors decided to ensure thorough discussion of management strategies for realizing the long-term vision, the ideal state of the Board of Directors, and the management of the Group at Board of Directors’ meetings by securing sufficient time and opportunities for such discussion. The Board of Directors also decided to continue taking measures to improve the effectiveness and efficiency of proceedings at the Board of Directors’ meetings and other meetings of executives.