

Possibility of chemistry

# Denka

Denka Report 2025

Integrated Report

## Editorial Policy

The Denka Report 2025 aims to communicate to stakeholders, including shareholders and investors, about what we have been doing to create new value over the medium to long term from the viewpoint of addressing environmental, social, and governance (ESG) issues.

We also have a Denka Sustainability Site to ensure that ESG information is disclosed in a comprehensive and timely manner.

### Coverage

This report covers FY2024 (April 1, 2024, through March 31, 2025) in principle, but also includes additional information on some initiatives undertaken subsequent to the FY2025 year-end. The report also presents data on performance indicators (numerical) from the past several fiscal years.

Date of publication: September 30, 2025

### Scope

In general, this report covers topics related to the Denka Group's business sites within the scope of consolidation. However, some articles are based on data gleaned outside the scope of consolidation. These articles individually specify the organizations subject to reporting.

### Guidelines

- The 2021 GRI Standards of the Global Reporting Initiative (GRI)
- The 2018 Environmental Reporting Guidelines of Japan's Ministry of the Environment
- The 2021 International Integrated Framework of the International Integrated Reporting Council (IIRC)

### Inquiries

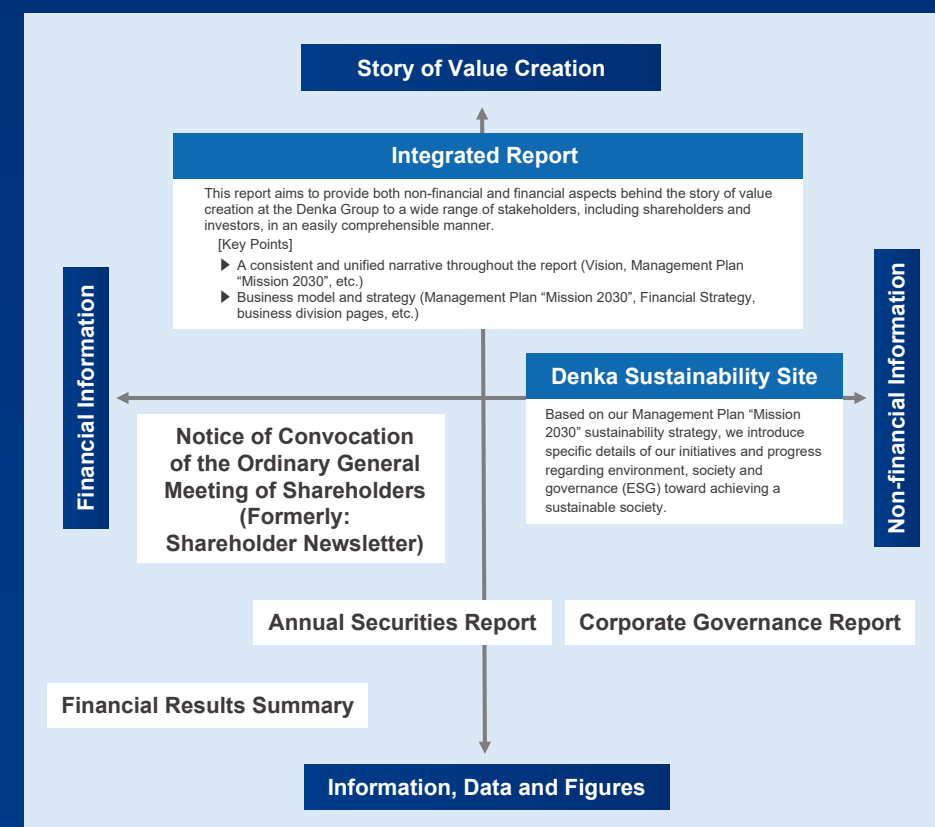
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## Information Disclosure System

The Denka Group discloses information to stakeholders under the following framework.

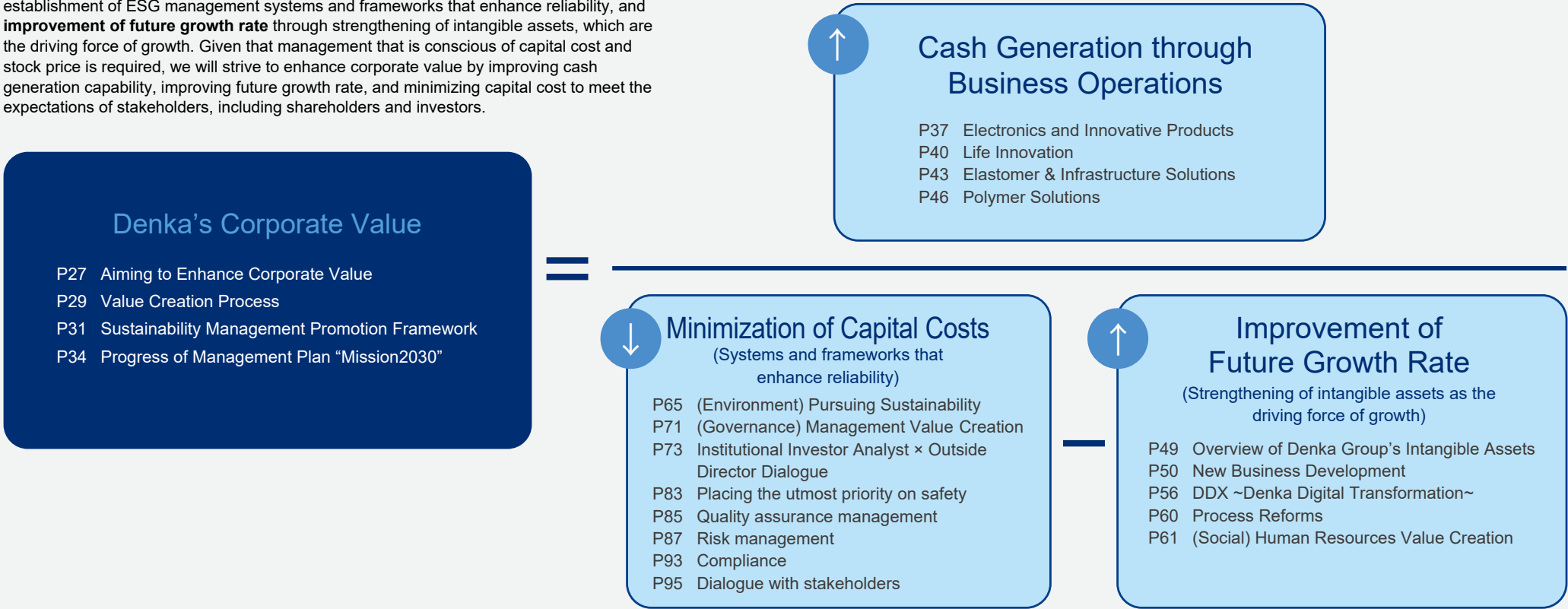
In addition to the "Integrated Report," which introduces comprehensive corporate information, we also operate an IR information site and a sustainability site, and publish securities reports, each providing distinct content.

For the latest information, please visit our website (<https://www.denka.co.jp>)



## Contents & Formula for Calculating Corporate Value

To enhance corporate value in a sustainable manner, it is essential to steadily accumulate profits and achieve the goals of the Management Plan "Mission 2030" **with cash generation through business operations, minimization of capital costs** through the establishment of ESG management systems and frameworks that enhance reliability, and **improvement of future growth rate** through strengthening of intangible assets, which are the driving force of growth. Given that management that is conscious of capital cost and stock price is required, we will strive to enhance corporate value by improving cash generation capability, improving future growth rate, and minimizing capital cost to meet the expectations of stakeholders, including shareholders and investors.



Possibility of chemistry

# Denka

## Vision

Denka's vision was born in 2022 through repeated discussions between 44 young employees and management. It is the Denka Group's corporate philosophy, composed of "CORE VALUE," "PURPOSE," and "MISSION."

### MISSION

#### Denka's commitment

By 2030, we will increase the value of our human resources and management, and we will focus on creating business value that combines the three elements of specialty, megatrends, and sustainability.

### PURPOSE

#### Denka's guiding principle

**Make the world a better place as specialists in chemistry.**

### CORE VALUE

#### Denka's DNA

Initiative: We will continue to challenge the possibilities of chemistry.

Integrity: We will engage in our work with sincerity and dedication.

Empathy: We will respect diversity and create a safe and secure environment.

## ESG Basic Policy • Denka Sustainability Site <https://denka.disclosure.site/en/>

Under the vision that represents Denka's future and forms the foundation of all employees' activities, the Denka Group has established the "Denka Group ESG Basic Policy" as the basic policy for ESG (Environment, Society, Governance) in its business activities. In addition to striving to comply with each principle, we aim to enhance corporate value through the establishment of effective corporate governance based on high ethical standards.

## Important Management Issues (Materiality) ▶ P32-33

We clarified important management issues for fulfilling our social responsibilities in the "envisaged world" and "megatrends" that we analyzed when formulating Management Plan "Mission 2030," and reviewed Important Management Issues (Materiality) in order to link them to individual goals for our business activities.

## Management Plan "Mission 2030" ▶ P34-36

### Three Growth Strategies

Business  
Value Creation



Human Resources  
Value Creation



Management  
Value Creation



### Three-star Businesses





## Suspension of Chloroprene Rubber Manufacturing Facilities at U.S. Subsidiary DPE and Its Impact

The U.S. subsidiary DPE (Denka Performance Elastomer LLC) was established in December 2014 as a manufacturing site for chloroprene rubber in North America. It was anticipated that DPE would provide additional advantages given the proximity to a significant number of key users, complementing the Company's Omi Plant in toigawa, Niigata, with the aim of improving customer satisfaction. In November 2015, DPE acquired the chloroprene rubber business from DuPont de Nemours and Company ("DuPont") and began producing chloroprene rubber in the United States, expanding the Company's operations. However, due to rising costs, declining production volumes, staffing challenges and a eakening global economic environment for hloroprene have led to the expectation that mproving profitability in the near term would be difficult.

Rising costs are attributable to, among other factors: identification, design, purchase, installation, and operation of pollution control equipment to reduce chloroprene emissions that DPE did not anticipate being required at the time it acquired the facility from DuPont; rising energy costs and a shortage of qualified staff necessary to operate new pollution control equipment and implement other emission reduction measures; increasing prices of key raw materials and repair work, exacerbated by inflation in the United States; and, overall challenges in securing and maintaining qualified staff.

Given these circumstances, as announced in our press release on May 13, 2025, DPE has elected not to restart production at its chloroprene rubber manufacturing facilities for an indefinite period.

### Basis for Difficulties Improving Profitability

|                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Rising Costs</b>                                                          | <ul style="list-style-type: none"> <li>• Identification, design, purchase, installation, and operation of pollution control equipment to reduce chloroprene emissions that DPE did not anticipate being required at the time it acquired the facility</li> <li>• Rising energy costs and a shortage of qualified staff necessary to operate new pollution control equipment and implement other emission reduction measures</li> <li>• Increasing prices of key raw materials and repair work, exacerbated by inflation in the United States</li> </ul> |
| <b>Staffing challenges</b>                                                   | <ul style="list-style-type: none"> <li>• Overall challenges in securing and maintaining qualified staff</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Declining volumes of chloroprene rubber production</b>                    | <ul style="list-style-type: none"> <li>• Operational restrictions arising from the pollution reduction measures</li> <li>• Unscheduled plant outages associated with supply chain disruptions and severe weather events</li> </ul>                                                                                                                                                                                                                                                                                                                      |
| <b>Chloroprene rubber market affected by the global economic environment</b> | <ul style="list-style-type: none"> <li>• Impact of changes in the global economic environment affecting the chloroprene rubber market</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                        |

**Suspension of production at DPE's chloroprene rubber manufacturing facilities for an indefinite period**  
**All options, including a potential sale of DPE's business or its assets, will be considered**

### Suspension and Its Impact

#### Extraordinary Losses

Denka will record an extraordinary loss of approximately 16.1 billion yen for the fiscal year ended March 31, 2025, as an impairment loss on manufacturing facilities at DPE

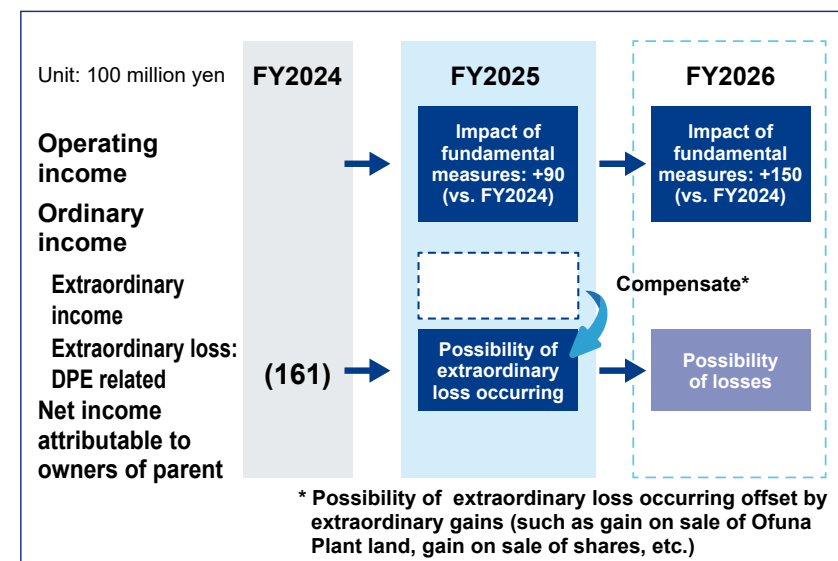
#### Operating Income

FY2025: +9 billion yen (compared to FY2024)

FY2026: +15 billion yen (compared to FY2024) expected

#### Net Income Attributable to Owners of Parent

FY2025: Despite the possibility of extraordinary losses as we build on the fundamental measures taken in FY2025, we expect extraordinary gains to compensate



## Message from the President

**Drawing on our DNA of “Initiative,”  
“Integrity” and “Empathy,”  
we will take on new growth and  
transformation as specialists creating  
value through the power of chemistry.**

**Ikuo Ishida**

Representative Director, President



## Message from the President

# Drawing on our DNA of “Initiative,” “Integrity” and “Empathy,” we will take on new growth and transformation as specialists creating value through the power of chemistry.

My name is Ikuo Ishida, and I assumed the position of President and Representative Director in April 2025.

I would like to sincerely thank all our shareholders and stakeholders for your exceptional support. Having been appointed President in our 110th anniversary year, I feel a strong sense of responsibility and mission as we pursue new growth and transformation for the historic Denka Group.

## Management Overview

Since our founding in 1915, we have continued to contribute to social development by providing unique technologies and products, but the current business environment is marked by unprecedented uncertainty, including the impact of U.S. tariff policies, rising prices, increasing geopolitical risks, and abnormal weather caused by climate change. In light of these global circumstances, our management plan “Mission 2030,” which kicked off in FY2023, has fallen short of its targets due to changes in the underlying prerequisites. Our U.S. chloroprene rubber business has also applied significant pressure on the Group's earnings due to rising costs, decreased production volumes, and a global decline in demand. As a result, in the FY2024 financial results, we recorded impairment losses on fixed assets related to our U.S. subsidiary DPE (Denka Performance Elastomer LLC) and decided to temporarily suspend its manufacturing facilities. We also recorded extraordinary

losses due to structural reforms such as the shutdown of the Ofuna Plant, resulting in a challenging final deficit.

## Review of Management Plan “Mission2030”

To break through this downturn, our Group is focusing on portfolio transformation to lay the foundation for a return to a growth trajectory. The top priority among these is fundamental measures for our U.S. chloroprene rubber business—we will be carefully considering all possible options, including business transfer or asset transfer of our U.S. subsidiary DPE (Denka Performance Elastomer LLC), and implement appropriate responses in a steady manner. In FY2025, we will continue focusing on the curating investments and achieving results with cost reduction projects, and within this fiscal year, we will review our Management Plan “Mission2030” in light of changes in prerequisites.

Our basic policy and long-term strategy to evolve each business into a “three-star business” equipped with three elements—Specialty, Megatrends, and Sustainability—remain unchanged. Yet we will prioritize restoring our “earning power” to secure the operating income of 25 billion yen announced in our FY2025 forecast, and will promote growth strategies tailored to the characteristics and profitability of each business in a speedy manner. For developing a management foundation that is essential for sustainable medium- to long-term growth, we continue to advance the GX roadmap toward achievement of

carbon neutrality in terms of environmental aspects, and human resource development, work style reform, promotion of diversity, equity & inclusion, and strengthening labor safety in terms of social aspects. We are also accelerating digital transformation to improve operational efficiency, and strengthening coordination between intellectual property and business strategy. In terms of governance, we are enhancing our management system with a focus on integrated risk management, improving the effectiveness of the Board of Directors, and strengthening transparency and accountability.



## Denka's Vision

Our Group cherishes the core values of “Initiative,” “Integrity,” and “Empathy,” and upholds our purpose of “Making the world a better place as specialists in chemistry.” Our company was founded in 1915, against the backdrop of World War I, which broke out in July 1914. Imports of chemical products such as calcium cyanamide from Europe decreased drastically, leading to a movement to increase production in Japan, and our company was launched to manufacture and sell calcium carbide and calcium cyanamide. From the very outset, we have boldly taken on new businesses with the motto of contributing to society

through manufacturing, and today we operate a wide range of businesses ranging from electronic materials to synthetic rubber, synthetic resins, and even medical fields such as vaccines and diagnostic reagents. Responding in a flexible manner to environmental changes and contributing by creating beneficial products for society is the very history of our Group spanning 110 years, and we believe that this is our DNA.

Going forward, we will continue to foster a culture and build an organization that enhances our execution capabilities and one of our core values, “Initiative,” while engaging in ongoing dialogue with our stakeholders, with the view to achieving sustainable growth and increased corporate value.

We sincerely ask for your continued understanding and support.





## Message from the President

### Question and Answer Session with the New President ?

#### Q1. What is the vision the Denka Group should be aiming for in 2030?

**A. Our vision is to be a company that solves social issues by enhancing our unique capabilities of chemistry.**

With the motto of contributing to society through manufacturing for 110 years, the Denka Group has continuously been creating valuable products. Practicing our core values of “Initiative,” “Integrity,” and “Empathy” is the driving force behind our purpose: “Make the world a better place as specialists in chemistry.” We believe that continuing to be a company that solves many social issues is the very vision we should pursue. Here are some recent examples of products and technologies that address social issues. Our company offers a unique lineup of products such as spherical silica, spherical alumina, and silicon nitride, and we take pride in being the only company in the world with such a diverse range of ceramic products.

In recent years, generative AI, which is experiencing increasing demand globally, is said to consume about ten times more power than conventional systems due to the high computational load and real-time processing requirements. As a result, the amount of heat generated by semiconductors has increased significantly, making thermal management technologies increasingly important. We possess “heat control” technology that prevents heat being emitted from electronic components, and by developing an organic insulating material called “SNECTON” with low dielectric loss characteristics, we are spearheading innovation with high-speed communications. In areas where heat generation cannot be avoided, our spherical alumina, a functional powder with high thermal conductivity, helps dissipate heat. These products are expected to contribute to the advancement of generative AI and experienced increased demand in the future.

Our products are also being used in the power sector. When rolling out power sources such as offshore power generation, our highly reliable conductive carbon black is always being used in ultra-high voltage cables required for power transmission. In addition, power transmission requires conversion from direct current to alternating current, and the transformers used in this process employ our heat-dissipating substrates “ALSINK” and “AN PLATE,” which are capable of withstanding high voltages and high temperatures. We are confident that these electronic materials will play an indispensable role in society in the future, where sustainable power and energy are in demand. Going forward, we will continue being the driving force behind the creation of new products that contribute to society, powered by communication derived from promoting Diversity, Equity & Inclusion (DE&I) and a flat organizational structure.

#### Q2. How do you view the current challenges and what is your approach to business recovery?

**A. We will accelerate our “business portfolio shift” and strengthen our earning power by resolving four profit challenges.**

To achieve the goals set out in our management plan “Mission 2030,” our immediate priority is to restore our current business performance. The four profit challenges we currently face are: (1) Sluggish chloroprene rubber business in the U.S., (2) Delayed return on upfront investments in the Electronics & Innovative Products, (3) Stagnant performance in the Polymer Solutions Division, and (4) Increased company-wide cost burdens.

To overcome these challenges, accelerating our “business portfolio shift” will be essential. In May 2025, we temporarily suspended DPE production facilities, and in June, we ceased cement production at the Omi Plant. During FY2025, we are also planning to shut down the Ofuna Plant, withdraw from the unprofitable industrial tape business, and consolidate the production of “Toyokalon” synthetic fiber products for wigs at our Singapore subsidiary DAPL (Denka Advantech Private Limited). Delayed investment recovery is an issue in the Electronics & Innovative Products, but for the consistently unprofitable substrate business, we will implement structural reforms during FY2025. We are also working to curb cash outflows by carefully selecting investment projects.

In addition, our cost reduction initiative, the “Best Practice Project” that incorporates new methods, achieved results of 1.3 billion yen against a target of 1 billion yen in FY2024. The target for FY2025 has been set at 5 billion yen, and at the moment we already have a solid outlook for 4 billion yen.

Meanwhile, products related to generative AI in the Electronics & Innovative Products are growing at a steady pace. To achieve further growth in this field, it will be important to leverage our accumulated technological capabilities and customer base, and focus on developing products that accurately meet customer needs in new business areas that have a high affinity to existing businesses. This will further strengthen our earning power. By accelerating our “business portfolio shift” and enhancing our earning power, we are committed to achieving our FY2025 operating income target of 25 billion yen.

## Message from the President

## Question and Answer Session with the New President ?

### Q3. What is your strategy for returning to a growth trajectory?

**A. We will be reviewing our Management Plan “Mission 2030” and strengthening the development of new businesses.**

### Approach to Reviewing Targets

We are currently reviewing our targets for the next fiscal year and beyond, but there will be no major changes in the approach taken for each business. We will draw a growth roadmap that combines existing and new businesses, focusing on “ICT & Energy” and “Healthcare” as the pillars supporting growth going forward. In the “ICT & Energy” field, our strategy is to maximize returns from the forward-looking investments we made in facilities and actively expand into new markets where we will be able to leverage management resources from existing products. In the “Healthcare” field, our strategy is to further strengthen the competitiveness of our diagnostics business, expand profits by collaborating with other companies, and ensure stable and reliable management in the vaccine business. Our strategy in the “Sustainable Living” field focuses on structural reforms. For the styrene chain business, we are building a system to generate stable cash flow and are also considering collaboration with other companies in anticipation of industry restructuring in the chemical sector.

The “three-star businesses” set forth in our management plan “Mission 2030” are those that combine the three elements of specialty, megatrends, and sustainability. The markets for these businesses are expected to grow in the future and are areas where Denka Group’s core technologies can be maximized, and we define these as the three growth fields of “ICT & Energy,” “Healthcare,” and “Sustainable Living.” We have made it our mission to focus on “three-star businesses” and aim to evolve into a company centered on highly profitable businesses. While maintaining our basic policy of focusing on “three-star businesses,” we will continue to strengthen the systems that support the development of growth businesses. In contrast, we have determined that it will be difficult to make all businesses “Three-Star” by fiscal 2030 based on current circumstances, so we will continue considering the importance of cash cow businesses.

### Sowing the Seeds of New Businesses to Generate Revenue Beyond FY2030 ▶P55

From FY2025 to FY2030, we will pursue a “diversification strategy” to expand into adjacent markets for existing products and aim for rapid profits. In addition, to cultivate businesses

that will generate profits from FY2030 to FY2040, we will sow the seeds for at least ten new businesses during FY2025.

We have a long history with both organic and inorganic chemistry, and are a truly unique company that has created new businesses by integrating technology and manufacturing know-how. In business areas such as electronic materials, we will further strengthen the creation of new businesses that leverage these characteristics.

### Q4 How will you utilize intangible assets to accelerate growth?

**A. We aim to accelerate growth by having intangible assets at the core of our business model.**

Our company operates a wide range of businesses, including semiconductor-related products, pharmaceuticals, infrastructure, and resin-related fields, and owns a wealth of intangible assets that are the source of our corporate value. Our predecessors built up these intangible assets over many years as they worked to solve social issues, and these have driven our business growth. Going forward, we will re-assess the value of these intangible assets and position them at the core of our business model to achieve sustainable growth.





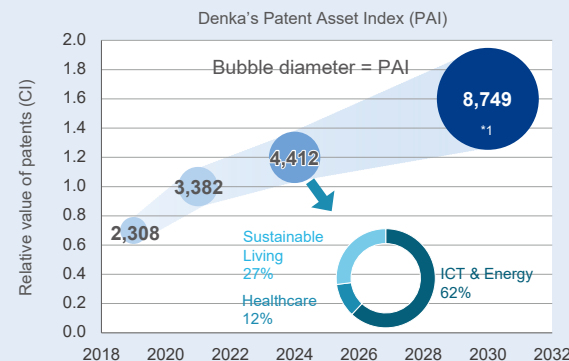
## Message from the President

## Question and Answer Session with the New President ?

### ● Intellectual Property and Business Strategy ▶ P61

As I mentioned earlier regarding new business creation, we also recognize intellectual property as one of the key assets underpinning our business strategy. We have been strengthening our efforts in intellectual property to the extent that we have been featured in rankings in business journals, but at the moment, we cannot say that we are fully utilizing it, and there are challenges in rolling out intellectual property to our businesses. Going forward, we will optimize our intellectual property portfolio to contribute to improving profits and promoting more strategic utilization.

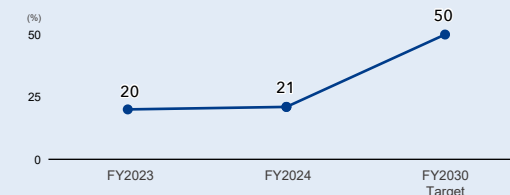
KPI: Patent Asset Index based on Operating Income



### ● Human Capital Management ▶ P61-64

In our human resources strategy, we are placing great importance on creating a flat organization that makes it easy to pursue "Initiative." As part of these efforts, we continuously hold town hall meetings for all group locations, providing a forum for open and lively discussion, where each employee can talk about our core values of "initiative, integrity, and empathy," and enhance discussions that drive organizational transformation. Recognizing the issue of the low ratio of female managers in our company, we are also working to create an environment where diverse talent is able to thrive, based on our DE&I policy. We are also implementing multifaceted measures to support the creation of a flat organization that makes it easy pursue "initiative," such as renewing our human resource development programs and strengthening health management.

Ratio of women/foreign nationals/mid-career hires in managerial positions



### ● DDX (Denka Digital Transformation) ▶ P56-59

Another important initiative our company emphasizes is DX (Digital Transformation). This goes beyond simply digitizing operations and serves to drive transformation throughout the entire organization.

As a result of our human resource development, "Digital Pilots (DP)" have emerged within each department, taking on the role of leading DX in their respective areas. Selecting personnel who are well-versed in their work as DPs is a key factor in enhancing the effectiveness of these initiatives, and we have come up with distinctive systems like providing incentives.

#### FY2030 Targets

- Labor Productivity (Labor Saving Headcount): 480 people
- Utilization of Generative AI: 1,000 Generative AI accounts
- Development of Digital Human Resources (DP): 200 people
- Basic training and skill-up training: 2,000 participants
- Digitalization Rate (Visualization Rate): 50%

### ● Sustainable Management ▶ P66-70

We are aware that the chemical industry that our company belongs to is a sector that generates high CO<sub>2</sub> emissions, making it extremely important to fulfill our responsibility for environmental issues and ensure the sustainability of our business. For this reason, our company set the goal of "achievement of carbon neutrality by 2050" from an early stage and has been actively working toward achieving this goal. Specifically, we have set clear reduction targets for our own CO<sub>2</sub> emissions and are promoting comprehensive reduction measures, while also focusing on the effective use of renewable energy through our 17 hydroelectric power plants (including joint ventures) and solar power generation facilities, which are a distinctive feature of our company. Our products in the ICT & Energy field are also a collection of technologies that reduce environmental impact and provide important solutions for achieving a low-carbon society. We believe that approaches capable of converting such environmental contribution technologies and environmental value into economic value are extremely important strategic initiatives for us as an operating company.

## Message from the President

### Question and Answer Session with the New President ?

#### Q5. How do you perceive the current evaluation by the stock market?

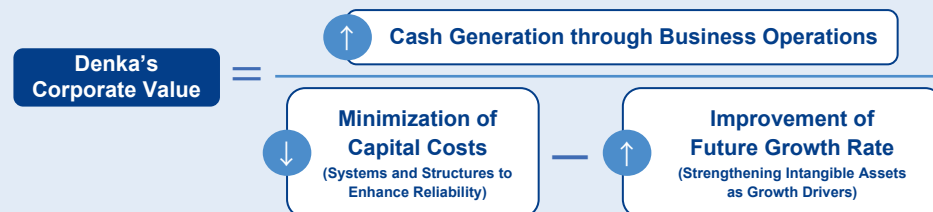
**A. We take the evaluation of the stock market seriously and will work to increase “cash generation through business.”**

Since FY2023, our price-to-book ratio (PBR) has remained below 1, currently at around 0.6. We take this evaluation from the stock market sincerely, and as management, we recognize that it is our important responsibility to return to a growth trajectory from our current performance and enhance corporate value.

The most important issue for enhancing corporate value is restoring our earning power. In addition to strengthening our sales capabilities, we will accelerate the harvesting of results from growth investments made so far to increase “**(1) Cash generation from business.**” We will also steadily restructure unprofitable businesses, our top priority, and promote organizational reforms to instill cost reduction awareness, achieving cost reductions through the “Best Practice Project” and production process reforms. Through these efforts, we aim to achieve operating income of 25 billion yen in FY2025.

We will also enhance intangible assets such as R&D and human resource strategies that support medium- to long-term growth, and provide products that leverage our strengths in three key areas (ICT & Energy, Healthcare, Sustainable Living) to achieve “**(2) Improving Future Growth Rates.**” We will also work to “**(3) Minimization of Capital Costs**” by reducing environmental impact through business activities and strengthening corporate governance to enhance our sustainability as a company.

We are confident that strengthening our execution capabilities based on these “**three elements**” will lead to an increase in “**Denka's corporate value.**” To that end, we will continue our policy of total shareholder return ratio during the Management Plan “Mission 2030.”



#### Q6. What is your approach to further enhancing corporate governance?

**A. We will be enhancing the effectiveness and transparency of management oversight and promoting sustainable corporate management by engaging in diverse perspectives and discussions at the Board of Directors.**

Our Board of Directors has a highly effective structure, with candid and rigorous opinions always provided by outside directors, ensuring that and lively discussions take place. We require reports for businesses that are not generating profits, and firmly reject investment projects that have not been sufficiently considered, ensuring that sound governance is functioning.

For serious accidents or inappropriate behavior related to quality within our group, we continuously monitor the formulation and implementation of recurrence prevention measures by the investigation committee to order to restore trust. For matters requiring important management decisions, we make arrangements for prior explanations and discussions before meetings of the Board of Directors to ensure thorough deliberation. There are some concerns about the long terms of tenure of our outside directors, but we recognize that it is important to factor in the balance of tenure to facilitate a broad range of discussions. The Nomination and Remuneration Advisory Committee is chaired by Ms. Nakata, an outside director, and comprises six members: four outside directors, the chairman, and the president, and discusses topics such as the selection of the next president and executive officers, and succession planning. Going forward, we also intend to discuss the selection of outside directors.

Regarding the skill set of directors, we have appointed Mr. Hayashida as a director to strengthen our financial strategy, and invited Ms. Nakata, who has extensive experience in DE&I, making appointments that leverage each individual's expertise. For executive officers, we actively conduct training for directors to address key issues facing companies, such as DX, GX, and ESG management, and set goals for each, requiring them to be highly sensitive to social changes and to take action to solve issues in their respective fields. The skill matrix is currently disclosed for executive officers at the managing director level and above, but going forward, we plan to disclose more information to include executive officers as well. The performance evaluation for executive officers is based on the ratio of “6 (fixed salary): 3 (performance evaluation): 1 (stock),” with two-thirds of the performance evaluation based on company-wide performance, and the remaining third based on goal management, including individual non-financial items.

## Message from the President

### Question and Answer Session with the New President ?

#### Q7. What message do you have for stakeholders?

**A. Driven by initiative and execution capabilities, we aim to solve social issues through the power of chemistry and create corporate value that is sustainable and worthy of global pride.**

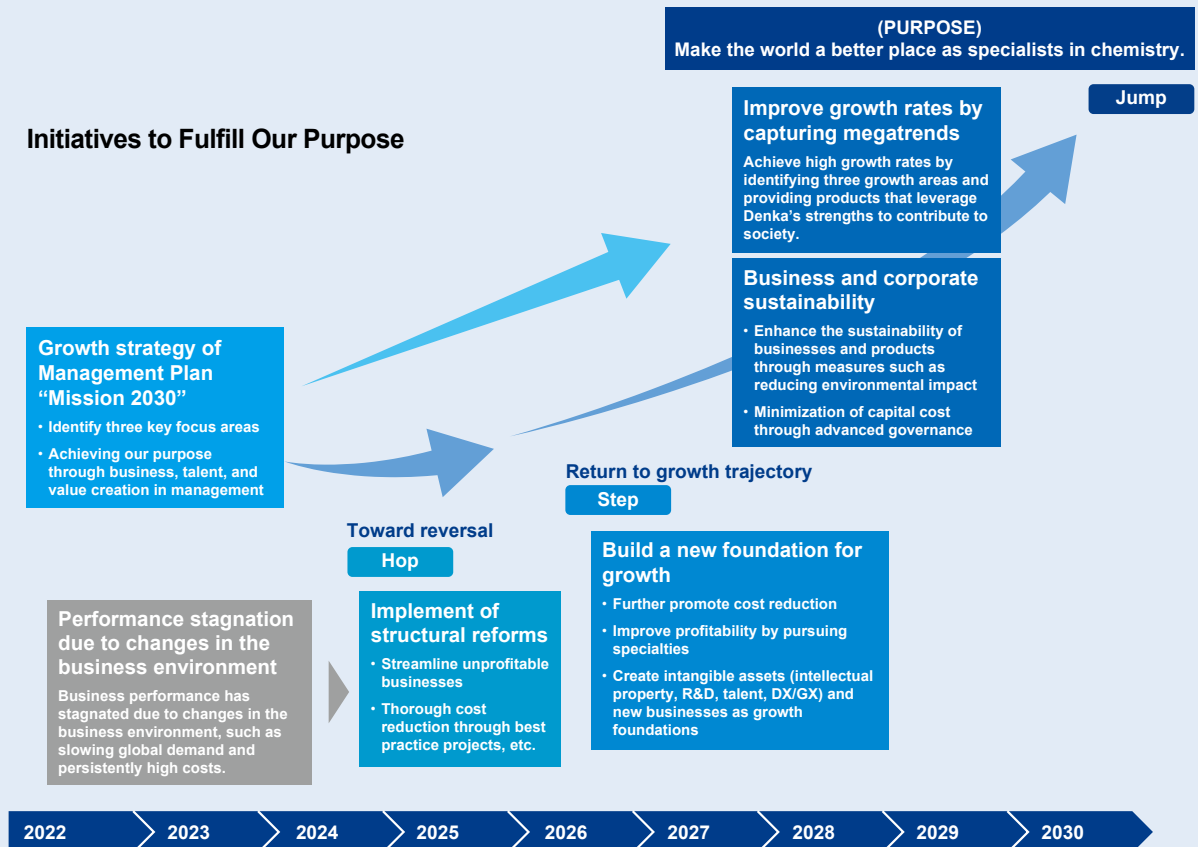
In today's rapidly changing world, our raison d'être as a chemical company is being scrutinized more than ever. In order to fulfill our social mission of addressing climate change, preserving biodiversity, and protecting people's lives and healthy living, while also enhancing corporate value and achieving sustainable growth, we have been pursuing growth strategies in three key areas—ICT & Energy, Healthcare, and Sustainable Living—under our Management Plan "Mission 2030." However, in FY2023 and 2024, our performance stagnated and we were unable to fully meet the expectations of our shareholders and investors. By implementing profit improvement measures and structural reforms, we are making preparations to return to a growth trajectory.

During FY2025, we will review our management plan, including targets for FY2026 and beyond, to provide a clearer roadmap for the future.

While building a new foundation for growth, I will also work to instill my own principles of "initiative" and "execution capabilities" throughout the group, enhance the sustainability of the corporate group, and strive for robust growth by accurately capturing megatrends.

Throughout its 110-year history, Denka has repeatedly overcome challenging business environments, demonstrating a sense of flexibility resembling that of bamboo—bending but does not breaking. More than ever, we will engage in more dialogue with all stakeholders, including shareholders, investors, and business partners. Through the "possibility of chemistry," we will continue to enhance corporate value and make strong strides toward achieving a better life and society.

#### Initiatives to Fulfill Our Purpose



# President-Employee Roundtable

## Takeshi Tomita

New Business Development  
New Business Creation Department

## Benoit Tisserand

Life Innovation  
Business Promoting Department

## Mami Nishioka

Polymer Solutions  
Styrene & Acetyl Chemicals Department

## Sunao Honma

Electronics & Innovative Products  
Section Manager, Electronic Products Department

## Ikuo Ishida

Representative Director, President

## Hiroki Shibata

Elastomer & Infrastructure Solutions  
Water & Agri-Products Department

The Denka Group has identified “Strengthening of Human Resources Development System,” “Promotion of Diversity, Equity & Inclusion,” and “Health and Productivity Management and Work Style Reform” as key management issues (materiality). In this integrated report, five young employees and President Ishida engaged in discussion covering these issues. During the roundtable, participants shared their visions for “Denka’s future,” the roles they should play to achieve those visions, and their requests to the company.

During the roundtable discussion, Ms. Honma from the Electronics & Innovative Products first spoke about her vision for Denka’s future.

**Honma:** I want to make Denka a company that can achieve the FY2030 target of a 15% operating income ratio. Beyond that, I aim for making Denka a “profitable company” with an operating income ratio of over 20%.



## President-Employee Roundtable

To achieve this, I will focus on “understanding market needs from a long-term perspective.” Simply continuing to sell the same products as in the past will not allow the Company to survive in these rapidly changing times. For continuous growth, timely and accurate understanding of needs is essential. Especially for the BtoB products I am in charge of, it is difficult to grasp future product needs using only general information. It is crucial to deeply understand the design philosophy of customers who actually use our products and propose better products that meet their requirements. Therefore, I have two requests for the Company.

The first is to address the shortage of personnel with specialized knowledge caused by job rotations and other personnel changes. While it is important to incorporate new ideas, I believe that personnel with past experience are equally necessary.

The second is to promote DX and develop a system within the company that enables the use of past experiences and related sales and technical information. While I think the Company is making efforts, such as developing Digital Pilots\*, compared to other companies, we seem to be lagging behind. I am requesting a system to be established that further promotes DX to improve operational efficiency and allows us to allocate necessary personnel to important tasks such as understanding product needs.

**Ishida:** Ms. Honma’s opinions can be summed up as the need to “strengthen marketing” and “promote DX for timely information sharing and acquisition.” In fact, these are areas that management also wants to strengthen. The Digital Strategy & Innovation Department is taking the lead in building a data utilization platform based on past sales information. We are currently facing challenges in efficiently extracting the desired information from the data platform, and we are struggling to improve this, but we ask for your patience. On the other hand, cooperation from the sales side is essential for developing the data platform. Taking a look at past sales information, there are many records of price trends, but there is a lack of marketing information on what products are actually being sought. We hope you will also work on accumulating marketing information, such as long-term product demand, which will be

important for Denka in the future.

**Honma:** Within the department, we will thoroughly promote awareness of the importance of input and output of marketing information. I personally want to pass on the knowledge and expertise I



\* Digital Pilot: Internal talent responsible for driving digital transformation

have acquired over the past 15 years to my juniors.

**Shibata:** Like Ms. Honma, I also want to promote DX to improve operational efficiency and enhance competitiveness, ultimately making our company one with operating income exceeding 20%. I am aware

that Denka has started developing Digital Pilots from FY2024 and is putting effort into promoting DX, but I still feel that we rely heavily on years of experience and intuition. For Denka to grow further, rational decision-making and process improvements are required, and I believe DX promotion will play a key role to achieve this. Therefore, I hope the company will continue to invest in DX. I also hope for more comprehensive training to close the literacy gap among employees when it comes to DX. What I can do myself is to utilize DX throughout my daily work. In the Water & Agri-Products Department that I belong to, we are working to streamline corrugated manufacturing planning using BI tools. On the other hand, as Mr. Ishida pointed out, to make use of DX, we need to increase the amount of input information, and I feel this is a challenge.

**Ishida:** DX does not simply mean using IT technologies or big data to improve business processes—it also refers to creating new business models and transforming corporate culture. At our Company, we are developing Digital Pilots to drive this forward. The Digital Pilot initiative is not about hiring people with DX knowledge from outside, but rather about equipping those who are already familiar with our operations with DX expertise. The strength of this approach is that people who know the business well can use DX knowledge to solve issues that only they would notice.

**Benoit:** I believe that promoting DX is truly an “initiative” for our Company. In that sense, I want Denka to continue being a company that keeps pursuing “initiatives” itself. “Initiative” is one of our core values, and I believe we are embodying it now, but I think it is important that we keep taking on challenges. I just transferred from the Corporate Communications Department to the Life Innovation Business Promoting Department in April, and I am taking on completely different tasks every day. To remain a company that keeps taking on challenges itself, I have two requests for the Company. First, I hope that management will maintain an attitude that accepts failure and ensure protection for those who take on challenges. Furthermore, I think it would be even better if there were rewards in





## President-Employee Roundtable



place for those who achieve success with their challenges. Second, I want the Company to be a place where people can work with a smile. If work is not enjoyable, it is hard to achieve results. I hope consideration will be given to workplace relationships and work-life balance as well.

**Ishida:** Our Company's core values are "Initiative," "Integrity," and "Empathy," and out of these core values, the one I value most is "Initiative." I sincerely hope everyone will keep challenging themselves, and failure does not mean you are penalized. We value those who take on challenges. As you take on roles like general manager or section manager, the amount responsibility increases and it becomes harder to take on challenges yourself, so I encourage you to take on various challenges without fear of failure before becoming a section manager. I want you to give it your all, and I always say, "First, just step up to the base."

I often hear the term "work-life harmony" recently. This means that work is just one part of life, and as the term suggests, I personally do not think it is necessary to balance life and work.

**Nishioka:** I want to make Denka a company capable of rapidly growing. We are in an era where we cannot survive with just the businesses we have always had, and I believe Denka needs to transform toward sustainable businesses and those that contribute to a recycling-oriented society. I want Denka to be a company that is able to respond quickly to the needs of the times. Regarding what I can do to help make the Company like that, I want to cherish the attitude of "Initiative" as Mr. Benoit mentioned. I am in my



third year at the Company, and I have sometimes taken a reserved attitude and held back my opinions, even when I felt uncomfortable with established practices. But now I realize that small insights can be the first step to changing the Company. From now on, I want to take on challenges myself to change rather than settle with the status quo.

I hope the president will create many opportunities and environments where people are able to collaborate across positions and departments. At our Company, there is a lack of information being shared between departments, and even within departments, information often stops at certain levels and does not reach younger employees. Of course, since we have multiple businesses, I do not think all information should be shared due to considerations of information control and confidentiality. However, if employees can choose what information to access, they may encounter ideas they would not get from their usual work, which could also prompt them to think about their own careers. I also expect that if the invisible barriers between departments and levels are eliminated, the speed and flexibility of decision-making processes throughout the company will improve even further.

**Ishida:** So, should we walk around the company with a hammer? Just kidding—but I feel the same way about the sense of speed and taking on challenges. When it comes to taking on challenges, it is really important to start small and build up steadily.

For example, in sales activities, we often work with trading companies. When selecting a trading company, I want our salespeople to be able to clearly explain, "We are choosing this company because of these strengths and because they excel in these areas." Even if we have a long-standing relationship, if you cannot explain why you are choosing them, you should look for new partners. I also think commissions should vary depending on performance. However, this is only possible if Denka's sales team builds up solid relationships with trading companies and other partners. As a salesperson, I want you to visit the customer's manufacturing site and gather information, not just from the customer, but even further down the line. I believe that without this kind of drive and grit, we cannot achieve a sense of speed.

Regarding the barriers between departments, management will do what it can. But first, I want to ask everyone, "What are you doing yourself to break down those barriers?" For example, all of you at this roundtable discussion just happened to come together, right? I hope you will use this opportunity to deepen your relationships. Not only that, but I encourage you to chat during breaks or actively talk to people from other departments. Innovation may arise from such interactions. Development of SNECTON also came about from this kind of communication. This is true cross-departmental innovation.

## President-Employee Roundtable

**Benoit:** Coffee breaks and casual conversations are the key to innovation, aren't they?

**Ishida:** Naturally it is no good if you spend all your time on coffee breaks and neglect your work, but I hope you will make a conscious effort to increase opportunities for casual conversations, both within and outside your own department. Also, it is important to interact not only with people inside the company but also with those outside. It was difficult for me when I was younger, but if you don't broaden your relationships outside the company, Denka will become your whole world. I hope you will always value new ideas.



**Tomita:** I belong to the New Business Development Department, and as Mr. Ishida just mentioned, I want to make our Company one that can continuously generate new businesses for future generations. To achieve this, I personally hope to nurture the many ideas currently being generated and develop them

into actual businesses. The New Business Development Department was established in April 2022 with the goal of creating next-generation businesses, and the idea pitch system has produced numerous ideas, but the challenge still lies ahead. I would like to improve the current idea pitch system and create a mechanism that allows proposed ideas to be cultivated with advice from both inside and outside the company. Furthermore, I think it would be beneficial to have a system like 3M's "15% Culture," where a certain percentage of working hours can be used by employees to research what they want. Such a system would help boost researchers' motivation and engagement, so I want to focus on this area. Starting this fiscal year, I would also like to further strengthen collaboration with the four business divisions. As Ms. Nishioka mentioned earlier, we need to break down the barriers between departments. Discussions are actually happening on an individual basis right now, during the coffee breaks we just talked about.

**Ishida:** The expectation for the New Business Development Department is precisely to continuously generate new businesses. For sales, I would like them to focus on reaping the results of upfront investments—in other words, "selling." However, simply selling what we currently have will not ensure Denka's long-term survival. Therefore, I hope the New Business Development Department will create about ten seeds during FY2025 for new businesses that will sprout after 2030.

**Tomita:** Before joining Denka, I worked at a pharmaceutical manufacturer, and my impression of Denka was that it was known for influenza vaccines. After joining, I learned that Denka not only produces vaccines but also POCT and a wide variety of diagnostic reagents, and has a strong presence in the market. There are many unresolved and complex issues in the healthcare field, but I believe that by leveraging the assets held by Life Innovation and collaborating with other business divisions, we can create new businesses.

**Ishida:** I heard many interesting opinions today on topics such as "Initiative," "DX," "work-life balance," and "interdepartmental collaboration," and the time flew by. I was also impressed by the level of enthusiasm and passion you all have.

Although it was not discussed today, I personally feel strongly about promoting diversity, equity and inclusion. Even with those of you here today, and we are working on creating role models of foreign nationals and women. In addition, we are actively holding training sessions for executives to deepen their understanding of diversity, equity and inclusion.

I also want to make Denka a flatter and more comfortable company to work for. While we welcome diverse opinions, I want to foster a corporate culture where once a decision is made through discussion, everyone pursues it wholeheartedly and single-mindedly. If there is anything you were unable to say today or feel you haven't said enough, please feel free to come to the President's Office anytime!

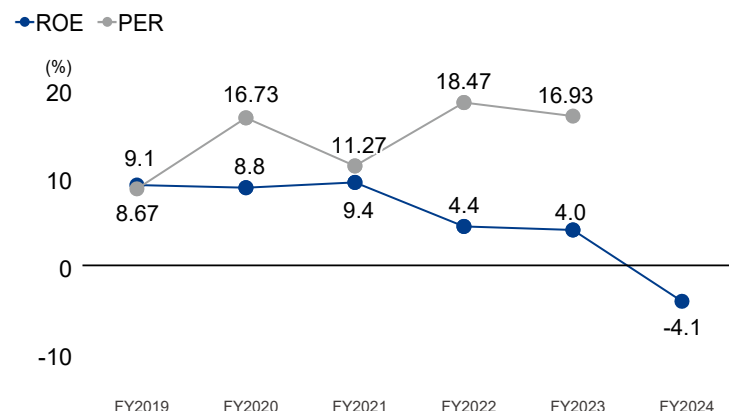




## Rimiru Hayashida

Director, Senior Managing Executive Officer  
Chief Financial Officer

### Return on Equity (ROE), Price Earnings Ratio (PER)



## Message from the CFO

Our financial goal for this fiscal year is “revival.” In FY2024, we posted a loss for the first time since FY2001, which triggered significant concern among our stakeholders. We are currently undergoing a portfolio transformation, and as part of this process, we have recorded large special losses for three consecutive years since FY2022. In particular, the main reason for the loss in FY2024 was not only sluggish operating income but also impairment losses on fixed assets in the U.S. chloroprene rubber business. However, through these measures, we believe we have established a certain path toward securing sustainable growth. This fiscal year, our mission is to first return to a growth trajectory—in other words, to achieve a definite “revival.” Within this, I understand that my mission is to strongly promote rigorous business income management and pursuit of capital efficiency, thereby enhancing corporate value.

### 1. Short-term Strategies for Business Recovery and Portfolio Shift

In FY2024, net sales reached 400.3 billion yen and operating income was 14.4 billion yen, representing only a slight increase from the previous year, and business performance continues to remain sluggish. In addition, we recorded a special loss due to the impairment of fixed assets (about 16.1 billion yen) at DPE (Denka Performance Elastomer LLC), our U.S. chloroprene rubber manufacturing subsidiary, which had a significant impact on our results.

The factors behind the recent business stagnation are: (1) Poor performance in the U.S. chloroprene rubber business, (2) Delayed recovery of forward-looking investments in Electronics & Innovative Products, (3) Stagnant profits in Polymer Solutions, and (4) Increased company-wide cost burden.

Of these, for (1) the U.S. chloroprene rubber business, we began implementing fundamental measures in FY2024. While there is still a possibility of recording related disposal losses for several years to come, we will completely break away from the long-standing situation of continued operating losses. For (2) Electronics & Innovative Products, we have been proactively developing new products and expanding manufacturing capacity to address social issues such as “high-speed communication” and “growing power demand.” We are confident that further advances in generative AI

and next-generation high-speed communication will accelerate the recovery of these investments. For (3) Polymer Solutions, we will focus on restructuring the business, including collaboration with other companies and downsizing, while keeping a close eye on the entire value chain in line with the reorganization of ethylene crackers in the petrochemical industry.

First, we will implement measures capable of producing results in a reliable manner within our company, building a business structure that is not affected by market conditions. For (4) cost reduction, we are already running the “Best Practice Project” and will steadily build up each initiative one by one.

We recognize our capital cost as 7–8%, and our weighted average cost of capital (WACC) as 5–6%. Through these strategies, we aim to restore operating income to a record high 40 billion yen and bring ROE back to the capital cost level of 8% as soon as possible after FY2026.

## 2. Portfolio Transformation and Clarification of Direction for Each Business Segment

In 2021, when we achieved record profits, our core businesses—Elastomer & Infrastructure Solutions and Polymer Solutions—generated steady cash flow despite low growth, while Electronics and Innovative Products and Life Innovation grew rapidly. With “revival” as our main theme, our urgent priority for this fiscal year is to return to this portfolio positioning.

In the future, we believe that our core businesses (Elastomer & Infrastructure Solutions and Polymer Solutions) can also shift to growth areas by leveraging environmental initiatives as growth drivers, and we will consider bold portfolio changes as necessary.

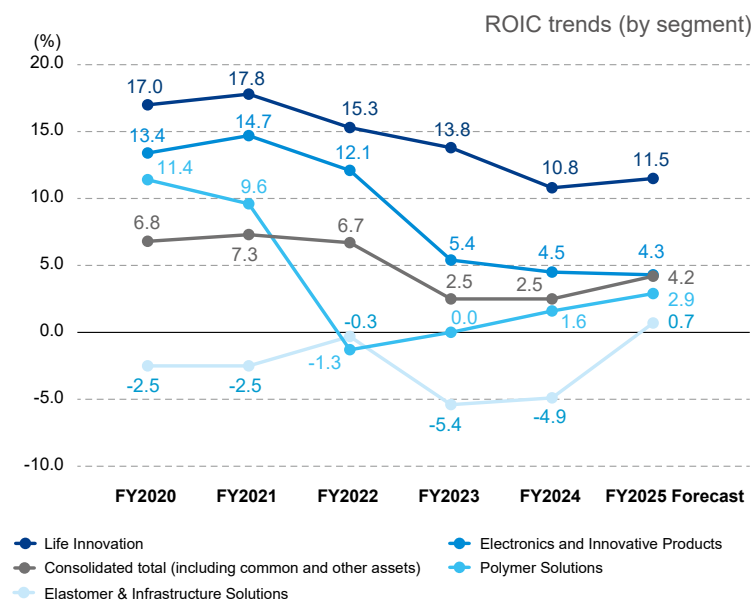
## 3. Measures for “Revival” (ROIC Improvement)

To quickly bring ROE back to the 8% level, our Company is united in working to improve capital profitability. Internally, we have introduced “ROIC” as a common measure of capital profitability and manage it by segment, individual business, and product using a “ROIC tree.”

In investment decision-making, for projects aimed at improving profitability, such as growth investments and productivity enhancement investments, we use both the internal rate of return (IRR) set as a hurdle rate based on capital cost and weighted average cost of capital (WACC), and ROIC to comprehensively evaluate capital profitability before making decisions.

We are working to ensure that the concept of capital profitability becomes common knowledge throughout the Company, with ongoing internal education and other efforts. By raising awareness of capital profitability not only among management but throughout the company, we aim to improve ROIC and ROE and restore PBR to 1.0 as soon as possible.

### ■ Increase in ROIC together with Increased Operating Income



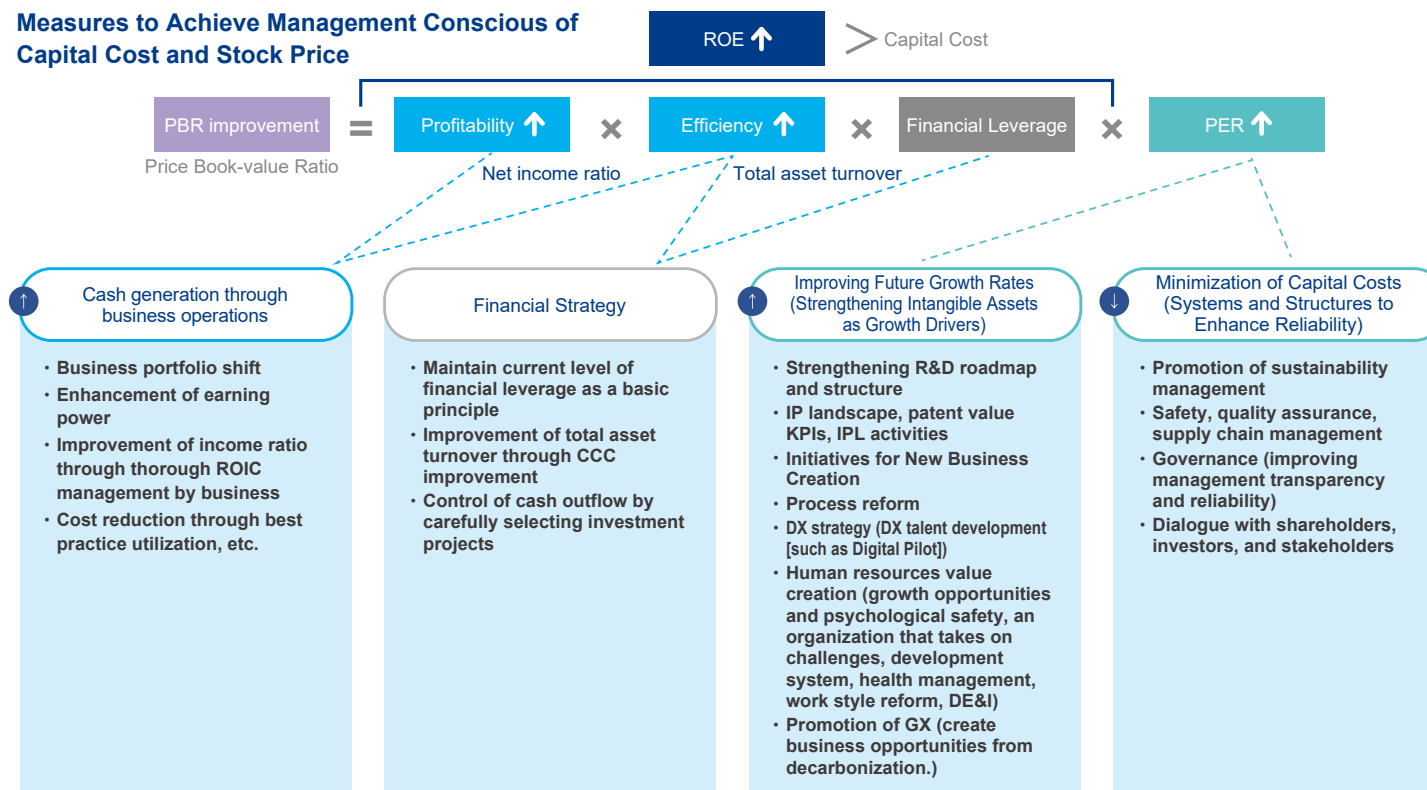


| Financial Leverage                                                                                                 |                       |                |
|--------------------------------------------------------------------------------------------------------------------|-----------------------|----------------|
|                                                                                                                    | "Mission 2030" Policy | FY2024 Results |
| D/E Ratio                                                                                                          | 0.6~0.8               | 0.73           |
| Total shareholder return ratio                                                                                     | 50%                   | 92%            |
| Utilize interest-bearing debt<br>Shareholder returns: 8-year average 50%.<br>Aim to maintain or increase dividends |                       |                |

### No Change in Policy

| Profitability ↑                                                                                                                                                                                                                                                 | × | Efficiency ↑ |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--------------|
| (1) Business portfolio shift<br>► Structural reform of unprofitable businesses, conversion to cash cows<br>(2) Promotion of business strategies in each division<br>(3) ROIC management (CCC [inventory control, etc.])<br>(4) Careful selection of investments |   |              |

### Measures to Achieve Management Conscious of Capital Cost and Stock Price



### Improvement of ROE, generation of cash

## 4. Dialogue with Capital Markets

We position dialogue with shareholders and investors as a key management initiative, with the aim of reducing capital costs and increasing corporate value in a sustainable manner. We strive to enhance disclosure and engage in two-way communication regarding our business strategy, financial strategy, portfolio review, and efforts to strengthen our management foundation.

Specific items include progress on fundamental measures in the chloroprene rubber business and their impact on performance, clear disclosure of financial strategies including capital allocation, performance recovery measures such as the Best Practice Project, and growth scenarios for new products such as "SNECTON" in Electronics and Innovative Products, thereby enhancing the content of earnings briefing materials. In addition, from FY2025, we have been holding new management briefings to outline the execution status of the management plan separately from financial results announcements.

In addition to these activities, we have established a system to share feedback from shareholders and investors with all directors, all division heads, and relevant departments, with the aim of verifying management execution from the perspective of shareholders and investors and identifying areas for improvement.

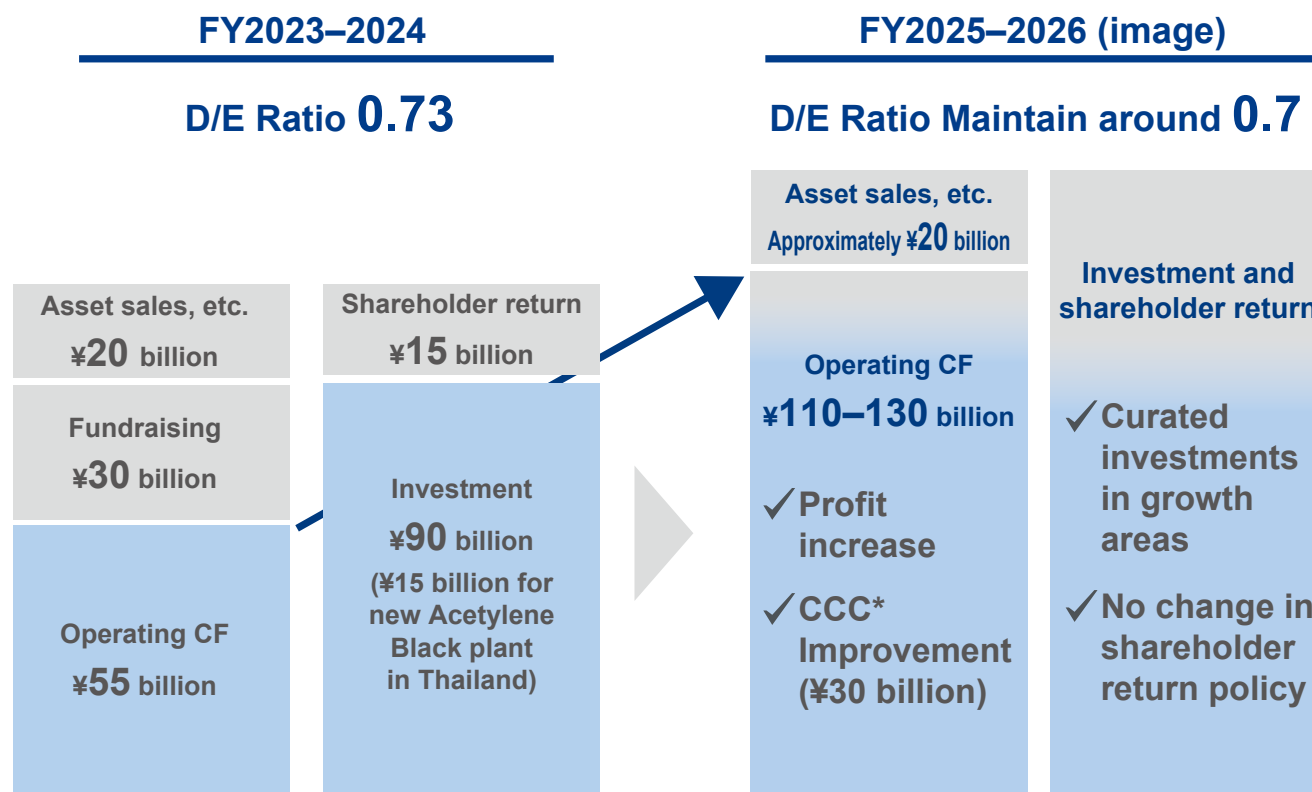
By leveraging insights gained through these dialogues in management, we will achieve short-term performance improvements in a steady manner while striving to balance future profitability and social value, and work to enhance corporate value.

## 5. Capital Allocation

The Management Plan “Mission 2030,” launched in FY2023, is centered on a growth strategy of making strategic investments in business areas aligned with megatrends. Accordingly, from the outset, we have been active in utilizing interest-bearing debt and increased financial leverage to make aggressive investments and pave the way for growth in line with the management plan. However, as business performance has lagged behind initial expectations, we have worked to maintain financial discipline by carefully selecting and postponing investments at an early stage last fiscal year.

Shareholder returns are positioned as one of the most important management priorities, and we will continue our policy of “maintaining and increasing dividends per share, aiming for a total shareholder return ratio of 50% over the eight-year management plan.”

Since the start of the management plan, we have controlled the D/E ratio at around 0.6 to 0.8 times, and will continue to promote our growth strategy while maintaining financial discipline and striving to enhance corporate value.



\* Cash Conversion Cycle

## TOPIC [Approach to Capital Investment]

To prioritize and select investments, we are clearly aware of the capital cost when making decisions for equipment investments, and make decisions with the weighted average cost of capital (WACC) in mind. We also adopt the internal rate of return (IRR) and ROIC as an investment criterion for our strategic and growth investment to curate the investment projects.

- **Strategic investment** Investments that contribute to growth in key areas, Investments that contribute to process reform (production, research, operations), Investments primarily aimed at energy saving and carbon neutrality, etc.
- **Growth investment** Investments to increase profit, excluding strategic investments

IRR15% ≤

\* IRR is set as pre-tax internal rate of return

| Strategic investment                 | Growth investment                 |
|--------------------------------------|-----------------------------------|
| Investable                           | Investable                        |
| Determined strategically             | In principle, difficult to invest |
| In principle, not feasible to invest |                                   |

## 6. Raising Funds through Sustainable Finance

Denka is also looking to raise funds through ESG and SDGs initiatives. In the last five years (FY2020 to FY2024), approximately 50% of our long-term funds were procured through sustainable finance, which we will continue to actively utilize in the future.

### [Examples of Fundraising through Sustainable Finance]

#### Signed a “Mizuho Positive Impact Finance” Loan Agreement with Mizuho Bank

Mizuho Positive Impact Finance is a loan based on the Principles for Positive Impact Finance, which comprehensively analyzes and evaluates the impact (both positive and negative) of corporate activities on the environment, society, and the economy, and aims to provide ongoing support for such activities. Among our initiatives, themes such as employment, climate, and zero emissions were evaluated both qualitatively and quantitatively.



## Best Practice Project

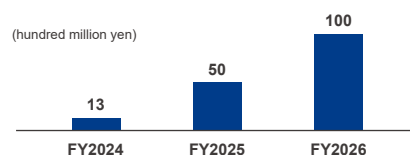
Best Practice Project is a project launched in 2024.

While we have tried to reduce costs based on the knowledge within the company, this project will help us tackle thorough reduction of costs by utilizing external knowledge, including the cost benchmark and optimal cost reduction technique, in the system directly managed by President.

Through promoting this project, we achieved an annual cost reduction of 1.3 billion yen in FY2024. Our goal is to achieve annual results of 5 billion yen in FY2025 and over 10 billion yen in FY2026. In addition to this, we will also facilitate human capital for operational efficiency and the growth of each employee.

### Targets

We have also achieved greater efficiency in human capital aimed at operational efficiency and the growth of each employee.



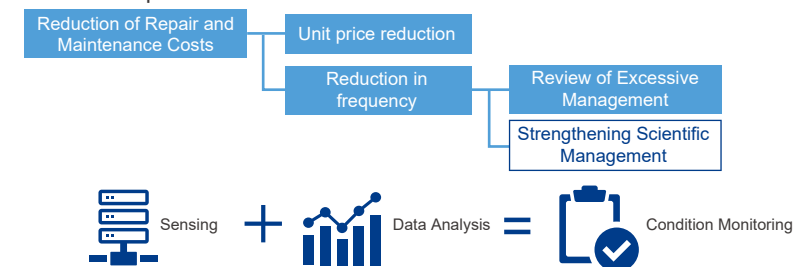
### Achievements and Future Initiatives

| FY2024           | Achieved a cost reduction of 1.3 billion yen (target +0.3 billion yen) through fostering a competitive environment and reviewing utility contracts |                                                                                                                                                                                                                                                                                                                                                                                   |              |
|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| FY2025 and later | Measures                                                                                                                                           | Overview of initiatives                                                                                                                                                                                                                                                                                                                                                           | Target value |
|                  | Cost reduction                                                                                                                                     | <ul style="list-style-type: none"> <li>Optimization of raw material costs through design changes and standardization of components</li> <li>Strengthening the purchasing organization and reinforcing the procurement system based on digitalization</li> <li>Shift from time-based maintenance (TBM) to condition-based maintenance (CBM) using scientific approaches</li> </ul> | ¥3.0 billion |
|                  | Supply Chain Reform                                                                                                                                | <ul style="list-style-type: none"> <li>Optimization of logistics network (collaboration with other companies)</li> <li>Optimization of logistics service levels</li> </ul>                                                                                                                                                                                                        | ¥2.0 billion |
|                  | Reduction of Selling Expenses                                                                                                                      | <ul style="list-style-type: none"> <li>Reduction of unit prices through fostering a competitive environment and consolidation</li> <li>Optimization of quantity and expense unit prices through the introduction and revision of company-wide rules</li> </ul>                                                                                                                    | ¥1.5 billion |
|                  | Improvement of labor productivity                                                                                                                  | <ul style="list-style-type: none"> <li>Zero-based review of operations, role allocation, in-house and outsourced production, and optimization of organizational hierarchy</li> <li>Reallocation of surplus personnel generated above to areas requiring reinforcement</li> </ul>                                                                                                  | ¥1.5 billion |
|                  | Optimization of Investment Costs                                                                                                                   | <ul style="list-style-type: none"> <li>Optimization of costs through necessity review, consolidation, and fostering a competitive environment</li> </ul>                                                                                                                                                                                                                          | ¥1.0 billion |
|                  | Deployment to group companies                                                                                                                      | <ul style="list-style-type: none"> <li>Full utilization of measures designed by the parent company at subsidiaries</li> <li>Sharing cost reduction methods as knowledge across the entire group</li> </ul>                                                                                                                                                                        | ¥1.0 billion |
|                  |                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                   | ¥10 billion  |

## Case Study

### (1) Reduction of Repair and Maintenance Costs

Due to insufficient measurement data on equipment wear and damage, equipment health is maintained through periodic maintenance, leaving room for improvement.



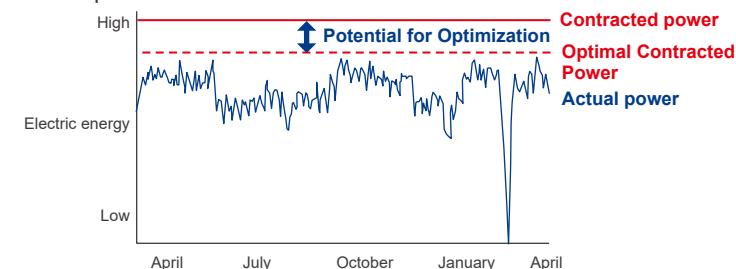
Equipment condition is monitored through sensing and data analysis

Shift from time-based maintenance (TBM) to condition-based maintenance (CBM)

### Achieved cost reduction by optimizing the number of maintenance cycles

### (2) Optimization of Contracted Power (Upper Limit)

There is a gap between contracted and actual power usage, indicating room for improvement by enhancing the accuracy of power consumption forecasts.



Production volume, equipment changes, and outside temperature fluctuations are reflected in forecasts based on previous year's results  
Establishment of real-time power monitoring and response manual for power shortages

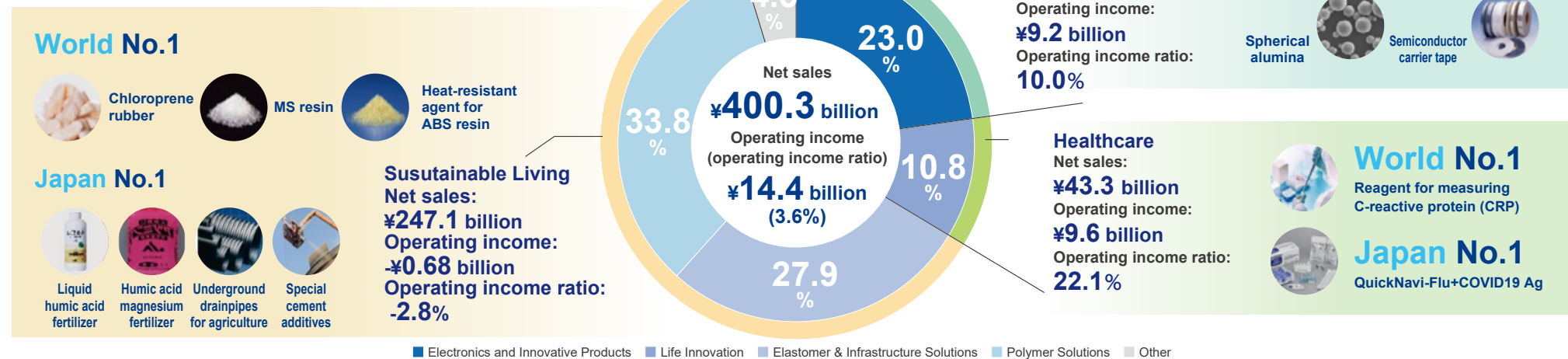
### Achieved cost reduction by optimizing contracted power



## Denka Group at a Glance

### Strengths of the Denka Group

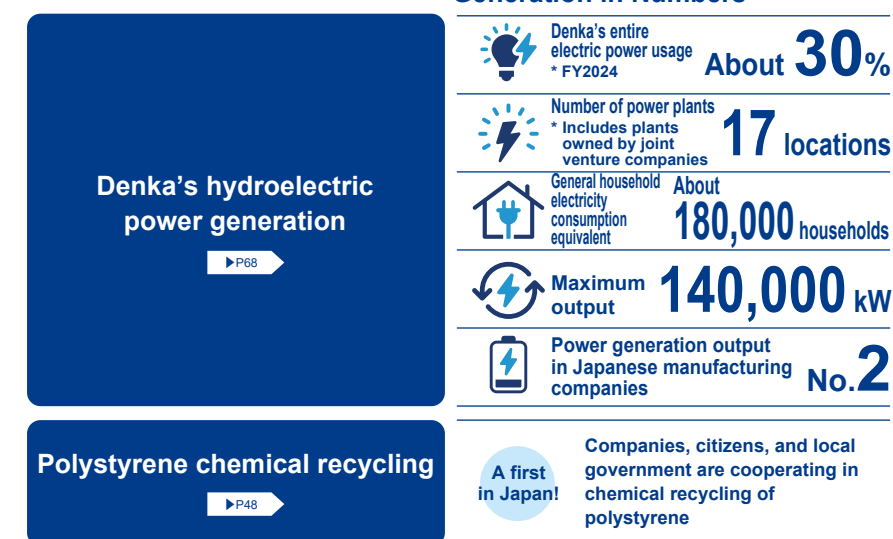
2024 Consolidated Net Sales  
Composition Ratio by  
Business Division



### Denka Group in Figures



### Sustainable Competitiveness

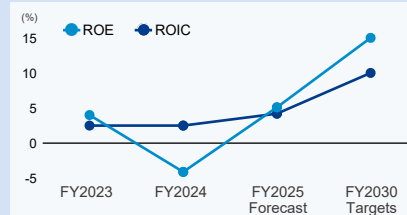
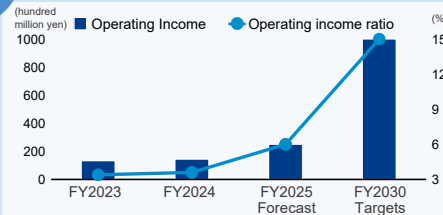


## Connection between Non-Financial Indicators and Corporate Value

The non-financial indicators in the management plan "Mission2030" are expressed in a formula for calculating corporate value, showing how they contribute to value creation.



### Cash generation through business operations



#### Promotion of a circular economy

##### FY2030 Targets

Establishment of a chemical recycling social implementation consortium

##### FY2024 Results

Launch of the resource circulation system brand "D-NODE™"

▶P48

#### Promotion of low-carbon concrete products

##### FY2030 Targets

Market launch and expansion of LEAF

##### FY2024 Results

Carbon Negative Concrete "CUCO" Project

▶P45



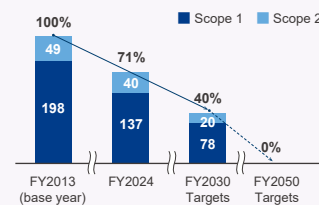
▶P67



### Minimization of Capital Costs

(Systems and Structures to Enhance Reliability)

Medium- and long-term targets for reducing greenhouse gas emissions (Scope 1 + 2)



Thorough management of compliance risks

##### FY2030 Targets

Number of significant compliance violations: 0

##### FY2024 Results

0 cases

Supply chain procurement questionnaire

##### FY2030 Targets

Conduct questionnaire for suppliers covering 90% of total procurement costs

##### FY2024 Results

Conducted a questionnaire of all our raw material and fuel business partners, and received responses from 78%

Initiatives to Respect Human Rights

##### FY2030 Targets

Identification of human rights risks and establishment of response processes for the group and supply chain

##### FY2024 Results

- Revision of Human Rights Policy
- Revision of Sustainable Procurement Basic Policy and Guidelines
- Implementation of human rights risk surveys (target: 7 domestic business sites)

▶P91

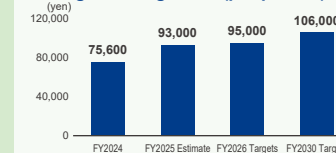


### Improving Future Growth Rates

(Strengthening Intangible Assets as Growth Drivers)

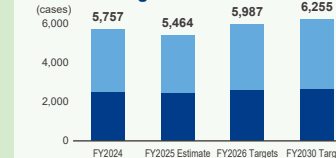
Strengthening of human resources development system

Average training costs (per person)



Strengthening Competitiveness through Patents

Number of Rights Held



Promotion of Diversity, Equity & Inclusion

Ratio of women in managerial positions



Promotion of DDX

(Denka Digital Transformation)

##### 2030 Targets

Develop 200 Digital Pilots (digital talent)

##### FY2024 Results

78

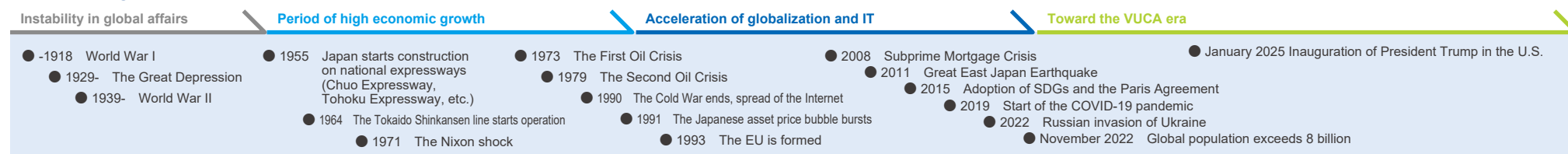
# Denka's Trajectory

## Contributing to Social Development

Since our founding in 1915, Denka has been wrestling with the issue of how much of the value required by society can be created through chemistry. Here, we will introduce the history of Denka's corporate value creation and change in our portfolio over six eras.

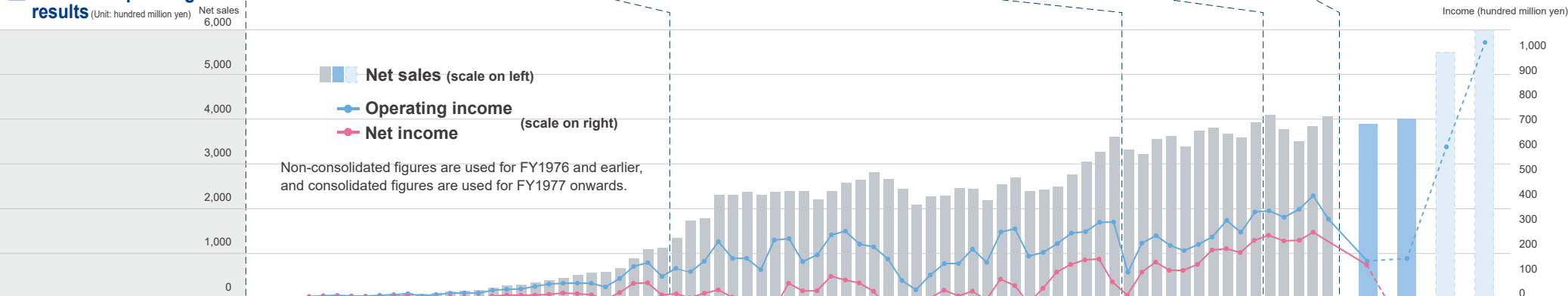


## Social Changes

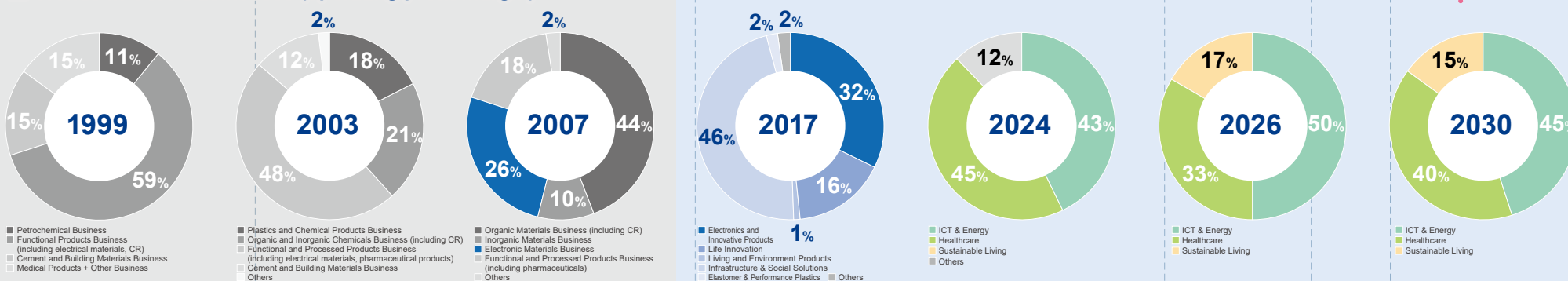




### Trends in operating results

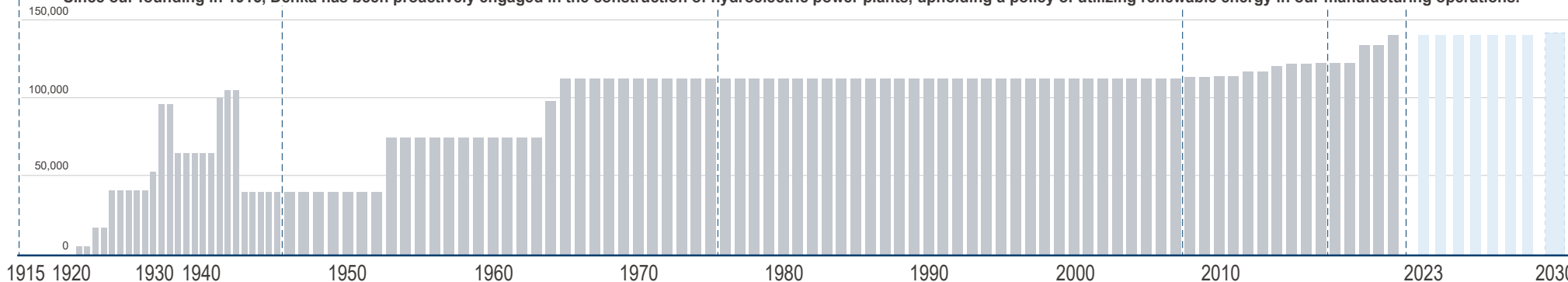


### Trends in Core Businesses (operating profit margin)



### Trend in Maximum Output of Hydroelectric Power Plants (Including Joint Ventures) (unit: kW)

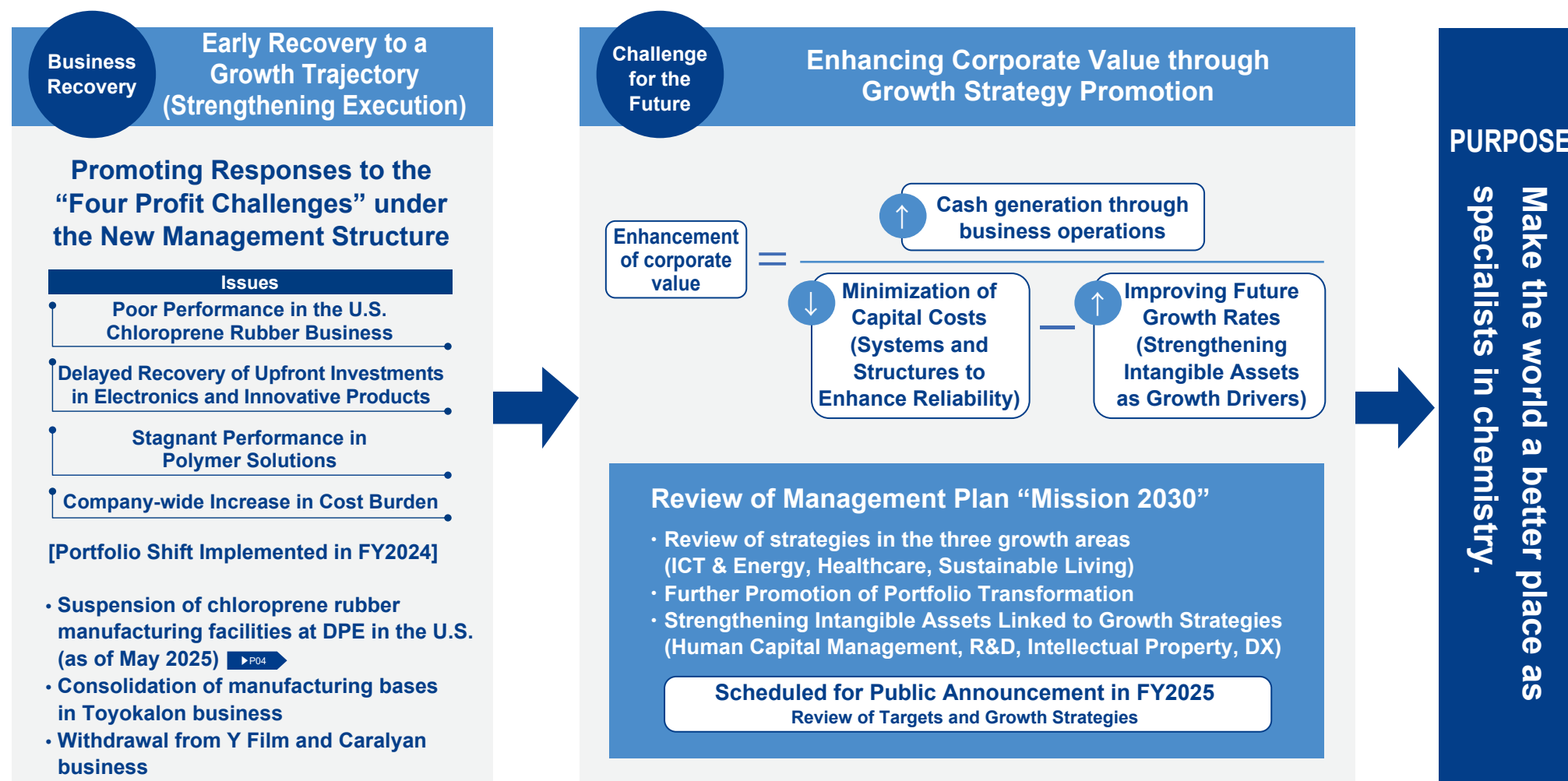
Since our founding in 1915, Denka has been proactively engaged in the construction of hydroelectric power plants, upholding a policy of utilizing renewable energy in our manufacturing operations.



\* Since 1933, the output from Kurobegawa Electric Power Company's power plants has been calculated in line with the ratio of Denka's equity (50%) in the joint venture. In 2022, the power generation capacity totaled 140,000 kW due to the start of operations of the Kurobegawa Electric Power Company's New Himekawa No.6 Hydroelectric Power Plant.

## Aiming to Enhance Corporate Value

The financial results for FY2024, the second year of the Management Plan “Mission 2030,” fell short of the plan (resulting in a net loss) due to changes in the business environment and poor performance in the U.S. chloroprene business. In FY2025, we will address the “four profit challenges” while also strengthening strategies and revising targets for growth areas set forth in the Management Plan “Mission 2030.” As management increasingly focuses on capital costs and stock price, we will work to enhance corporate value by strengthening cash generation, improving future growth rates, and minimizing capital costs, thereby meeting the expectations of stakeholders, including shareholders and investors.





## Target Business Portfolio

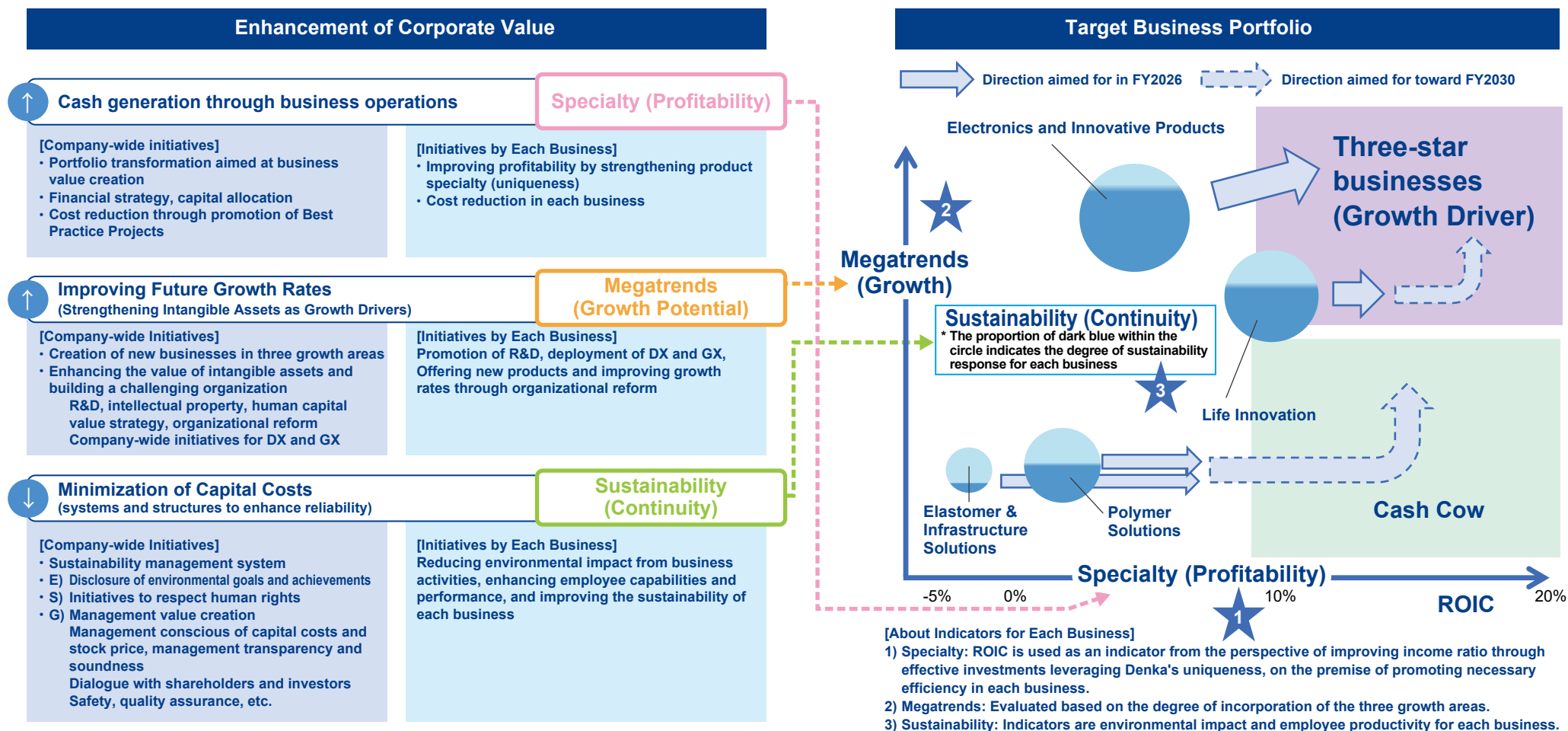
Denka will strengthen company-wide and business-specific initiatives centered on the following three pillars to enhance corporate value.

**(1) Cash generation through business operations: Secure stable earnings through business activities.**

**(2) Improving Future Growth Rates: Strengthen intangible assets such as technological capabilities, intellectual property, human resources, and brand, which drive growth.**

**(3) Minimization of Capital Costs: Establish a highly reliable organizational structure to achieve efficient management.**

Company-wide initiatives include the creation of new businesses in growth fields, strengthening the management foundation, and promoting sustainability management. Each business aims to become a “three-star business” equipped with three elements—“Specialty,” “Megatrends,” and “Sustainability”—and will promote initiatives from both short-term and medium- to long-term perspectives.



# Creation Process

In response to the world we envision for the future, we will make use of six types of business capital nurtured across 110 years of history, creating business value and striving to realize a sustainable society.

## INPUT

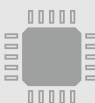
(Six types of business capital)

## BUSINESS MODEL

Envisaged  
World of  
the Future



Pursuing  
Sustainability



Evolving  
technology



Global  
Population  
Growth



Confusion in  
Social Order



### Human Capital

▶P81-84

International and diverse human resources

- Number of employees (consolidated) 6,542
- FY2024 ratio of female managers 5%
- FY2024 ratio of non-Japanese employees 16%



### Intellectual Capital

▶P50-55

Core technologies that captured megatrends

- Research sites 1 in Japan + 3 overseas
- FY2024 number of research staff 867
- R&D spending for FY2024 ¥14,887 million



### Natural Capital

▶P66-70

Efficient use of resources

- FY2024 renewable energy ratio 34%
- FY2024 total wastewater 60,660 Megaliters
- Hydroelectric power plants 17 locations

Note: includes co-owned plants



### Manufacturing Capital

▶P60

A production system that supports global competitiveness

- Manufacturing sites 13 in Japan + 9 overseas
- FY2024 capital investment ¥69,173 million



### Social Capital

▶P95-97

Our partnerships with stakeholders

- Investor engagement status 346 domestic and overseas



### Financial Capital

▶P17-26

The financial base and investment for value creation

- Consolidated total assets ¥655,524 million
- Net DE ratio 0.76x

Core Competence (Strengths of the Denka Group)

▶P23

## Management Plan “Mission 2030”

Business Value Creation



Human Resources Value Creation

Management Value Creation

Strengthening Intangible Assets ▶P49

● New Business Development

▶P50-55

● Electronics & Innovative Products

▶P37-39

● Life Innovation

▶P40-42

● Elastomer & Infrastructure Solutions

▶P43-45

● Polymer Solutions

▶P46-48

Materiality ▶P31-P33

Responsibility for and contributing to  
a sustainable society

Strengthening of the business foundation

## OUTPUT

Provision of products  
for infectious disease  
control and  
medical fields

▶ P40-41

Contribution to a  
sustainable society

▶ P65-70

Innovation and new  
business development  
in three key areas

▶ P54-55

Human resource  
development / DE&I

▶ P63

Collaboration activities  
with local communities  
and society

▶ P95-97

## OUTCOME

Increased Sustainability  
and Corporate Value

Operating income (FY2030)  
**¥100 billion or more**  
(15% or more operating income ratio)

ROE (FY2030)  
**15% or higher**

ROIC (FY2030)  
**10% or higher**

“Three-star businesses” incorporating the  
three elements of specialty, megatrends,  
and sustainability.  
**100%**

Investment cash flow  
Eight-year total **¥470 billion**

R&D spending  
(including ¥50 billion for basic research)  
Total of **180 billion yen** over 8 years

## Creation of Social Value

Achievement of  
carbon neutrality

CO<sub>2</sub>  
emission

**60% reduction compared  
to FY2013 (1 million tons)**  
(FY2024: 25% reduction compared  
to FY2013 [1.84 million t-CO<sub>2</sub>])

Maximizing  
renewable  
energy  
generation

**150 MW**  
(FY2024: 147 MW)

Strengthening of human resources  
development systems

Average  
training cost  
(per person)

**Double amount  
compared to FY2021**  
(FY2024: ¥75.6 thousand/person/year)

DE&I

Ratio of female/  
foreign/experienced  
hires in management  
positions

**50%**  
(FY2024: 21%)

Place the Utmost Priority  
on Safety

Occupational  
accident  
frequency rate  
(Number of casualties/  
Total working hours x 1 million)

**The Company and  
affiliates 0.2 or less**  
(FY2024: 0.73)

Improving product safety and quality

Integration of quality  
control systems,  
raising of control  
standards

**Number of significant  
compliance violations: 0**  
(FY2024: 0 cases)

## PURPOSE

Make the world a better place as  
specialists in chemistry.

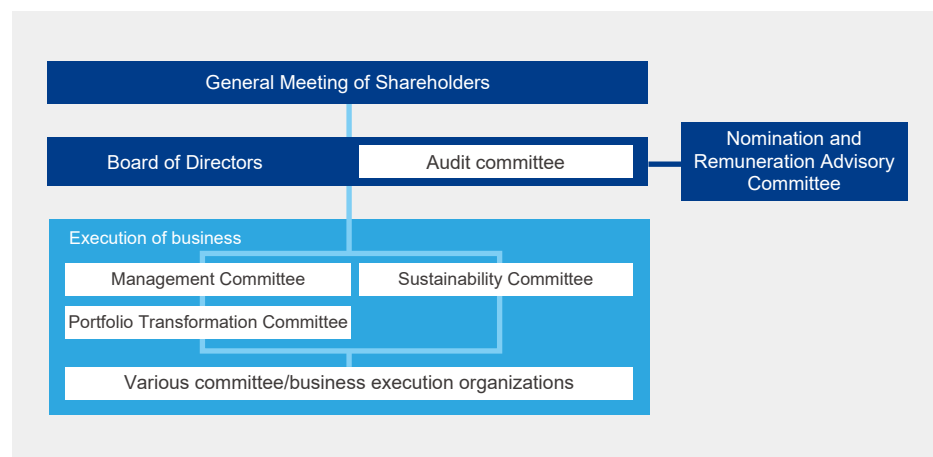
## Sustainability Management Promotion Structure

The Denka Group has identified important management issues (materiality) related to sustainability and, within the Management Plan “Mission 2030,” has set KPIs and targets for the “three growth strategies (Business Value Creation, Human Resources Value Creation, Management Value Creation)” and is working to resolve these issues.

### 1 Sustainability Committee

In conjunction with the launch of the Management Plan “Mission 2030” in FY2023, we newly established the “Sustainability Committee” to address and manage progress on sustainability-related issues. This committee is an organization within the Executive Division, and receives reports on the status of activities toward achieving KPIs set for each materiality by the relevant divisions, and conducts deliberations and makes recommendations. The results of these deliberations are reported to the Board of Directors and regularly communicated to stakeholders as progress on the management plan.

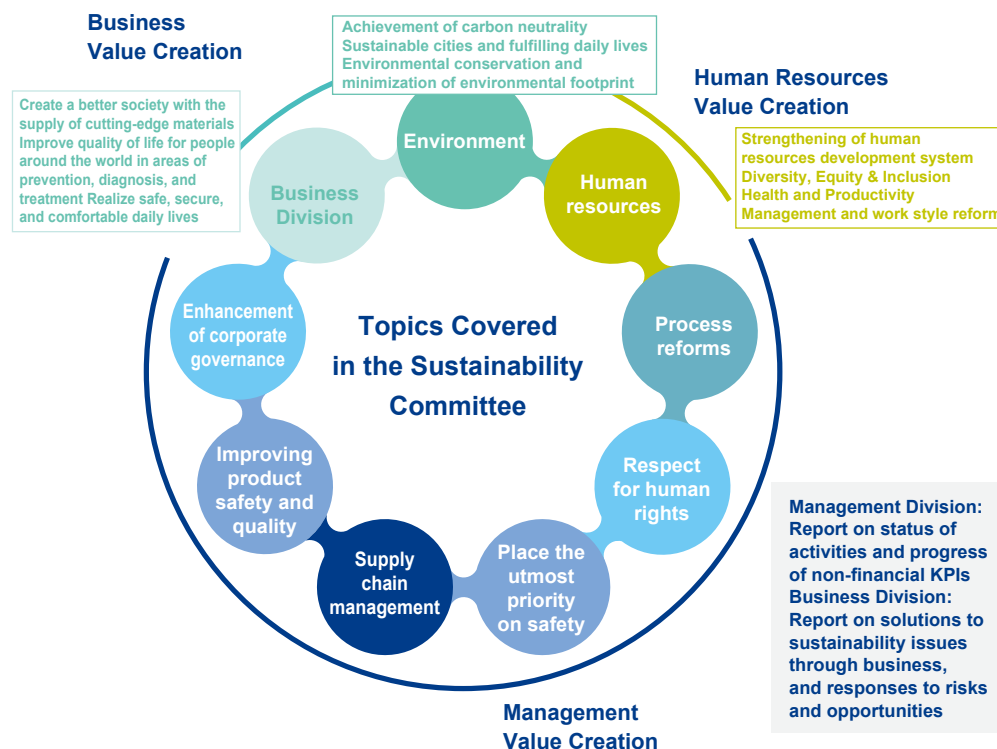
#### Sustainability Management Promotion Structure



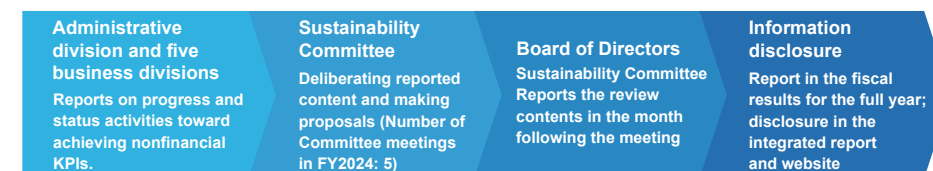
#### The Sustainability Committee Members

| [Chairperson] | [Vice chairperson]                      | [Members]                             | [Observers] | [Secretariat]            |
|---------------|-----------------------------------------|---------------------------------------|-------------|--------------------------|
| President     | Corporate Planning Dept. senior officer | HQ Management Division senior officer | Director    | Corporate Planning Dept. |

**Discussion Themes** The Executive Division deliberates on initiatives in line with the following themes and reports and makes recommendations to the Board of Directors on the results, etc.



#### Deliberation Process



## 2 Important Management Issues (Materiality)

The Denka Group, based on its vision (CORE VALUE, PURPOSE, MISSION) that forms the foundation of all employees' activities, has established the "Denka Group ESG Basic Policy" as the basic policy for ESG (Environment, Society, Governance) in all group business activities.

To comply with this policy, we have identified important management issues (materiality) and are promoting initiatives to resolve these issues in the growth strategy of our Management Plan "Mission 2030."

This table shows the relationships among these elements and clearly indicates the KPIs (Key Performance Indicators) for measuring the degree of implementation and targets for FY2030.

### Important Management Issues (Materiality) for Implementing the Denka Group ESG Basic Policy, and KPIs and Targets for M30 Aimed at Resolving These Issues

| Denka Group ESG Basic Policy                                                                                                                                                                                                                                                 | Important Management Issues (Materiality)                                                                                                                                                                 | Mission 2030 KPI (Key Performance Indicators)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2030 Targets                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Pushing on with climate change countermeasures                                                                                                                                                                                                                           | • <b>Achievement of carbon neutrality</b>                                                                                                                                                                 | (1) Reduction of greenhouse gas emissions across the Group<br>(2) Maximizing renewable energy generation<br>(3) Renewable energy + Electricity mix with non-fossil fuel certificates<br>(4) Promotion of energy conservation initiatives across the Group                                                                                                                                                                                                                                                                                                                                                                                 | 60% reduction compared to FY2013 (1 million tons)<br>150 MW<br>76%<br>Continue 1% reduction from previous year in energy consumption per unit                                                                                                                                                                                                                                                |
| (2) Reduction of environmental burden and the preservation of biodiversity                                                                                                                                                                                                   | • <b>Environmental conservation and minimization of environmental footprint</b>                                                                                                                           | (1) Continuation of zero waste emissions<br>(2) Response to nature-related risks, such as biodiversity and water resource conservation, based on the Task Force on Nature-related Financial Disclosures (TNFD)                                                                                                                                                                                                                                                                                                                                                                                                                            | Continuation of zero waste emissions<br>Execution of biodiversity conservation plans in accordance with TNFD and continuation of awareness activities within the Group                                                                                                                                                                                                                       |
| (3) Sustainable economic growth and the resolution of social issues                                                                                                                                                                                                          | • <b>Sustainable growth through the creation of new business</b><br>• <b>Increasing healthy life expectancy and correcting health disparity</b><br>• <b>Sustainable cities and fulfilling daily lives</b> | (1) Contributing to Decarbonization and a recycling oriented society through Chemical Recycling of Styrene-based Resins<br>(2) Establishment of CO <sub>2</sub> Concrete Sequestration Technology<br>(3) Focusing on the "three-star businesses"                                                                                                                                                                                                                                                                                                                                                                                          | Establishment of a consortium for social implementation of PS chemical recycling<br>Expansion of LEAF sales<br>100%                                                                                                                                                                                                                                                                          |
| (4) Respect for human rights                                                                                                                                                                                                                                                 | • <b>Respect for human rights</b>                                                                                                                                                                         | (1) Absolute respect for human rights based on the UN Guiding Principles on Business and Human Rights and the UN Global Compact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Identification of and response to human rights risks in the group supply chain                                                                                                                                                                                                                                                                                                               |
| (5) Diversity, Equity & inclusion, human resource development and work style reforms                                                                                                                                                                                         | • <b>Strengthening of human resources development system</b><br>• <b>Promotion of Diversity, Equity &amp; Inclusion</b><br>• <b>Health and Productivity Management and work style reform</b>              | (1) Average training costs (per person)<br>(2) Ratio of female/foreign/experienced hires in management positions<br>(3) Ratio of women in managerial positions<br>(4) Percentage of males taking parental leave<br>(5) Percentage of mid-career hires<br>(6) Improve employee engagement<br>(7) Reducing overtime hours<br>(8) Increasing the percentage of employees taking annual paid leave<br>(9) Shift Breaker implementation<br>(10) Working-from-home rate<br>(11) Employees with ideal body weight<br>(12) Employees with high stress levels<br>(13) Employees with good exercise habits<br>(14) Decline in percentage of smokers | Double amount compared to FY2021<br>50%<br>15%<br>85%<br>50%<br>Visualization and ongoing improvement of engagement<br>30 hours or less/person/year<br>100%<br>—<br>2 days a week<br>80%<br>10% or less<br>40%<br>12% or less                                                                                                                                                                |
| (6) Prioritization of safety and the creation of an easy-to-work environment                                                                                                                                                                                                 | • <b>Process Innovation</b><br>• <b>Place the Utmost Priority on Safety</b>                                                                                                                               | (1) Labor-saving headcount reduction<br>(2) Occupational accident frequency rate<br>(3) Online training on occupational safety and fire protection                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 720 people (cumulative total for FY2023 - 2030)<br>The Company and affiliates 0.2 or less<br>All group employees                                                                                                                                                                                                                                                                             |
| (7) Betterment of regional communities and relationships of trust                                                                                                                                                                                                            | • <b>Supply chain management</b>                                                                                                                                                                          | (1) BCP Measures through raw material risk assessment (upstream)<br>(2) Procurement questionnaire implementation rate (upstream)<br>(3) Achieving high ratings from ESG rating agencies (downstream)                                                                                                                                                                                                                                                                                                                                                                                                                                      | Zero high-risk suppliers<br>Conduct questionnaire for all suppliers<br>Ecovadis Gold                                                                                                                                                                                                                                                                                                         |
| (8) Relationships of trust with customers                                                                                                                                                                                                                                    | • <b>Improving product safety and quality</b>                                                                                                                                                             | (1) Integration of quality control systems, raising of control standards                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Zero serious quality incidents                                                                                                                                                                                                                                                                                                                                                               |
| (9) Fair business conduct<br>(10) Information disclosure and stakeholders dialogue<br>(11) Risk Management<br>(12) Protection, management, and use of tangible and intangible corporate assets<br>(13) Role of top management and the thorough practice of this basic policy | • <b>Enhancement of corporate governance</b>                                                                                                                                                              | (1) Thorough management of compliance risks<br>(2) Promotion of Group Policies and Internal Regulations Development<br>(3) Implementation of compliance training<br>(4) Appropriate operation of the whistle-blowing system and disclosure of response status for reporting<br>(5) Dissemination of Vision and Management Plan<br>(6) Group-wide establishment of internal control framework<br>(7) Advancement of Enterprise Risk Management (ERM)                                                                                                                                                                                       | Number of significant compliance violations: 0<br>Planned development based on priority<br>All group employees to participate<br>Disclosure on Sustainability Site<br>Dissemination of Vision and Management Plan<br>Completion of group-wide establishment of internal control framework for all Group companies<br>Strengthening control of management divisions and management foundation |



### 3 Positioning of Materiality (Key Management Issues) in the Management Plan “Mission 2030”

The “three growth strategies (Business Value Creation, Human Resources Value Creation, Management Value Creation)” in the management Plan “Mission 2030” are structured based on materiality (key management issues). For each issue, we set specific measures and KPIs to achieve our goals.

In “Business Value Creation,” each business division aims to create and expand business value by focusing on materialities such as new business creation, increasing healthy life expectancy and correcting health disparity, sustainable cities and fulfilling daily lives, achieving carbon neutrality, and environmental conservation and minimization environmental footprint.

For “Human Resource Value Creation,” we aim to be a company where each employee can experience self-fulfillment and growth, and we set KPIs for each materiality: “Strengthening of Human Resources Development System,” “Promotion of Diversity, Equity & Inclusion,” and “Health and Productivity Management and Work Style Reform.”

For Management Value Creation, we set process reforms, respect for human rights, utmost priority on safety, supply chain management, product safety, and advanced corporate governance as the basic policies to enhance the management foundation, a prerequisite of our business continuity, from an ESG management perspective.

Materiality is an essential element to address the risks and opportunities connected to issues of sustainability in our management base from a medium- to long-term perspective and aiming to realize our vision. It should form the cornerstone of our business activities.

#### Management Plan “Mission 2030”

##### Business Value Creation



##### Human Resources Value Creation



##### Management Value Creation



#### Materiality

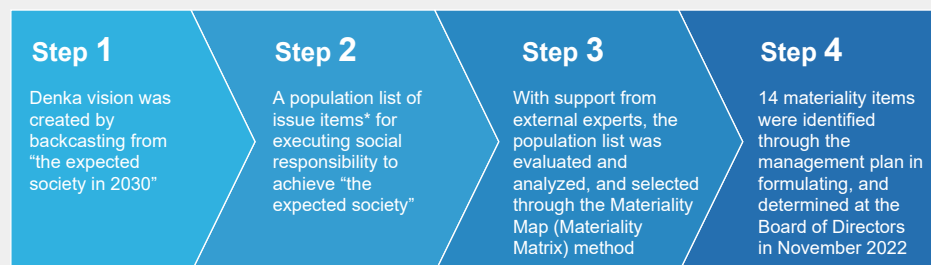
|                                                                     |
|---------------------------------------------------------------------|
| Sustainable growth through the creation of new business             |
| Increasing healthy life expectancy and correcting health disparity  |
| Sustainable cities and fulfilling daily lives                       |
| Achievement of carbon neutrality                                    |
| Environmental conservation and minimization environmental footprint |
| Strengthening of human resources development system                 |
| Promotion of Diversity, Equity & Inclusion                          |
| Health and Productivity Management and work style reform            |
| Process reforms                                                     |
| Respect for human rights                                            |
| Place the Utmost Priority on Safety                                 |
| Supply chain management                                             |
| Improving product safety and quality                                |
| Enhancement of corporate governance                                 |

### 4 Materiality Review

We will review materiality and non-financial indicators (KPIs) as appropriate in response to changes in sustainability issues, social needs, and stakeholder expectations, to reflect our business activities and their mutual impact on the economy, environment, and society in our management.

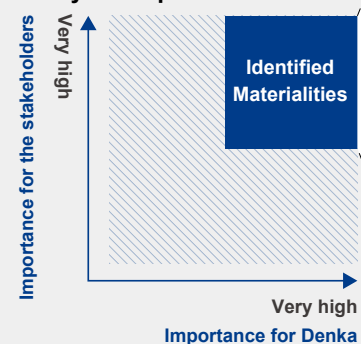
#### Materiality Review Process for FY2022

In formulating our Management Plan “Mission 2030,” The Denka Group analyzed and evaluated sustainability issues over the medium to long term leading up to 2030 and reviewed materiality.



\* Population of social issues: Survey items of ESG assessment organizations such as the World Economic Forum (WEF) Global Risk Report (2022 edition), Sustainable Development Goals (SDGs), the SASB Standard, and the CDP were analyzed and classified into 23 categories/333 items

#### Denka Group Materiality Analysis Map



| Issue themes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Materiality (14 items)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Climate change/ environmental pollution</li> <li>Diversity</li> <li>Human rights/gender</li> <li>Medical/health/healthcare</li> <li>Safety/labor/employment</li> <li>Biodiversity</li> <li>Water/public hygiene</li> <li>Governance</li> <li>Technological advancement</li> <li>Quality/supply chain management</li> <li>Human resource development/education</li> <li>Energy/resources</li> <li>Urbanization</li> <li>Infrastructure</li> <li>Marine pollution</li> <li>Circular economy</li> <li>Population</li> <li>Poverty/hunger</li> <li>National/society/geopolitics</li> <li>Aquatic resources</li> <li>Forest resources</li> <li>Diversification of lifestyles</li> <li>Economic growth</li> </ul> | <ul style="list-style-type: none"> <li>Sustainable growth through the creation of new business</li> <li>Increasing healthy life expectancy and correcting health disparity</li> <li>Sustainable cities and fulfilling daily lives</li> <li>Achievement of carbon neutrality</li> <li>Environmental conservation and minimization environmental footprint</li> <li>Strengthening of human resources development system</li> <li>Promotion of Diversity, Equity &amp; Inclusion</li> <li>Health and Productivity Management and work style reform</li> <li>Process Innovation</li> <li>Respect for human rights</li> <li>Place the Utmost Priority on Safety</li> <li>Supply chain management</li> <li>Improving product safety and quality</li> <li>Enhancement of corporate governance</li> </ul> |

## Management Plan “Mission 2030”

“Mission 2030” is our new management plan that aims to help us achieve Denka's vision by 2030. With Business Value Creation, Human Resources Value Creation, and Management Value Creation as the three growth strategies, we set targets and KPIs based on the important management issues (materiality) [▶ P 31-33](#) and are working to improve the corporation's value. Yet due to changes in prerequisites such as the global economy and demand environment since the formulation of the management plan, as well as the recent deterioration in performance, we are currently reviewing the management plan (scheduled to be announced in FY2025).

### MISSION

By 2030, we will increase the value of our human resources and management, and we will focus on creating business value that combines the three elements of specialty, megatrends, and sustainability.

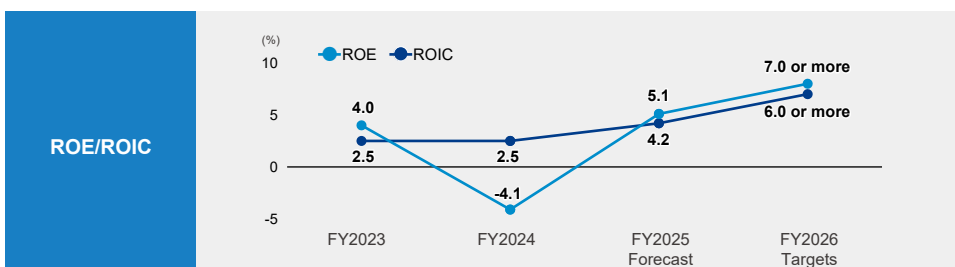
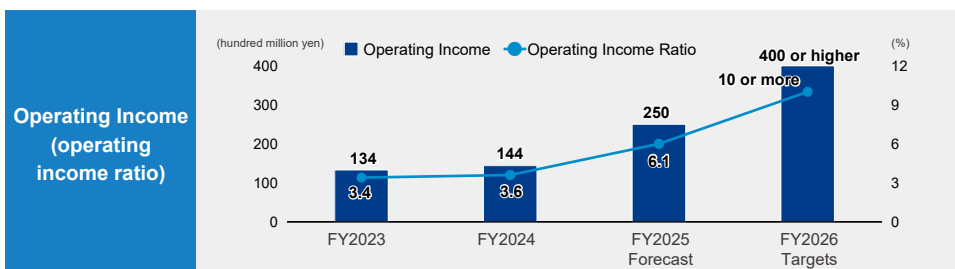
### Three Growth Strategies



### Three Elements



### Achievements through FY2024 and Targets for 2030

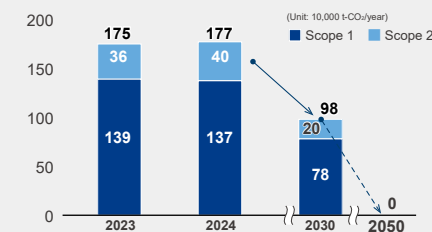


**Capital Investment Amount** **FY2030 Target: FY2023–2030 (8 years) ¥540 billion**  
**Cumulative total for FY2023-2024: ¥139.9 billion**

**Total shareholder return ratio** **Policy to maintain and increase dividends per share, aiming for a total return ratio of 50% (cumulative over 8 years of the management plan)**

### CO<sub>2</sub> emission

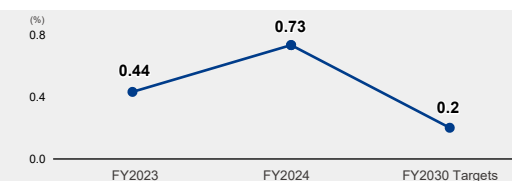
**FY2030 target:**  
**60% reduction**  
**compared to FY2013**  
**(1 million tons)**



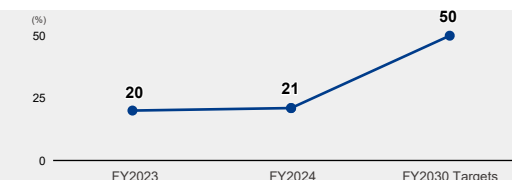
### Maximizing renewable energy generation

**FY2030 Target: 150 MW**  
**FY2024: 147 MW**

### Occupational accident frequency rate (Number of casualties ÷ Total working hours x 1 million)



### Ratio of women/foreign nationals/mid-career hires in managerial positions



| Management Plans             |                                                                                                                                                     | Innovation 22 Movement | NS06 (DENKA “New Stage 2006”)                                                                                                                                                                                          | DENKA100                                               | Denka Value-Up                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mission 2030             |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                    |                                                                                                                                                                                                                                                                                                                                        |  |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Coverage                     | FY2002–2003                                                                                                                                         |                        | FY2004–2006                                                                                                                                                                                                            |                                                        | FY2007–2017                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          | FY2018–2022                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                    | FY2023–2030                                                                                                                                                                                                                                                                                                                            |  |
| Operating income composition |                                                                                                                                                     |                        |                                                                                                                                                                                                                        |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                          |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                    |                                                                                                                                                                                                                                                                                                                                        |  |
|                              | Net Sales (Unit: hundred million yen)<br>6,000                                                                                                      |                        | Net Sales (Unit: hundred million yen)<br>6,000                                                                                                                                                                         |                                                        | Net Sales (Unit: hundred million yen)<br>6,000                                                                                                                                                                                                                                                                                                                                                                                                      |                          | Net Sales (Unit: hundred million yen)<br>6,000                                                                                                                                                                                                                                                                                                                                                                                                |                                    | Net Sales (Unit: hundred million yen)<br>6,000                                                                                                                                                                                                                                                                                         |  |
|                              |                                                                                                                                                     |                        |                                                                                                                                                                                                                        |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                          |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                    |                                                                                                                                                                                                                                                                                                                                        |  |
| 2002 2003                    |                                                                                                                                                     | 2004 2005 2006         |                                                                                                                                                                                                                        | 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 |                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 2018 2019 2020 2021 2022 |                                                                                                                                                                                                                                                                                                                                                                                                                                               | 2023 2024 2026 Plan 2030 Plan (FY) |                                                                                                                                                                                                                                                                                                                                        |  |
| Growth policies              | <ul style="list-style-type: none"><li>• Merger with Toyo Kagaku Co., Ltd. (2003)</li><li>• Establishment of Denka Azumin Co., Ltd. (2003)</li></ul> |                        | <ul style="list-style-type: none"><li>• Expansion of CLEAREN and MS resin production facilities in Singapore (2006)</li><li>• Expansion of spherical silica filler production facilities in Singapore (2006)</li></ul> |                                                        | <ul style="list-style-type: none"><li>• New DAS food packaging production facility (2006)</li><li>• DENKA SEIKEN Co., Ltd. becomes a wholly owned subsidiary (2007)</li><li>• Construction of new Toyokalon factory in Singapore (2011)</li><li>• New ultra-high purity AB production facility at Chiba Plant (2014)</li><li>• Acquisition of DPE (2014–2015)</li><li>• Acquisition of Icon (2017)</li><li>• Establishment of DKGX (2017)</li></ul> |                          | <ul style="list-style-type: none"><li>• Construction of new influenza vaccine production facility at DENKA SEIKEN Co., Ltd. (2018)</li><li>• Capital participation in Plex Bio Co., Ltd. (2019)</li><li>• Merger with DENKA SEIKEN Co., Ltd. (2020)</li><li>• Expansion of high-performance spherical filler production facility at Omuta Plant (2021)</li><li>• Increased production capacity of diagnostic reagent product (2022)</li></ul> |                                    | <ul style="list-style-type: none"><li>• Establishment of Denka SCGC and construction of AB production plant (2023)</li><li>• Acquisition of 50% shares of Frontier Carbon Corporation (2024)</li><li>• Investment in CARBON FLY, Inc. through CVC fund (2024)</li><li>• Decision to expand Alsink production facility (2025)</li></ul> |  |
|                              |                                                                                                                                                     |                        |                                                                                                                                                                                                                        |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                          |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                    |                                                                                                                                                                                                                                                                                                                                        |  |
| Structural reforms           | <ul style="list-style-type: none"><li>• Sale of shares in Denka Pharmaceutical Co., Ltd. (2002)</li></ul>                                           |                        | —                                                                                                                                                                                                                      |                                                        | <ul style="list-style-type: none"><li>• Withdrew from the vinyl acetate monomer business (2013)</li><li>• Decision to cease calcium carbide production at Omuta Plant (2017)</li></ul>                                                                                                                                                                                                                                                              |                          | <ul style="list-style-type: none"><li>• Withdrawal from DAS food packaging business (2019)</li><li>• Withdrew from the EVA emulsion and polyvinyl acetate resin business (2019)</li><li>• Withdrawal from cement business (2022)</li><li>• End of commissioned manufacturing of macromolecular sodium hyaluronate (2022)</li><li>• Dissolution of DXGX (2022)</li></ul>                                                                       |                                    | <ul style="list-style-type: none"><li>• Discontinuation of norovirus vaccine development at Icon (2023)</li><li>• Consolidation of Toyokalon production bases, withdrawal from Y Film/Caralyan business (2024)</li><li>• Temporary suspension of DPE production facility (2024)</li></ul>                                              |  |
|                              |                                                                                                                                                     |                        |                                                                                                                                                                                                                        |                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                          |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                    |                                                                                                                                                                                                                                                                                                                                        |  |

## Human Resources Value Creation

We will implement human resources investments and undertake system reforms with the aim of being a company that allows each employee to be aware of their own growth.

| Policy                                                          | Strategy                                                                                                                                                        | Major initiatives for FY2024                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strengthening of human resources development system</b>      | Cultivation of Future Executive Manager Candidates, Building of Company-Wide, Integrated Education Framework, and Fostering of a Self-Directed Learning Culture | <ul style="list-style-type: none"> <li>• Introduced system to support self-improvement</li> <li>• Centralized management of training records through the introduction of a new learning management system</li> </ul>                                         |
| <b>Promotion of Diversity, Equity &amp; Inclusion</b>           | Fostering of Workplace Environments, Systems, and Culture that Empowers Individuals with Diverse Ways of Thinking to Demonstrate Their Capabilities             | <ul style="list-style-type: none"> <li>• Established company-wide policy for promoting DE&amp;I</li> <li>• Acquired Kurumin certification (2nd time)</li> </ul>                                                                                              |
| <b>Health and Productivity Management and work style reform</b> | Promotion of system reforms to create workplaces that employees will “want to come to work again tomorrow”                                                      | <ul style="list-style-type: none"> <li>• Recognized as a Certified Health &amp; Productivity Management Organization 2024 and part of the White 500, for the second consecutive year</li> <li>• Expanded and strengthened support to quit smoking</li> </ul> |

## Management Value Creation

From the perspective of sustainability management, we will work to strengthen the management foundations that are imperative for Denka's corporate survival

| Policy                                      | Strategy                                                                                                                                                                      | Previous main initiatives                                                                                                                                       |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DX strategy/<br/>process innovation</b>  | Transformation of business model and organization, productivity improvements, and development of in-house digital workforce                                                   | <ul style="list-style-type: none"> <li>• DX strategy ▶P56</li> <li>• Process Reforms Initiatives ▶P60</li> </ul>                                                |
| <b>Respect for human rights</b>             | Establishment of human rights policy and thorough respect for human rights based on the United Nations Guiding Principles on Business and Human Rights and the Global Compact | <ul style="list-style-type: none"> <li>• Our View on the Human Rights ▶P91</li> </ul>                                                                           |
| <b>Place the Utmost Priority on Safety</b>  | Group-wide efforts toward essential safety, establishment of rules, and promotion of safe workplace environments                                                              | <ul style="list-style-type: none"> <li>• Place the Utmost Priority on Safety ▶P83</li> </ul>                                                                    |
| <b>Supply chain management</b>              | Sustained improvement of added value across entire supply chain                                                                                                               | <ul style="list-style-type: none"> <li>• Dialogue with Stakeholders ▶P95</li> </ul>                                                                             |
| <b>Improving product safety and quality</b> | Contribution to sustained growth of society and the environment through the provision of trusted products and services                                                        | <ul style="list-style-type: none"> <li>• Quality Assurance Management ▶P85</li> </ul>                                                                           |
| <b>Enhancement of corporate governance</b>  | Building of highly sophisticated and effective corporate governance structure that ensures transparency and fairness based on high ethical standards                          | <ul style="list-style-type: none"> <li>• Governance ▶P71</li> <li>• Risk management ▶P87</li> <li>• Internal control ▶P90</li> <li>• Compliance ▶P93</li> </ul> |

## Electronics and Innovative Products

### Message from the Division Head

#### Hiroto Horiuchi

Executive Officer  
Head of Electronics & Innovative Products

The markets that our division is involved in, such as semiconductors and xEVs, are constantly changing due to global circumstances. In this environment, we will deepen our understanding of customer needs, identify technology trends, and leverage our strengths in inorganic/organic composite technologies, thermal management technologies, and high-frequency response technologies, to provide optimal materials to the market on time.

There is no doubt that reducing environmental impact is a challenge that needs to be addressed by society as a whole. Our division will contribute to achieving a better society by providing high-performance materials that help reduce environmental impact.

Last year, to achieve the Management Plan “Mission 2030,” we launched SNECTON as a core product and decided to invest in mass production plant facilities. We will release new products equipped with three elements – “Specialty”, “Megatrends”, and “Sustainability” – and foster them to be core business to support Denka business.

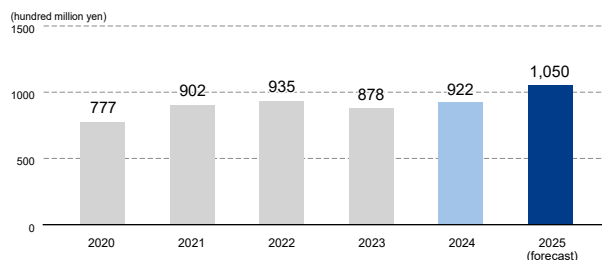
### Strategies for Achieving the Goals of the Management Plan “Mission 2030” (Strategies toward 100% “Three-Star Businesses”)

| Strategic areas and markets              | [Key products]                                                                                                                                                              | [2024 results]                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | [2026 plan]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | [Division Goals for 2030]                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Next-generation high-speed communication | <ul style="list-style-type: none"> <li>● Spherical alumina</li> <li>● Low dielectric tangent silica</li> <li>● Low dielectric organic insulating resin (SNECTON)</li> </ul> | <ul style="list-style-type: none"> <li>● Launched SNECTON (low dielectric organic insulating resin) for copper-clad laminates and interlayer insulation materials for high-speed communication devices</li> <li>● Decided to invest in the construction of SNECTON production plant at Chiba Plant</li> <li>● Launched UV-curable heat-resistant temporary bonding adhesive (TBM) as a material for manufacturing processes for power semiconductors</li> </ul>                         | <ul style="list-style-type: none"> <li>● Started up Acetylene Black plant in Thailand and expanded production capacity for LiB and high-voltage cable applications, which are growth markets</li> <li>● To maintain and strengthen our position as the world's No.1, we have fully launched enhanced silicon nitride production facilities for ceramic balls for EV motor bearings and ceramic circuit board applications</li> <li>● Promote the establishment of SNECTON as the de facto standard in related markets with the full-scale launch of next-generation high-speed communications</li> </ul> | <ul style="list-style-type: none"> <li>● Continuous on-time development and delivery of optimal materials aligned with megatrends fields</li> <li>● Establishing a dominant presence with specialty products and making our materials the de facto standard in markets where our technology stands out</li> <li>● Achieve a sustainable society via our ESG/SDGs management</li> </ul> |
| xEVs and renewable energy                | <ul style="list-style-type: none"> <li>● Acetylene black</li> <li>● Spherical alumina</li> <li>● Silicon nitride powder</li> <li>● Silicon nitride substrates</li> </ul>    | <ul style="list-style-type: none"> <li>● Expanded production capacity by starting operation of the heat dissipation sheet plant at Shibukawa Plant</li> <li>● Entered into a joint venture agreement for the fullerene (carbon material) business and acquired 50% of the shares of Frontier Carbon Corporation, which manufactures and sells fullerene, from Mitsubishi Corporation</li> <li>● Decided to withdraw from the Caralyan tape business and others (Ofuna Plant)</li> </ul> | <ul style="list-style-type: none"> <li>● Market entry and achievement of high thermal conductivity grade with HITPLATE</li> <li>● Achievement of new emitter types for semiconductor production and inspection equipment</li> </ul>                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                        |

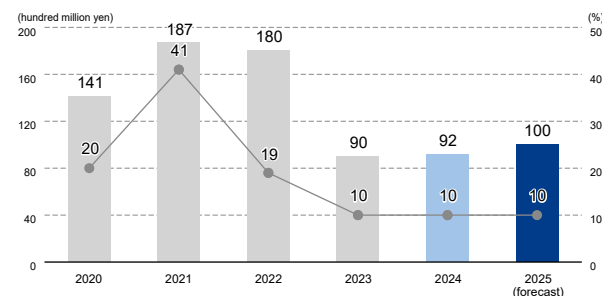


## Electronics and Innovative Products

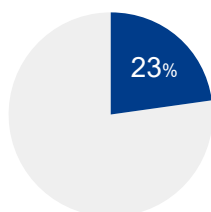
### Net Sales Trends and Outlook



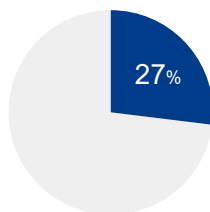
### Trends and Outlook for Operating Income/ Operating Income Ratio



Percentage in Overall Net Sales  
(FY2024)



Percentage in All Employees  
(FY2024)



## SWOT Analysis

- A diverse product lineup capable of meeting a broad range of customer needs (various ceramic materials, high-performance organic materials)
- Intelligence capabilities stemming from strong market share commanded by our products
- A broad range of essential technologies, including high-temperature control, nitriding, spherical shaping, and calcining technologies

Strengths S O Opportunities

- Growing financial burden attributable to capital expenditure due to rapid market expansion
- Dispersion of development technology capabilities due to a large number of product types  
→ Optimization of portfolio

Weaknesses W T Threats

- Growing importance of communication and the progress of high-speed communication due to the spread of AI, IoT and autonomous driving systems
- Trend for low-carbon society, including xEV and renewable energy

- Possible emergence of novel material serving as a game changer
- A major shift in technological development trends due to factors such as the growing need for environmental solutions
- An increase in the number of competitors due to the entry of newcomers from emerging nations
- A drop in price competitiveness due to increased tariff costs

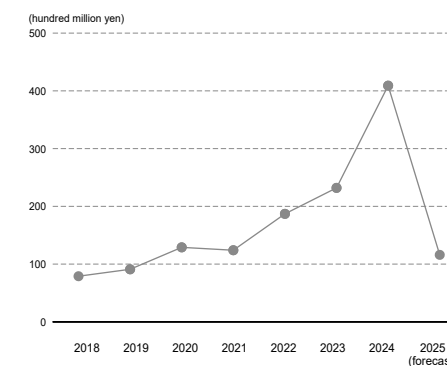
### “Investment” for Further Growth

- Portfolio review: Focus capital investment and personnel allocation on key products
- Development of fields related to SNECTON: Develop markets in derivative fields of strong products

### “Cash Generation” through Strengthening of Existing Business Operations

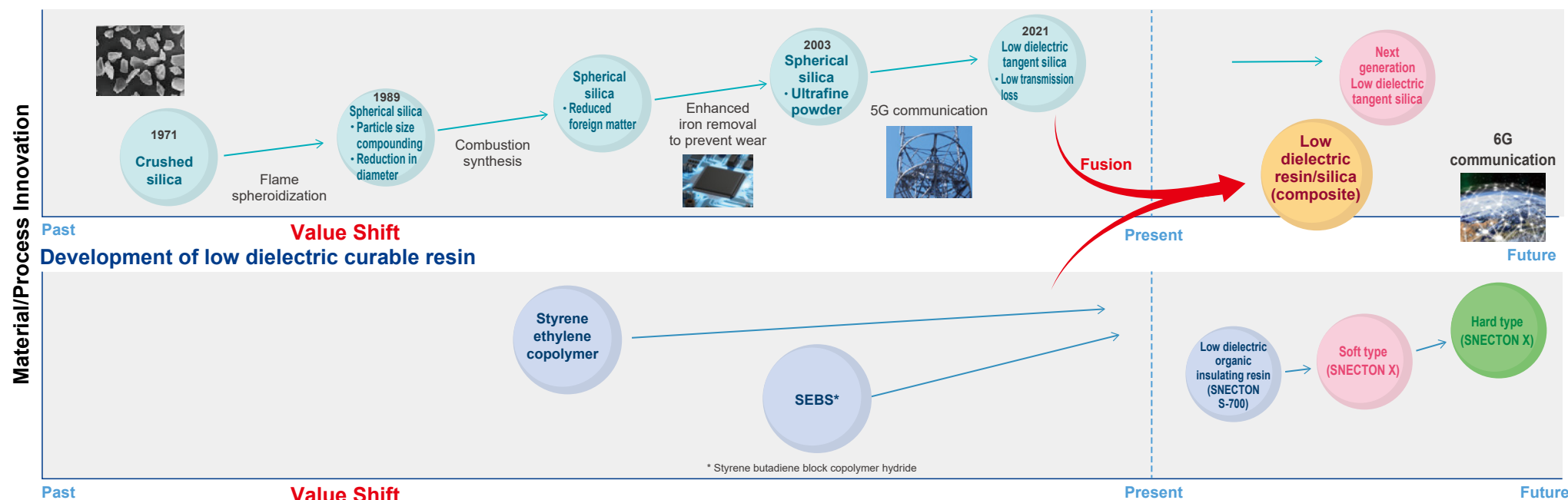
- Strengthening of electronic substrate business: Review the system from the ground up to improve profitability (Ceramic substrates, metal substrates)

### Investment Value Trends



## Electronics and Innovative Products

## Development of Spherical Silica

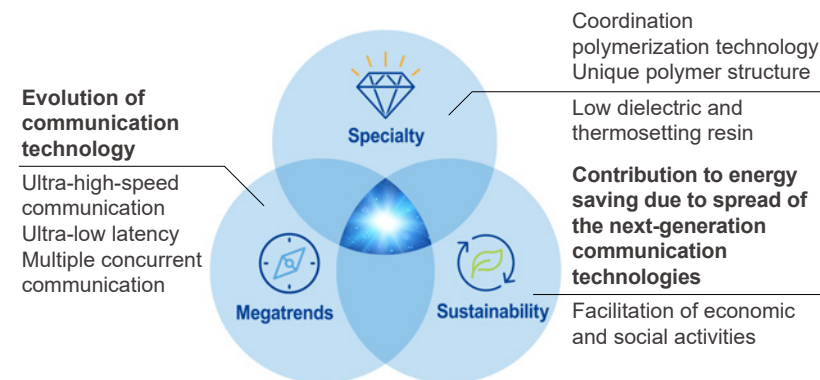


## Contributing to Society through Business

## ● Low-dielectric organic insulating material “SNECTON” + low dielectric tangent / low transmission loss silica filler

With the rapid evolution and expansion of generative AI and the remarkable spread of next-generation high-speed communications (5G/6G), the development of supporting infrastructure such as data centers and communication base stations is progressing. The high-speed communication circuit boards that support these technological innovations are crucial. In high-speed communications, it is extremely important to suppress transmission loss, where electrical signals are converted to heat during transmission. The low-dielectric organic insulating resin “SNECTON,” developed utilizing Denka’s coordination polymerization technology, is drawing attention as a material capable of overcoming this issue.

SNECTON possesses class-leading excellent dielectric properties and crosslink ability, and also achieves high durability due to its adhesion to copper foil and low water absorption. High-speed communication circuit boards comprise “soft resin” + “hard resin” + “various materials such as fillers and glass cloth.” SNECTON is available in both “soft type” and “hard type” grades, and, by fusing with silica fillers and various heat-dissipating fillers that already boast a high market share, Denka can propose optimal formulations to customers with its combined organic and inorganic technologies.



## Life Innovation

### Message from the Division Head



**Taro Inada**

Executive Officer  
Head of Life Innovation

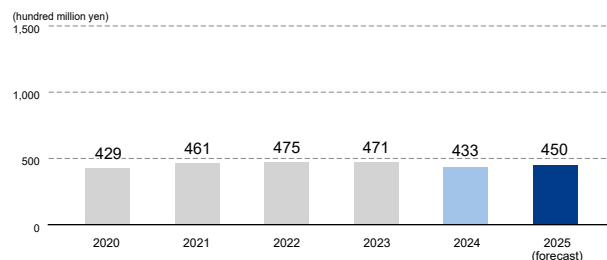
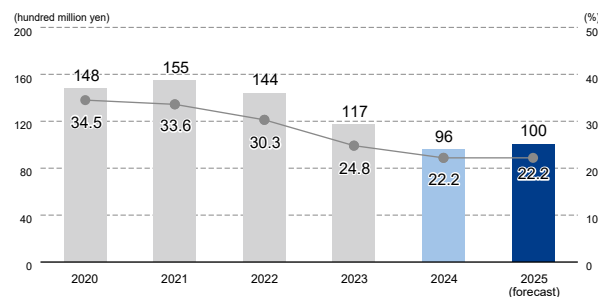
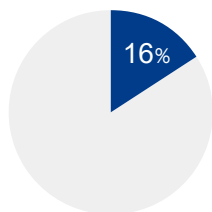
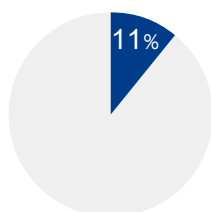
We feel that the environment surrounding the Life Innovation business has changed significantly since the COVID-19 pandemic. While awareness of pandemic risks has increased, some countries have implemented policies to curb medical expenses, further complicating the business environment. Our division will face the changing market in a sincere manner, strengthen our supply responsiveness to better address pandemics and other challenges, and firmly uphold the DNA inherited from our predecessors to deliver better QOL (Quality of Life) to people around the world.

### Strategies for Achieving the Goals of the Management Plan “Mission 2030” (Strategies toward 100% “Three-Star Businesses”)

| Strategic areas and markets | [Key products]                                                                                                      | [2024 results]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | [2026 plan]                                                                                                                                                                                                                                                                                                                                                                                                                | [Division Goals for 2030]                                                                                                                                                                                                             |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prevention                  | <ul style="list-style-type: none"> <li>● Influenza vaccines</li> </ul>                                              | <ul style="list-style-type: none"> <li>● Began operation of new facility for the manufacturing of undiluted influenza vaccines to enable early and stable supply of influenza vaccines in 2022</li> <li>● Although influenza outbreaks increased compared to the previous year, vaccination rates remained unchanged from the previous year</li> <li>● Soaring prices of raw material for influenza vaccines</li> </ul>                                                                                 | <ul style="list-style-type: none"> <li>● Promote to enhance profitability through further improvements in safety and productivity, while aiming at expanding share and increased shipment of existing vaccines as one of our core businesses through early shipment and enhanced logistics strategies</li> <li>● Enhance the fundamental technologies of vaccine production and promote new vaccine development</li> </ul> | <ul style="list-style-type: none"> <li>● In addition to the early stable supply of existing vaccines, continue to advance the development of new, safer and more effective vaccines</li> </ul>                                        |
| Diagnosis                   | <ul style="list-style-type: none"> <li>● Rapid Antigen Test Kits</li> <li>● Clinical diagnostic reagents</li> </ul> | <ul style="list-style-type: none"> <li>● The COVID-19/Influenza combo test kit continued at full operation in response to strong demand for testing, but sales volume decreased due to temporary suspension of operations for production capacity expansion and the end-of-year drop in outbreaks.</li> <li>● Expansion work on reagent production facilities at the Gosen Plant to meet growing demand for Rapid Antigen Test Kits and clinical diagnostic reagents (completed in May 2025)</li> </ul> | <ul style="list-style-type: none"> <li>● In addition to expanding production capacity, we are working to strengthen production efficiency through the digitalization of business, production, and logistics processes</li> <li>● Promote income increase by enhancing domestic and overseas marketing, establishing new sales channels, and expanding our product portfolio</li> </ul>                                     | <ul style="list-style-type: none"> <li>● Provide a variety of diagnostic agents and systems that are quick, simple, inexpensive, responsive, and multi-diagnostic</li> </ul>                                                          |
| Treatment                   | <ul style="list-style-type: none"> <li>● Cancer Therapy Viral Preparations</li> </ul>                               | <ul style="list-style-type: none"> <li>● Review processes to stabilize production of viral preparations for cancer treatment</li> </ul>                                                                                                                                                                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>● Establish a system for stable production, supply, and expanded production of Cancer Therapy Viral Preparations</li> </ul>                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>● Aim for CMOs and CDMOs based on Cancer Therapy Viral Preparations</li> </ul> <p>* CMO: Contract Manufacturing Organization<br/>CDMO: Contract Development and Manufacturing Organization</p> |

## Life Innovation

## Net Sales Trends and Outlook

Trends and Outlook for Operating Income/  
Operating Income RatioPercentage in Overall Net Sales  
(FY2024)Percentage in All Employees  
(FY2024)

## SWOT Analysis

- A lineup of various Rapid Antigen Test Kits and diagnostic reagents developed in-house employing Denka's proprietary technologies
- Superior technological capabilities and robust production capacities backed by cutting-edge diagnostic agents and vaccine manufacturing facilities
- A robust network of industry-academia-government collaboration with a diverse range of partners to enhance Denka's own R&D capabilities
- Innovation arising from the integration of know-how in the fields of chemistry and healthcare, two very different fields, and marketing capabilities derived from a combination of customer bases in both fields

Strengths **S****O** Opportunities

- Susceptibility of many infectious disease-related products to demand fluctuations attributable to changes in the magnitude of epidemics and types of disease

Weaknesses **W****T** Threats

- Acceleration of development of competitor technologies for vaccines and diagnostic reagents triggered by the global Novel Coronavirus pandemic
- Increasing complexity of the business environment, such as the implementation of medical cost containment policies in some countries

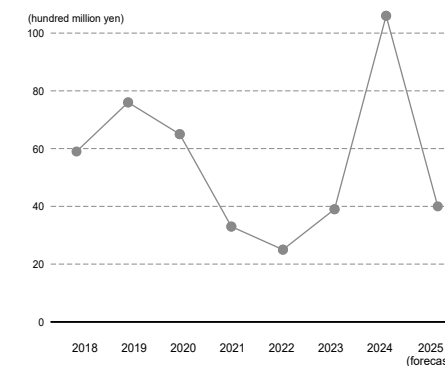
## “Investment” for Further Growth

- While keeping an eye on changes in the external environment, appropriately reviewing our product development portfolio and promoting R&D capabilities to capture new testing demand.

“Cash Generation” through Strengthening of Existing  
Business Operations

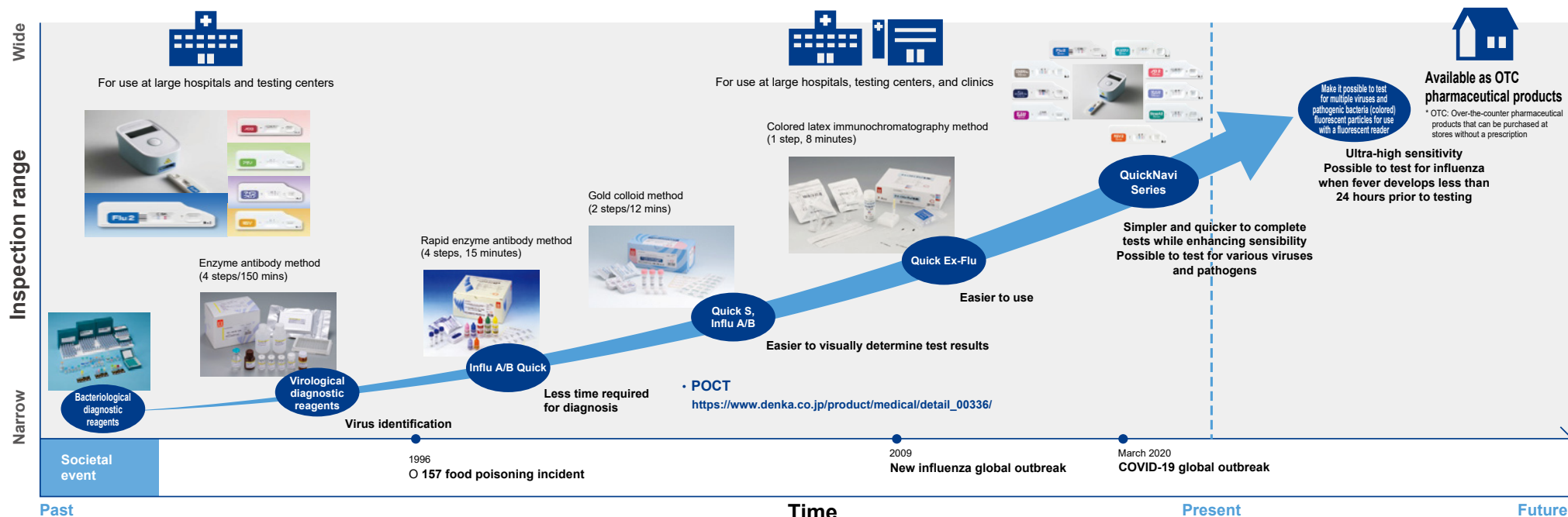
- Development of a product supply system for stable through increased manufacturing capacity of clinical diagnostic reagents and Rapid Antigen Test Kits, and enhancement of production efficiency through the digitalization of business, production, and logistics processes.

## Investment Value Trends



## Life Innovation

## POCT (Point of Care Testing) Deployment



## Contributing to Society through Business

## ● Influenza Vaccines

We will contribute to maintaining health of people and the entire society as well as improved well-being level and production capacity by preventing seasonal influenza that infects many people every year.

## ● Rapid Antigen Test Kits for Infectious Diseases

(Influenza, novel coronavirus, hemolytic streptococcus, norovirus, RS virus, etc.)

By diagnosing infectious disease infection, including influenza and novel coronavirus, we will enable early and appropriate treatment to shorten recovery time and prevent outbreak.

We will contribute to burden reduction of patients and medical staff, continuous economic activities, and public hygiene (we offer combo kits capable of simultaneous diagnosis for influenza and novel coronavirus).

The Rapid Ebola Diagnostic Kit developed by Denka and Hokkaido University received approval for use in the Democratic Republic of the Congo in FY2024.

It enables quick diagnosis even in remote areas and is expected to contribute to preventing the spread of infection.

## ● Clinical Diagnostic Reagents

(immune serum test reagents, clinical chemistry test reagents, bacteria/virus test reagents, etc.)

We provide various test reagents to the domestic and overseas markets, enabling early diagnosis of myocardial infarction and rheumatism, diagnosis of lifestyle related diseases such as arteriosclerosis and diabetes, and diagnosis of various infectious diseases.

By enabling quick and accurate diagnosis, we play an essential role in selecting appropriate treatment methods and disease management.

We contribute to improvement of public hygiene, early diagnosis and prevention of diseases, reduction of medical cost, as well as to maintaining healthy society.





## Elastomer & Infrastructure Solutions

### Message from the Division Head



## Koya Takahashi

Executive Officer  
Head of Elastomer & Infrastructure Solutions

Since our founding, this division has been providing products that contribute to society through a wide range of technologies—organic to inorganic—including products utilizing the calcium carbide chain such as chloroprene rubber (CR) and calcium cyanamide, as well as special admixtures and corrugated pipes that support national resilience.

We are also actively working to contribute to a sustainable world by effectively utilizing the hydroelectric power plant at our large-scale Omi Plant, and through technologies such as biostimulants and carbon-negative concrete. We position FY2025 as a major year of transformation for this division and will steadily implement various initiatives.

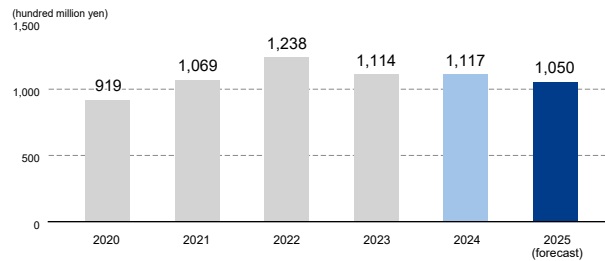
Regarding our CR business in the United States, we will implement an indefinite temporary suspension, consolidate CR production at the Omi Plant, and carefully consider all options, including business and asset transfers, as we move forward with our approach in a steady manner. Furthermore, we will carry out portfolio transformation such as withdrawing from the cement business, with the aim of profitability in the EIS division and achieving sustainable growth.

### Strategies for Achieving the Goals of the Management Plan “Mission 2030” (Strategies toward 100% “Three-Star Businesses”)

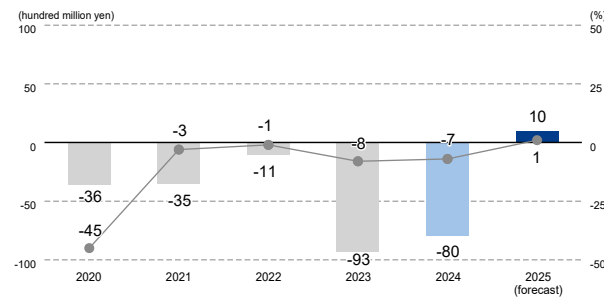
| Strategic areas and markets | [Key products]                                                                                                                                                                                                                                                                                                                                                                                                              | [2024 results]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | [2026 plan]                                                                                                                                                                                                 | [Division Goals for 2030]                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Food                        | <ul style="list-style-type: none"> <li>● Biostimulants*: PRULA, RECOLTE, and AZUMIN</li> </ul> <p>* An agricultural material to keep plants healthy and contribute to the reduction of chemically synthetic agrochemicals</p> <ul style="list-style-type: none"> <li>● Environmental conservation type agrochemicals: calcium cyanamide, YORIN (Fused Magnesium Phosphate), TORE-TARO (Fused Silicate Phosphate)</li> </ul> | <ul style="list-style-type: none"> <li>● With growing interest in biostimulants due to climate change and abnormal weather in various countries, we have started sales in Japan, China, and Taiwan, and are working to register for sales in South America and Southeast Asia to further expand sales</li> </ul> <p>Create and boost demand through strategic use of digital marketing</p> <p>(1) Hold regular webinars<br/>(2) Acquire potential customers using LINE<br/>(3) Enhance web content</p> | <ul style="list-style-type: none"> <li>● Promote the spread of our biostimulant technology and develop products tailored to market needs in each country to accelerate global business expansion</li> </ul> | <ul style="list-style-type: none"> <li>● Transform into a business division where each individual takes on challenges to acquire their own expertise and contributes to achieving company-wide goals by proudly providing products that make the world better.</li> <li>● Contribute to ESG by expanding the adoption of low-carbon concrete products and globally deploying agricultural-related materials</li> </ul> |
| Infrastructure              | <ul style="list-style-type: none"> <li>● Special cement additives</li> <li>● Toyo Drain</li> <li>● “LEAF” carbonated admixture for carbon negative concrete</li> </ul>                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>● On-site application of carbon negative concrete</li> <li>● Global expansion of the environmentally friendly, rapid-hardening admixture “FASTRONG”</li> <li>● Indefinite temporary suspension of the U.S. chloroprene rubber business (May 2025)</li> <li>● End of cement sales (September 2025)</li> </ul>                                                                                                                                                    | <ul style="list-style-type: none"> <li>● Achievement of new carbon cement additives (Social implementation of results of the Green Innovation Fund Project)</li> </ul>                                      |                                                                                                                                                                                                                                                                                                                                                                                                                        |

## Elastomer Infrastructure Solutions

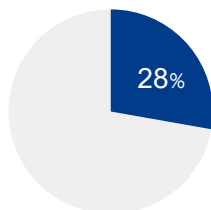
### Net Sales Trends and Outlook



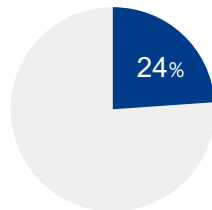
### Trends and Outlook for Operating Income/ Operating Income Ratio



Percentage in Overall Net Sales  
(FY2024)



Percentage in All Employees  
(FY2024)



## SWOT Analysis

- Technology for absorbing and immobilizing CO<sub>2</sub> in concrete
- Chloroprene rubber business with the world's largest production capacity
- One of Japan's largest in-house hydroelectric power generation facilities
- Possession of core technologies for electric furnace and kiln manufacturing and material development capabilities
- A rare domestic fertilizer manufacturer

### Strengths S O Opportunities

- Growing demand associated with enhancing the resilience of buildings and civil infrastructure to mitigate natural disaster damage
- Growing demand associated with the maintenance and renewal of domestic infrastructure constructed mainly during the period of high economic growth in Japan that is currently deteriorating
- Growth in the biostimulant market due to growing food demand in step with the growing global population
- Expanding sales for infrastructure markets, mainly in emerging countries
- Expanding the market for products that contribute to low-carbon and labor-saving needs

### Weaknesses W T Threats

- Difficulty in securing robust brand recognition in markets overseas (special cement additive business)
- Increase in fixed costs unique to equipment industries and CO<sub>2</sub> emissions derived from manufacturing methods
- Product deployment in product life cycle and mature market sectors

- Expansion in the scope of various environment-related regulations influenced by a growing trend toward carbon neutrality
- Shrinking construction and agricultural markets, and labor shortages due to declining domestic population
- Soaring global raw material and fuel prices
- Global reorganization of market players

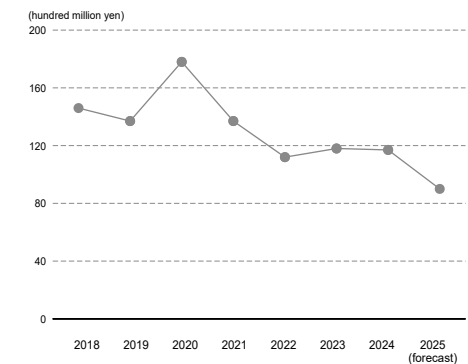
### "Investment" for Further Growth

- Kyushu Plastic Industry: Domestic sales expansion through increased production of corrugated pipes
- Promote R&D in smart agriculture by combining subsurface irrigation systems, biostimulants, and drone technology

### "Cash Generation" through Strengthening Existing Businesses

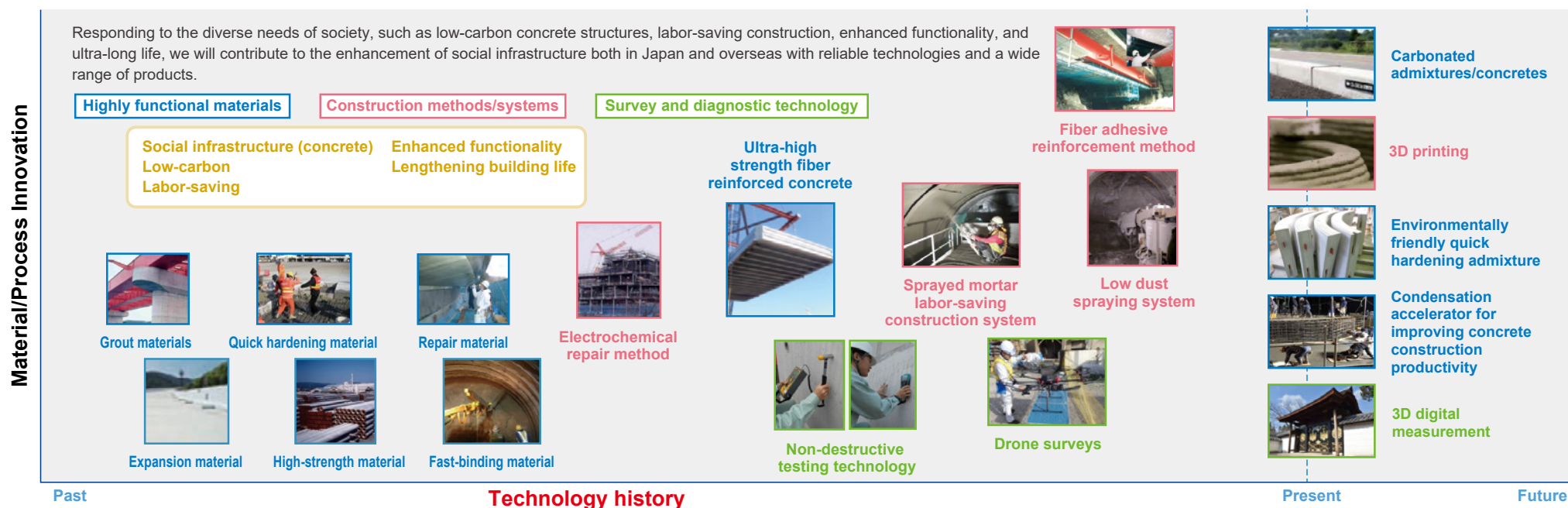
- Temporary suspension of U.S. chloroprene rubber plant: Improve the profitability of the chloroprene rubber business
- Accelerate global expansion of biostimulants and strengthening web marketing
- Deployment of environmentally friendly, rapid-hardening admixtures for precast concrete

### Investment value trends



## Elastomer Infrastructure Solutions

## Special Cement Additives



## Contributing to Society through Business

## ● Carbon Negative Concrete “CUCO” Project

CUCO is a consortium of 55 companies led by Denka, Kajima Corporation, and Takenaka Corporation implementing the “Green Innovation Fund Project/Project for Development of Concrete and Other Manufacturing Technologies Using CO<sub>2</sub>,” adopted by the New Energy and Industrial Technology Development Organization (NEDO). Through this project, we aim to realize highly versatile carbon negative concrete by developing carbonation admixtures and construction technologies, establishing quality assessment technologies, and promoting the use of these technologies around the world. Also, through active CO<sub>2</sub> fixation in concrete—a goal we are pursuing through development of this technology—we will promote the transition from decarbonization to “active carbon” to play our role in the reduction of greenhouse gases.

As a result of the consortium’s joint development, our carbonation admixture “LEAF” has been used in the “CUCO-SUICOM Dome (Sustaina Dome)” (constructed by Kajima Corporation) at the Osaka-Kansai Expo, in the “CUCO-SUICOM Shot” for part of the dome

CUCO website  
<https://www.cuco-2030.jp/>



structure, and in the “CUCO-SUICOM Paving Blocks” laid on the EXPO Arena walkways. Technologies developed by this consortium are branded as CUCO, and we are working to promote their widespread adoption for social implementation.



CUCO-SUICOM Dome (Sustaina Dome)



CUCO-SUICOM Paving Blocks

## Polymer Solutions

### Message from the Division Head



## Masahiro Omata

Executive Officer  
Head of Polymer Solutions

The domestic petrochemical industry is facing the need for fundamental structural reform due to the drop in domestic demand, the impact of new and expanded petrochemical plants in China, and responses to decarbonization. There is a series of industry reorganizations, including consolidation of ethylene centers and withdrawal from derivative product businesses. Our company, with integrated production from raw material styrene monomers to food packaging containers, and a significant portion of this division's sales coming from the styrene business, is also facing required structural reform.

This fiscal year, we will focus on business restructuring, including collaboration with other companies and downsizing, as well as stable operation and social implementation of the polystyrene chemical recycling demonstration facility that began operation last year. We will strive to make our styrene chain a sustainable business that contributes to achieving a circular economy.

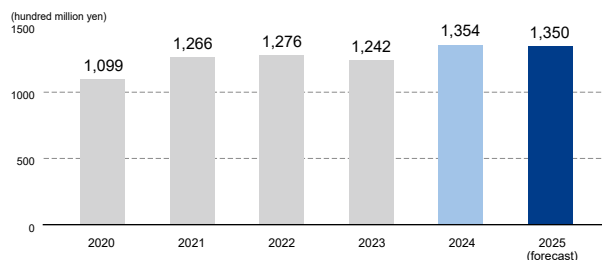
### Strategies for Achieving the Goals of the Management Plan "Mission 2030" (Strategies toward 100% "Three-Star Businesses")

| Strategic areas and markets                                  | [Key products]                                                                                                                                                                                                                                                                                            | [2024 results]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | [2026 plan]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | [Division Goals for 2030]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Automotive<br>Energy industry<br>Housing and home appliances | <ul style="list-style-type: none"> <li>High-performance styrene-based resins (MS, IP, ABS)</li> <li>Special additives for oil and gas field drilling, building materials, etc. (Poval)</li> <li>Building materials, flexible air conditioning materials, gutters, aluminum ducts (Denka Astec)</li> </ul> | <ul style="list-style-type: none"> <li>Launch of high-performance transparent resin (DSPL: MS-TX300)</li> <li>Promote the development of high-performance polyvinyl alcohol: Polyvinyl alcohol for water-soluble fibers (Applications: new sustainable-design laundry detergents, etc.)</li> <li>Launch of new gutter "AR120": Denka Astec</li> <li>Launch of rainwater tank "PURE EDEN": Denka Astec</li> </ul>                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>Forecast the trend in the petrochemistry industry, aiming at optimization of management structure with alliances in the relevant businesses in mind               <ol style="list-style-type: none"> <li>(1) Structural reform in the styrene chain business</li> <li>(2) ROIC improvement</li> <li>(3) Response to geopolitical risks</li> <li>(4) DX promotion</li> <li>(5) New business creation</li> </ol> </li> <li>Develop a system to achieve a circular economy               <ol style="list-style-type: none"> <li>(1) Achieve horizontal recycling with customers</li> <li>(2) Expand outlets through the penetration of the resource circulation system brand "D-NODE™"</li> </ol> </li> </ul> | <ul style="list-style-type: none"> <li>Portfolio transformation: Improving corporate value through portfolio transformation, increasing added value, new business creation, and alliance building</li> <li>Sustainable &amp; Disruptive Innovation: Create new three-star businesses through: Innovation utilizing the styrene chain and Denka's elemental technologies and Innovation through M&amp;A and the utilization of external resources</li> <li>Ahead to green:               <ul style="list-style-type: none"> <li>Styrene chemical recycling</li> <li>Promotion of environmental products</li> <li>Establish circular economy models from upstream to downstream through collaboration with local communities</li> </ul> </li> </ul> |
| Food packaging materials<br>Hair products                    | <ul style="list-style-type: none"> <li>High-performance styrene-based resins (CLEAREN, MS, AS)</li> <li>Oil-resistant, heat-resistant, high-strength thin sheets (BOPS)</li> <li>Functional barrier sheets</li> <li>Raw yarn for wigs and hairpieces (Toyokalon)</li> </ul>                               | <ul style="list-style-type: none"> <li>Start of operation of polystyrene chemical recycling demonstration plant</li> <li>Entered into a business partnership agreement with Ichihara City, Chiba, for collection of used polystyrene</li> <li>Sustainable products: Launch of environmentally friendly material "Biomass BOPS"</li> <li>Started discussions with customers in the household packaging and functional resin divisions to realize horizontal recycling</li> <li>Toyokalon business: Decided to consolidate production at DAPL to achieve structural reform and transition to a high-profit business</li> </ul> |  <ul style="list-style-type: none"> <li>Expand achievements in high-performance Poval</li> <li>Increase profits through consolidation of Toyokalon business at DAPL</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

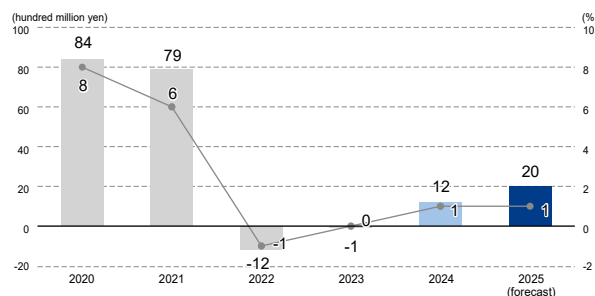


## Polymer Solutions

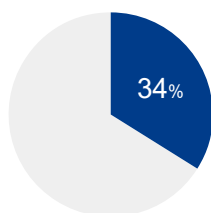
### Net Sales Trends and Outlook



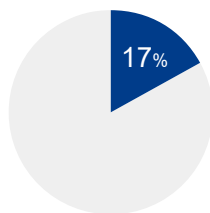
### Trends and Outlook for Operating Income/ Operating Income Ratio



Percentage in Overall Net Sales  
(FY2024)



Percentage in All Employees  
(FY2024)



## SWOT Analysis

- An integrated manufacturing and marketing system that encompasses a range of styrene-based operations from the production of raw materials to the manufacture of processed products
- Development of plastic resins and processed products in a way that accommodates growing needs for eco-friendly solutions
- Global business capabilities backed by a two-location production system comprising of bases in Japan and Singapore
- A diverse range of resin processing technologies, including those associated with polymer structure design and control and the production of sheets, films, and synthetic fiber
- Synergies arising from the combination of materials and processed products as well as solution proposal and development capabilities supported by such synergies

Strengths

- Development of plastic resins and processed products in a way that accommodates growing needs for eco-friendly solutions
- Establishment of a comprehensive recycling system that takes full advantage of the strengths afforded by our integrated production system, extending from raw materials to processed products, and thereby meeting demand arising from the growing trend towards resource recycling
- Versatile expansion stemming from our diverse product lineup
- Operation of a polystyrene chemical recycle demonstration plant for social implementation

Opportunities

Weaknesses

- Expand petrochemical plants in China (global supply-demand balance changes)
- Time lag between fluctuations in the prices of raw materials (e.g. naphtha and benzene) and product price revisions reflecting these external conditions

Threats

- A decline in the need for plastic due to environmental problems induced by waste plastics (especially single-packaging containers)
- Intensification of price competition in step with the improvement in the quality of products manufactured by overseas competitors
- Unstable procurement of various raw materials (due to rises in costs, the abolishment of certain materials, etc.)
- Restructuring of the petrochemistry industry at a global scale

### “Investment” for Further Growth

- Implement styrene chemical recycling (SCR) in society
- Install equipment for high-performance PVA production
- Construct new high-performance polymer facilities

### “Cash Generation” through Strengthening Existing Businesses

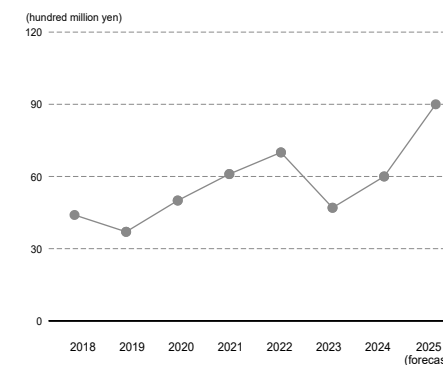
#### Structural transformation

- Promote fundamental reforms by combining overall and individual optimization of the styrene chain
- Downsize, contract manufacturing with competitors, recycling, logistics, etc.

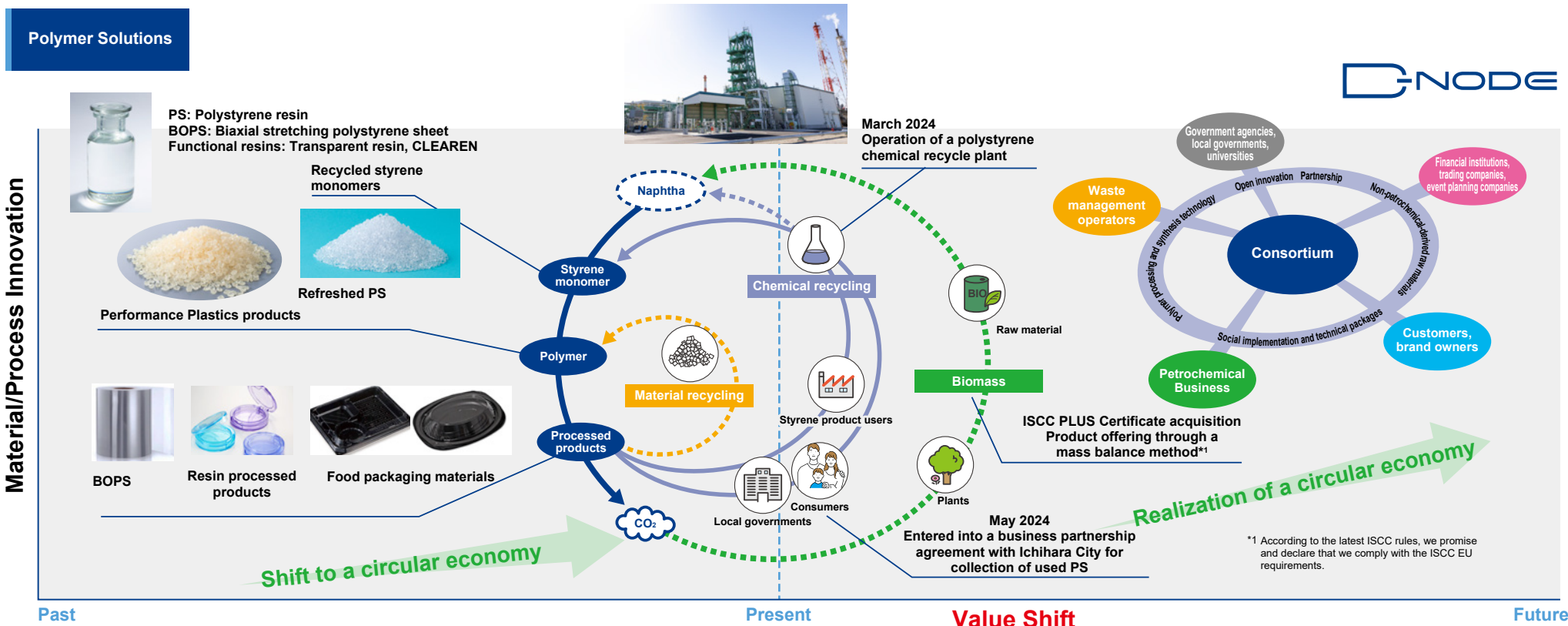
#### ROIC Improvement

- Optimize production through rational decision-making, transfer or withdrawal from unprofitable businesses
- Improve profitability through cost reduction and introduction of differentiated, high value-added products

### Investment value trends







\*1 According to the latest ISCC rules, we promise and declare that we comply with the ISCC EU requirements.

## Contributing to Society through Business

### ● The Denka Group Provide New Values by Leveraging the Characteristics of the Styrene Chain and Achieving a Circular Economy.

Denka and Toyo Styrene Co., Ltd., an affiliate accounted for under the equity method began operating a polystyrene chemical recycle plant at the Chiba Plant from March 2024, based on the common idea that establishing a new recycle system to recycle resources is necessary. It is a new initiative to collect used containers including food packaging materials (post-consumer materials) and remnant materials (post-industrial materials) generated from sheet and container production plants (processes), decompose chemically, recycle as raw materials for plastic products. It is positioned as the first step towards a circular economy. In this initiative, a business partnership agreement has been concluded with Ichihara City, Chiba Prefecture, and Denka, Toyo Styrene, and Denka Polymer acquired ISCC PLUS Certificates for their styrene chain, enhancing the effectiveness of our initiatives.

To promote these activities, the Denka Group has launched its own resource circulation

system brand, "D-NODE™," with the aim of achieving a sustainable society. Through "D-NODE™," we will contribute to further reduction of fossil-derived raw materials by promoting recycling through appropriate methods, including chemical and material recycling, and the use of biomass materials (including mass balance methods).

#### [Future movement]

The Denka Group aims to achieve a circular economy by proposing the formation of a consortium in which customers, local communities, municipalities, and other diverse stakeholders collaborate. We will promote technological development and social demonstration experiments that cannot be achieved by a single company, with the aim of achieving a sustainable society.

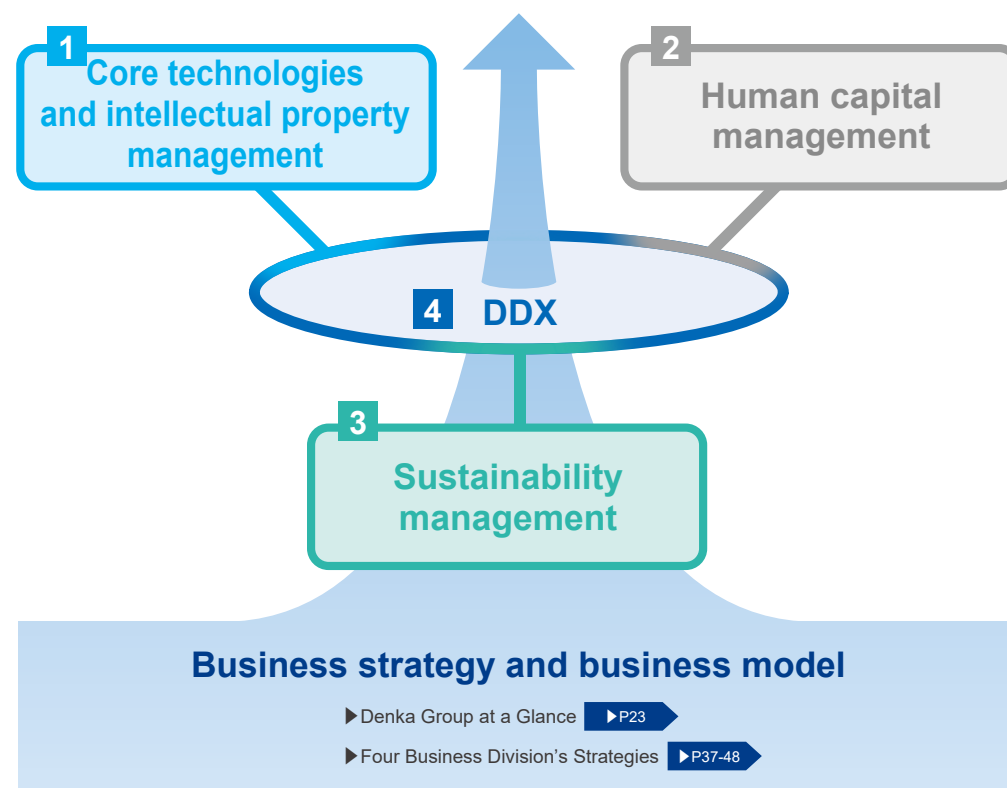
## Strengthening of Intangible Assets as the Driving Force of Growth

Denka operates a wide range of businesses and possesses a wealth of intangible assets that are the source of its corporate value.

These intangible assets have been built over many years by our predecessors as they worked to solve social issues, and have served as the driving force behind business growth and portfolio transformation.

Going forward, we will re-evaluate the value of intangible assets themselves and place them at the core of our business model to achieve sustainable business growth.

### Accelerating Sustainable Growth to Enhance Denka's Competitiveness



### 1 Promoting the Development of Core Technologies through Research & Development and Intellectual Property Management

►P50-55

Denka's core technologies span semiconductors, pharmaceuticals, infrastructure, and resins. These form the foundation for renewable energy, high-speed communication technology, carbon neutrality, and improved QOL for people—essential for the coming era—and contribute to building a sustainable society.

To realize this, we have created a new business roadmap and are strengthening our R&D structure to systematically acquire key technologies and promote the creation of new businesses in “spillover areas” of existing businesses. In addition, we are utilizing methods such as idea pitches to create new businesses unconstrained by existing operations.

Furthermore, in advancing these new business creation initiatives, the management and utilization of intellectual property such as patents we hold is extremely important.

We have established a management system including an Intellectual Property Strategy Council that is reviewed by the Board of Directors, and have assigned IP personnel to business and research divisions to promote more business-oriented use of intellectual property.

### 2 Enhancing and Maximizing Employee Capabilities through Human Capital Management

►P61-64

With the aim of creating a company where each individual can feel their own growth, we are actively pursuing system reforms, regularly conducting employee awareness surveys, identifying issues, and formulating and implementing improvement measures

### 3 Strengthening Business Competitiveness through Sustainability Management

►P65-70

As our business partners accelerate efforts toward carbon neutrality, initiatives to reduce environmental impact in manufacturing processes and promote human rights are also crucial for maintaining and enhancing the competitiveness of our products. For over 110 years, we have pursued production methods with low environmental impact, such as using electricity generated by our own hydroelectric facilities.

In addition, we will further strengthen management of various aspects of sustainability and enhance external information dissemination, ensuring that our strengths in sustainability directly contribute to improving our competitiveness and value.

### 4 Accelerating Business Model Transformation through DDX

►P56-59

We position DX as an effective means to realize our management plan “Mission 2030,” and are building and operating a robust IT infrastructure and developing and utilizing digital talent (Digital Pilots) to advance Denka Digital Transformation (DDX).

## New business development

### Message from CSO



### Masahide Yamada

Executive Officer  
Chief Scientific Officer

Our R&D toward achieving our Management Plan “Mission 2030” is based on the core value “Initiative,” and is implemented with a strong focus on timelines and a strong will to achieve goals.

While selecting research topics and optimizing resources based on market trends and market evaluations, we also ensure that researchers themselves actively collect information on customer needs and technology trends at other companies by drawing on our external networks. To expand and enhance research areas, we are also focusing on promoting open innovation through industry-academia-government collaboration and automating evaluation and experimental processes using DX.

In new business development, in addition to collaborating with startup companies utilizing the corporate venture capital that we established in 2023, we will strengthen collaboration with existing business divisions to quickly commercialize themes derived from existing business areas.

For our intellectual property strategy, we are working to provide advanced analytical information such as IP landscapes that support business strategies, new business development, and management decisions, with a focus on implementing intellectual property reforms that maximize customer value.

### Research & Development Policy

The Denka Group is accelerating the creation of attractive new businesses and products that create new value by expanding our range of the “technologies that we do best” and promoting the development of products unique to Denka that can contribute to a sustainable society. To this end, we will promote research and development that leverages the Group’s collective strengths to integrate multiple disparate technologies and generate synergies across the entire Denka Group that transcend organizational boundaries and domains.

### Strategy in the Management Plan “Mission 2030” (road map for achieving M30)

#### [FY2024 Results]

- Enhancement and promotion of R&D according to the megatrend
- Establishment of an R&D portal site to share effective technological information across the company
- Introduction and development of new processes to reduce CO<sub>2</sub> emissions and to achieve a recycling oriented society

#### [FY2026 Targets]

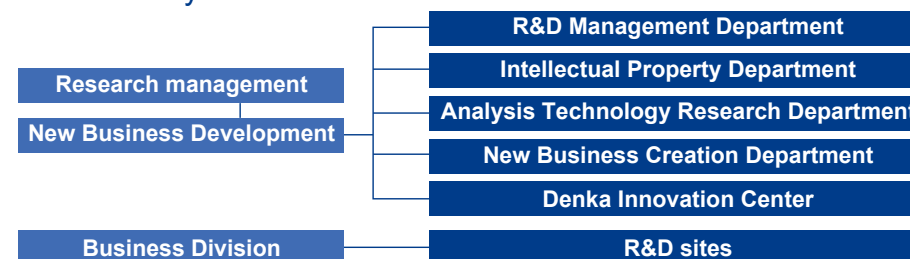
- Capture the future customer needs, develop research themes, and create new business at speed
- Optimize research resources and promote R&D through in-house synergy effects
- Promote MI\* and IPL\* usage initiative and establish an R&D platform

\* Materials informatics  
\* Intellectual Property Landscape

#### [FY2030 Target (Ideal Form)]

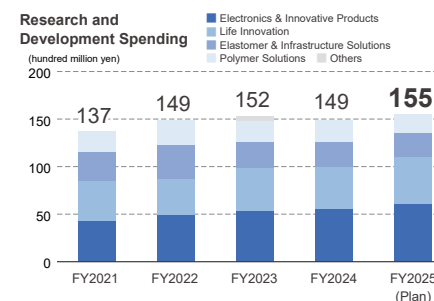
- Create new businesses by making the most of the research assets and contribute to society with new values
- Deepen seeds-needs matching and provide products and service offerings that suit the needs of society and markets
- Make the most of the R&D platform to promote efficient product development and technology development
- Provide opportunities for capable research human resources with insights and due diligence to build business models

### Promotion System



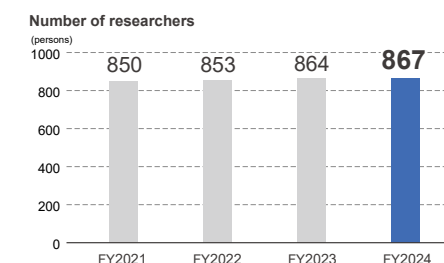
### R&D Spending (Consolidated)

The annual average of the five-year R&D budget between FY2019 and FY2023 was 14.8 billion yen, and the budget in FY2024 was 14.9 billion yen.



### Number of researchers (consolidated)

The number of researchers in FY2024 was 867, which increased by approx. 30 in 4 years.



## Intellectual Property Initiatives

### 1 Intellectual Property Vision

#### MISSION

Provide high-value-added intangible assets to directly and indirectly increase the corporate value.

#### PURPOSE

To serve as a compass to guide to business value creation through merging IP and our specialties.

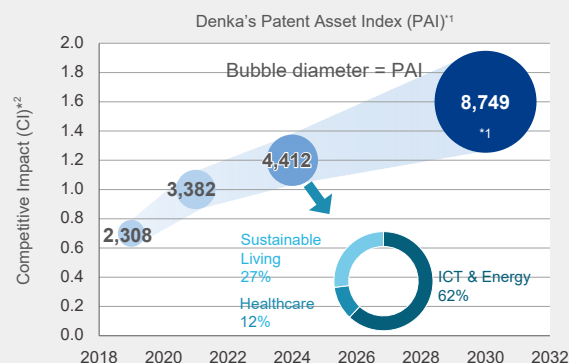
#### CORE VALUE

Specialty : Each individual becomes a human resource with unique value.  
Diversity : Acknowledge and empathize with different backgrounds and viewpoints to grow together.  
Co-creation : Respect each other and tackle work with integrity.

### 2 Intellectual Property Strategy for Achieving Management Plan “Mission 2030”

To achieve our management plan “Mission 2030” goal of ¥100 billion in operating profit by fiscal 2030, we analyzed the relationship between past and present “operating income” and “patent asset value” (Patent Asset Index: PAI)\*<sup>1</sup>, as well as “relative patent value” (Competitive Impact: CI)\*<sup>2</sup>. As a result, we estimated that the PAI (8,749) and CI (1.6) at the time of achieving the Mission 2030 operating income target would be higher than our current PAI (4,412) and CI (1.2). We are therefore working to maximize patent value that is effective for our business, and are also considering setting KPIs linked to business strategy.

Patent Asset Value Based on Operating Income



\*<sup>1</sup> Patent Asset Index (PAI value) refers to a metric that represents competitive advantage and total value of the patent portfolio calculated using LexisNexis' PatentSight

\*<sup>2</sup> Competitive Impact (CI value) refers to a metric that represents the competitive strength and quality of the patent family, calculated from the number of the references to the patent family and the size of the global market where the patent family members exist.

### 3 Activities to Maximize Intellectual Property Value

#### (1) Intellectual Property Strategy that Contributes to Realizing Business Strategy

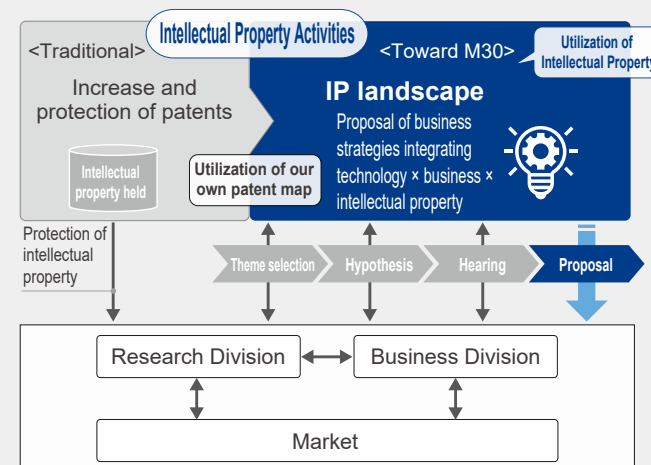
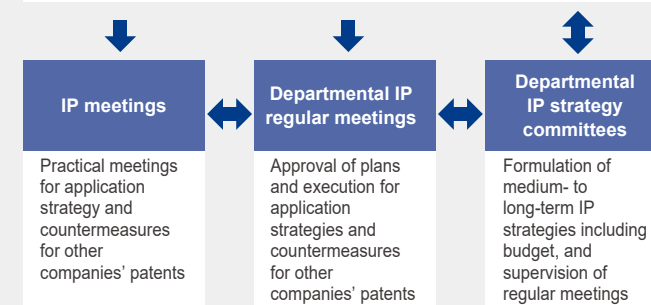
The Corporate Governance Code revised in 2021 clearly states that the Board of Directors should oversee activities related to intellectual property strategy. In response, we have established a new committee to which each department brings its intellectual property strategy based on business strategy. We have also consolidated each department's intellectual property strategy and made them available company-wide. By assigning IP personnel to business and research divisions, we promote the use of intellectual property, more conscious of commercialization. We will optimize our intellectual property portfolio and maximize its value.

#### (2) Utilization of IP landscape: “Proactive Use of Intellectual Property”

As the importance of IP information has increased in Japan, the use of “IP landscape” has become mainstream in the IP industry as a whole since around 2018. We also began activities in 2020. We effectively utilize our broad patent map to integrate technology, business, and intellectual property, and propose business strategies. Furthermore, we are working to make intellectual property strategy a driving force for sustainable innovation by providing useful information for M&A and new business creation, and by formulating open & closed strategies.

#### Deliberation by the Board of Directors (Intellectual Property Strategy Council, about Once a Year)

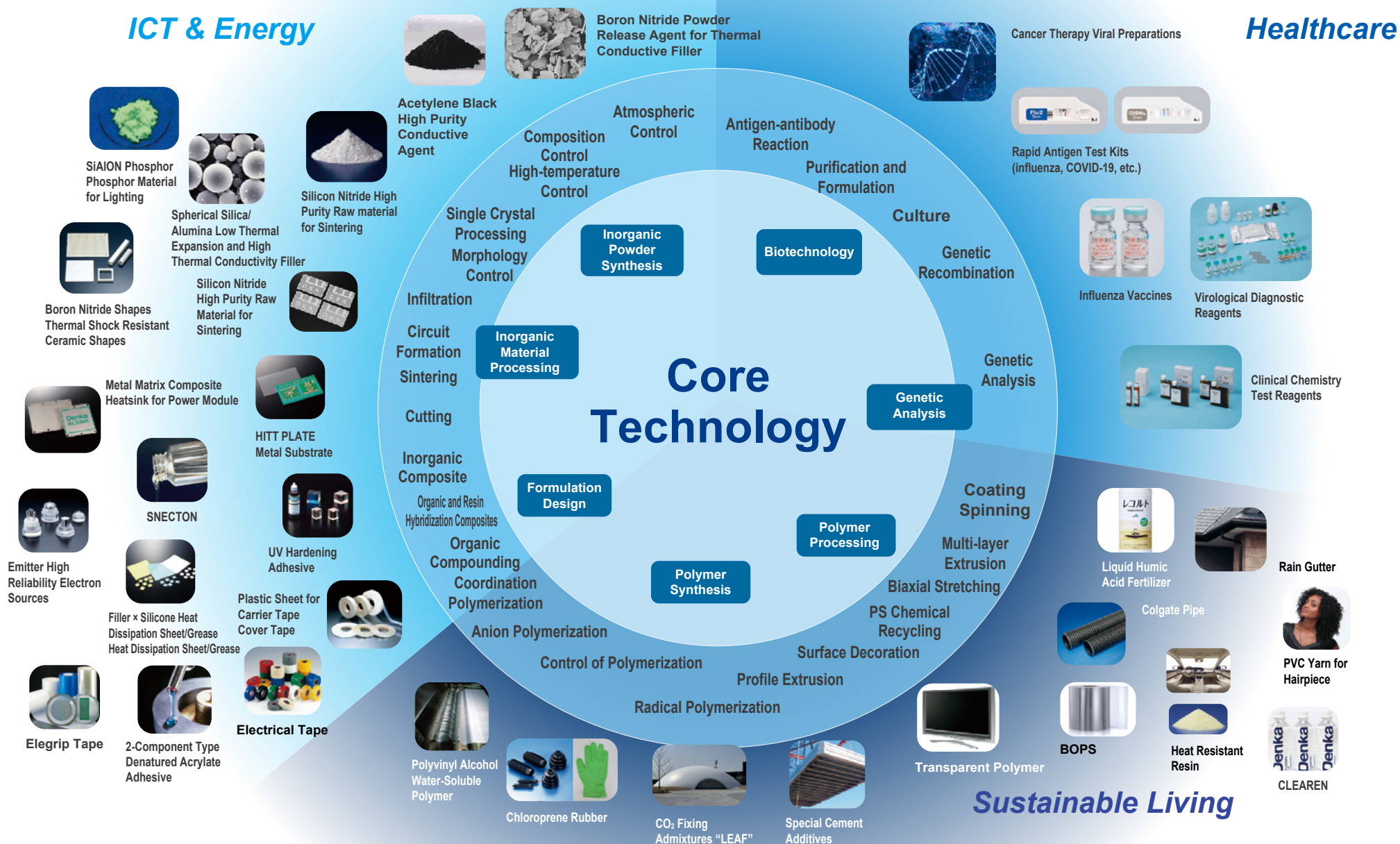
Discussion and deliberation of basic policies for intellectual property strategy, including company budget allocation, and supervision of the departmental IP strategy committees





# Technology Platform Diagram

Core technology is one of the intangible assets that are the source of Denka's value creation. These were built by predecessors who worked to solve social issues, and many businesses have been created from them. Currently, we are focusing our R&D resources on three priority areas that capture megatrends. Here are the product groups generated by Denka's core technologies.





## Denka Technologies - Contributing to a Sustainable Society

Denka is vigorously strengthening our core competencies that contribute to sustainability in order to become a company with a superior competitive edge that is consistent with ESG initiatives.

### Denka Technology Supporting Renewable Energy

Technologies that support the development of renewable energy include acetylene black, used as a raw material for ultra-high voltage cables that efficiently transport electricity generated by clean offshore wind power to various locations, and silicon nitride, which is used in bearing balls for wind power generation.

Silicon nitride assists in the transmission of **clean wind power**



Acetylene black efficiently carries **clean energy**

### Denka Technology Supporting 5G

There are many technologies that support high-speed data communications required in an advanced information society, such as technology to protect semiconductors from heat, technology to reduce energy loss, and technologies to prevent static electricity and contamination of semiconductors by foreign matter during transport to ensure absolute quality.

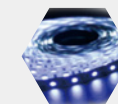
Spherical silica and SNECTON reduce **energy loss**



Carrier tape sheets and top cover tape prevent **static electricity and foreign matter contamination**



Spherical alumina reduces **heat**



### Denka Technology Supporting Carbon Neutrality

In addition to promotion of energy conservation and expanding renewable energy sources, namely hydroelectric power generation, we are also studying the introduction of innovative technologies such as CCUS, which separates, recovers, utilizes, and stores CO<sub>2</sub> from plants at the source, as well as the use of hydrogen. Moreover, we will push ahead with efforts to reduce the environmental burden attributable to our entire value chain by expanding the scope of our initiatives to address issues associated with the total life cycles of our products.



LEAF

PS chemical recycling



Hydroelectric power plants

### Denka Technology Improving QOL

We possess outstanding technologies in each area of prevention, diagnosis and treatment—such as influenza vaccines that protect society from recurring influenza outbreaks, diagnostic agents essential for maintaining health and testing for infectious diseases, and oncolytic virus preparations that meet unmet medical needs—thereby supporting the improvement of quality of life (QOL) around the world.

Oncolytic virus is meeting **unmet medical needs**



\* Unmet medical needs refer to medical needs for which there is no effective treatment available



Influenza vaccines protect **your health** and wellbeing

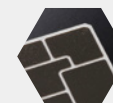


Rapid Antigen Test Kits help protect **society**

### Denka Technology Supporting Next Generation xEVs

There is a wide range of technologies that support the electrification of automobiles, including the circuit boards for CPUs that control the power of xEVs that run on motors, heat resistance modifiers that make automotive components lighter and paint-free, and high-purity special carbon black used in lithium-ion batteries.

Aluminum nitride and silicon nitride substrate **conduct heat to enhance vehicle safety**



Heat resistance modifiers enhance **heat resistance**



Acetylene black increases the storage capacity of **lithium-ion batteries**



# Innovation

## New Business Roadmap for the Three Priority Areas

### Developing New Business Based on Customer Needs to Achieve Early Commercialization

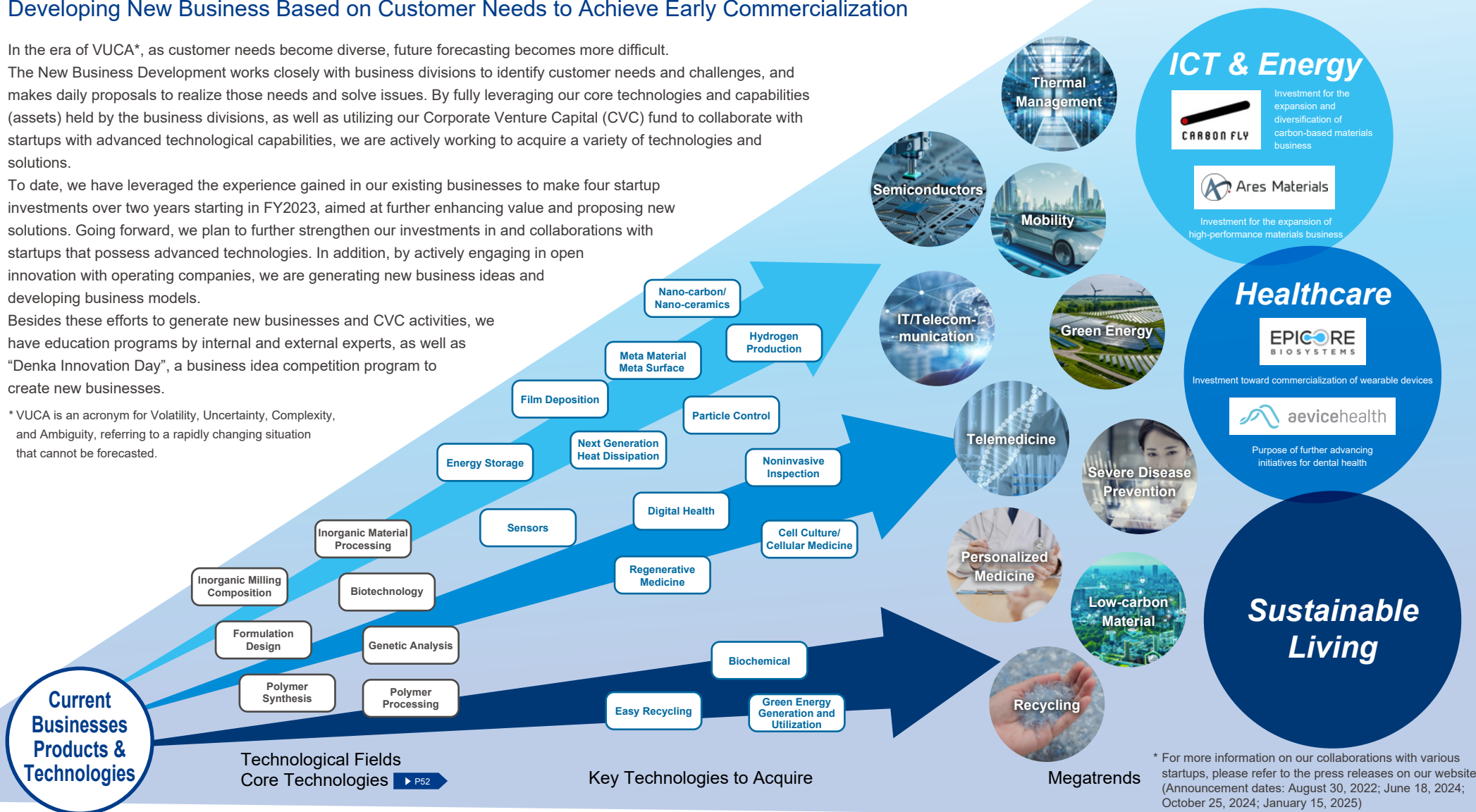
In the era of VUCA\*, as customer needs become diverse, future forecasting becomes more difficult.

The New Business Development works closely with business divisions to identify customer needs and challenges, and makes daily proposals to realize those needs and solve issues. By fully leveraging our core technologies and capabilities (assets) held by the business divisions, as well as utilizing our Corporate Venture Capital (CVC) fund to collaborate with startups with advanced technological capabilities, we are actively working to acquire a variety of technologies and solutions.

To date, we have leveraged the experience gained in our existing businesses to make four startup investments over two years starting in FY2023, aimed at further enhancing value and proposing new solutions. Going forward, we plan to further strengthen our investments in and collaborations with startups that possess advanced technologies. In addition, by actively engaging in open innovation with operating companies, we are generating new business ideas and developing business models.

Besides these efforts to generate new businesses and CVC activities, we have education programs by internal and external experts, as well as "Denka Innovation Day", a business idea competition program to create new businesses.

\* VUCA is an acronym for Volatility, Uncertainty, Complexity, and Ambiguity, referring to a rapidly changing situation that cannot be forecasted.

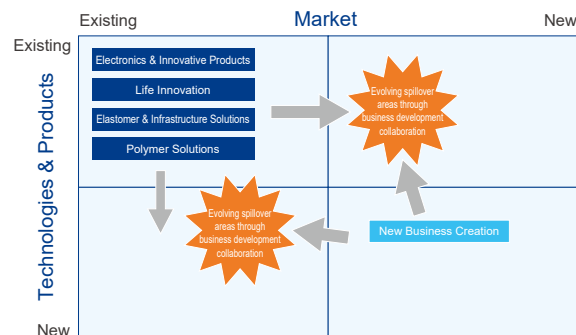


\* For more information on our collaborations with various startups, please refer to the press releases on our website. (Announcement dates: August 30, 2022; June 18, 2024; October 25, 2024; January 15, 2025)

## 1. Creation of New Businesses in Spillover Areas of Existing Businesses

The New Business Development further strengthening collaboration with business divisions that have a deep understanding of market and customer needs. By sharing development resources of the New Business Development Division with them from the early stages of development, we are able to make proposals that are closer to customer needs and deliver faster development. We are also allocating development resources to spillover areas\* of business divisions and actively working on development that leverages our core technologies and assets.

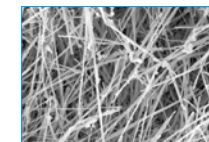
\* New business areas with high affinity to existing businesses, where our technologies and customer needs can be applied and expanded



## Examples of New Businesses

Boron nitride (BN) is attracting attention as a next-generation heat dissipation material with excellent thermal conductivity and electrical insulation, and is beginning to be applied to heat dissipation components for electronic devices and heat dissipation substrates for high-power devices.

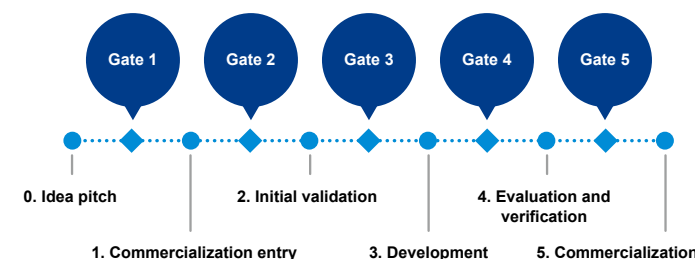
We are developing and proposing various forms of hexagonal boron nitride powder to customers. Currently, we are collaborating with promising startups on development, and plan to propose new forms of hexagonal boron nitride powder to customers in the near future. By further strengthening the creation of new businesses in these spillover areas, we will be able to provide more timely value propositions.



## 2. Creation of New Businesses unconstrained by Existing Businesses

For new business development unconstrained by existing businesses, we operate a system that manages the process from idea generation to commercialization. We divide the development process into several "stages" and set up "gates" to evaluate whether certain criteria are met before moving to the next stage.

Ultimately, products that pass through the gates are launched to the market. Idea pitches and business entry are also part of the initial stages. In the early idea generation stage, ideas are highly uncertain and not yet refined, but by putting a mix of ideas through this stage-gate process for business consideration, the potential of each idea becomes clearer. This is a very important mechanism for reducing uncertainty on the path to commercialization and for creating sustainable new businesses.



### Idea pitch

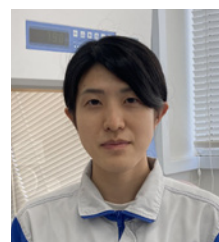
As the first stage gate for screening business ideas, we regularly hold idea pitch sessions. The purpose of these sessions is to gauge the audience's empathy and resonance with the ideas in real time. Its primary purpose is to communicate ideas at an early stage. Through such discussions, the participants can grasp the target customers and obtain new ideas for solutions.

### Gate 1 | Hypothesis testing

Business ideas that have passed the idea pitch are then subjected to hypothesis testing from both customer and technology perspectives. Projects where the hypotheses are recognized as FACT\* move on to the next stage gate, "Business Entry." At this stage, external experts also participate, and results of verification, marketability, and business viability for each project are thoroughly discussed from a wide range of perspectives at an early stage to determine whether the project should proceed to the next stage.

\* Customer needs or issues must exist, and feasibility must be confirmed in light of our core technologies and capabilities.

### VOICE Researcher's Voice



**Yuko Fukuda**

New Business Development  
Denka Innovation Center  
Advanced Polymer Research  
Department

We are focusing our research on cultured meat using cell culture technology to address the issue of food shortages caused by population growth. Cultured meat is edible meat produced by proliferating cells taken from animals, and is already being sold in places like Singapore and the United States as chicken and beef. However, in Japan, the system for sales is not yet in place and rules are still being developed. Therefore, we are participating in a consortium led by IntegriCulture Inc., a cultured meat startup, to gather information on regulatory discussions at relevant ministries and to collaborate with external parties toward commercialization of cultured meat. There are still many technologies, such as manufacturing methods and flavor, that have yet to be established. We are discussing with relevant departments how we can provide value and how to approach development. By leveraging our technologies, we are actively considering entering new businesses as a place to provide new value. Our goal is to become a company that supports food in the field of cell-cultured foods, which is expected to become a future trend, just as our calcium cyanamide fertilizer has supported agricultural production since our founding.

## DDX (Denka Digital Transformation) Based on the Management Plan “Mission 2030”

### Message from CTO

### Masanobu Kosaka

Director  
Managing  
Executive Officer  
Chief Technical  
Officer

Each division and business site have independently pursued DX (digital transformation) and achieved certain results in business transformation, but these efforts had not yet been elevated to a company-wide initiative. DX becomes a powerful force only when the entire company works together in the same direction. Therefore, last fiscal year (FY2024), we formulated a management DX strategy based on the management plan “Mission 2030” (hereafter, M30) for each business division with profit and loss responsibility, including related business sites. In addition, each corporate department, which sets company-wide policies, also devised DX strategies including business sites, and these were consolidated to create Denka's DX Roadmap (DDX Roadmap). During this process, we engaged in repeated dialogue with management, including the president, to ensure management's commitment. The DX vision, DX strategy, and even the specific DX initiatives and the systems to realize them are described in detail, from broad direction to specific methodologies. I believe the DDX Roadmap has become something into which both management and employees have poured their passion. Starting this fiscal year, the first year of DX, implementation has begun in line with the DDX Roadmap. A DX Support Section was newly established in the Digital Strategy & Innovation Department to lead company-wide DX. In addition, through the “Digital Utilization and DX Talent Development Program” launched last fiscal year, 78 Digital Pilots (DP)\* have been born, and we look forward to their active roles in the DDX arena.

\* Personnel who lead digital utilization and DX promotion within the company

### Basic Policy (Policy)

The Digital Strategy & Innovation Department's goals for FY2025 have been redefined to coincide with the start of DDX:

(1) Promoting DDX to realize M30, (2) Building and operating a robust IT infrastructure to support DDX, and (3) Developing and utilizing digital talent.

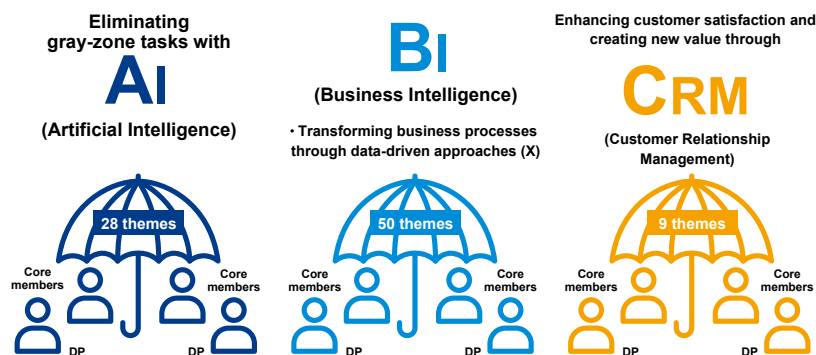
In “(1) Promoting DDX to realize M30,” DX is positioned as an effective means to achieve the management plan “Mission 2030,” ensuring that DX does not become an end in itself.



For DDX, 118 company-wide initiatives were identified and classified into three categories: AI (Artificial Intelligence), BI (Business Intelligence), and CRM (Customer Relationship Management). By turning these into projects, we are advancing initiatives across the entire company.

Through DDX, we aim to drive transformations in business models, operations, organizations, processes, and corporate culture and climate.

### Three Projects for Promoting DDX



As of April, 2025

Regarding “(2) Building and operating a robust IT infrastructure to support DDX,” we are working to enhance our IT capabilities so that IT does not become a bottleneck for DX, securing communication capacity and strengthening security. In addition, by visualizing ICT assets and promoting awareness activities, we will fully utilize existing ICT assets company-wide to prevent redundant investments. This will maximize results while minimizing costs. Regarding “(3) Developing and utilizing digital talent,” we recognize that human capital is essential for realizing M30, and will continue the “Digital Utilization & DX Talent Development Program” that started in FY2024. Newly appointed DPs will participate in DDX's ABC projects and play a central role in DDX.



## DDX Roadmap

## “Make the World a Better Place as Specialists Fusing Digital and Chemistry”

### DDX Vision Linked to Management Vision

DX will become an important means for achieving M30, but it is expected that the means (tactics) will change as we move forward. To clarify the direction and goals of what kind of transformation we aim to achieve using digital technology, we have formulated our DDX vision. This vision was drawn from DDX roadmap formulation members and selected by the president based on the following criteria.

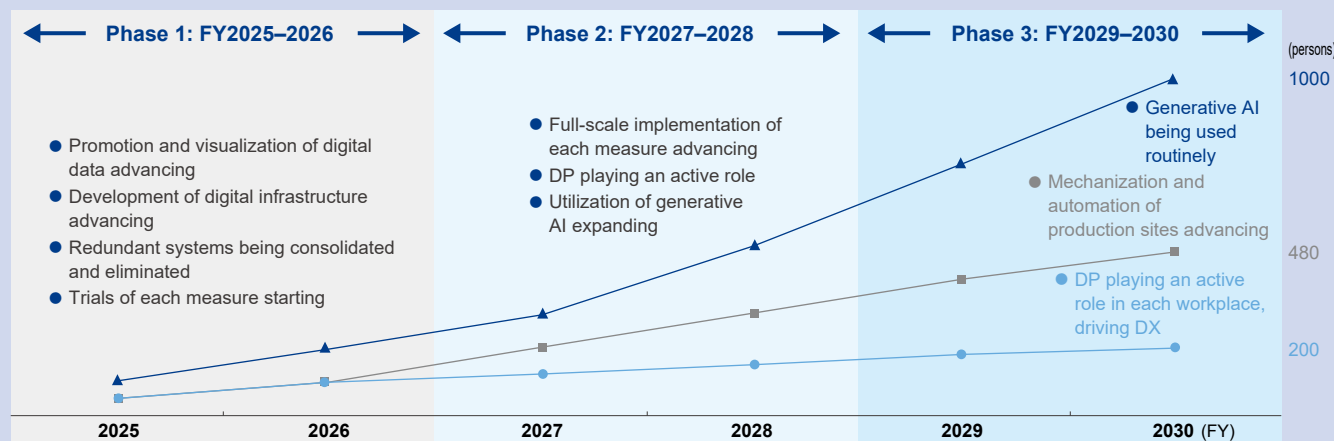
- (1) Linked to the Management Plan “Mission 2030”
- (2) All employees can feel it is their own
- (3) It is simple (easy to remember)

### Progress of Initiatives

Participants in DDX themes from all business divisions/corporate divisions are defined as DX Producers (division heads: responsible for business including sites; corporate heads: indicate company-wide policy and oversee including sites); DX Promoters (site managers, section managers, etc.), DX Coordinators (appointed by DX Producers from among DX Promoters), and core members (practitioners including DPs), and together with members of the DX Support Section, we have started implementing DDX themes. We will promote this in a three-level structure so that the site staff, management and executive levels are each able to identify the status of progress.



### DDX Roadmap



#### KPI Related to DX

KPIs to measure the progress of DDX were set in the second half of FY2024. We will use KPIs to confirm whether DDX themes are helping to resolve issues, make necessary revisions to DDX themes, and make decisions on the reallocation of management resources.

#### FY2030 Targets

- Labor productivity (number of labor-saving personnel): 480 people
- Utilization of generative AI: 1,000 generative AI accounts
- Digital talent development DP: Training 200 people
- Basic education and skill-up education: 2,000 participants
- Sales departments utilizing CRM: 80%

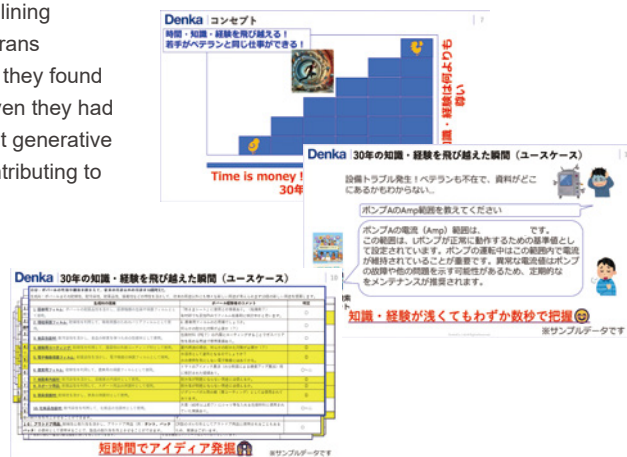


## DDX Case Studies

## Leap Over 30 Years of Knowledge and Experience with Generative AI!

To address social issues such as labor shortages due to declining birthrates and aging populations, and delays in digitalization, we have introduced a system combining “cross-sectional search system” and “generative AI.” This aims to enable younger employees to perform at the same level as veterans by transcending barriers of time, knowledge, and experience.

For example, generative AI can be used for technology inheritance in manufacturing departments. By documenting and accumulating the expertise and on-site know-how of skilled workers, even less experienced employees can instantly refer to the knowledge and experience of veterans, leading to quicker problem resolution. In research departments, we are using it for new business ideation. Utilizing generative AI in the early stages of projects enables the generation of high-quality ideas in a short time. This method has reduced the idea generation process from several months to just a few minutes, speeding up and streamlining projects. Furthermore, when veterans evaluated ideas generated by AI, they found that about 20–30% were ideas even they had not come up with. This shows that generative AI can produce unique ideas, contributing to improved idea quality.



## VOICE

The benefits of generative AI go beyond simple operational improvements. The time and creative space it creates become seeds for new value and business ideas, driving Denka's future. Please share your insights and ideas, and let's energize the DDX project together!

**Maki Hayasaka** Digital Strategy & Innovation Department



## Eliminate Unreasonableness, Wastefulness, and Inconsistency to Boost Productivity and Aim for New Value Creation!

Most workplaces used to download data from core systems and create sales and inventory reports in Excel. While some automation was achieved with Excel macros, there were frequent issues such as “macros suddenly stopped working” or “processing failed when the PC was turned off.” To address this, we built a system to automatically extract data from core systems on a regular basis and combined it with BI tools\*, allowing users to view the latest sales and inventory dashboards simply by opening files on a shared folder. This eliminated daily manual work and macro troubleshooting, reducing the time and stress involved in report creation. This system is already being used in multiple departments, and with further adoption, we expect even greater reductions in “work hours” and “dependency on individuals.”

Our ideal vision is “data-driven decision-making for all employees.” As data utilization becomes established from management to the front lines, we expect data-driven analysis to become the norm, leading to deeper customer understanding and the discovery of new management challenges.

\* BI tools: Business Intelligence



## VOICE

We started this initiative with the desire to make stressful tasks easier through systemization. DX requires analysis using a wide variety of data. We will work together with everyone to create outputs that contribute to the business.

**Akiko Hasegawa** Digital Strategy & Innovation Department



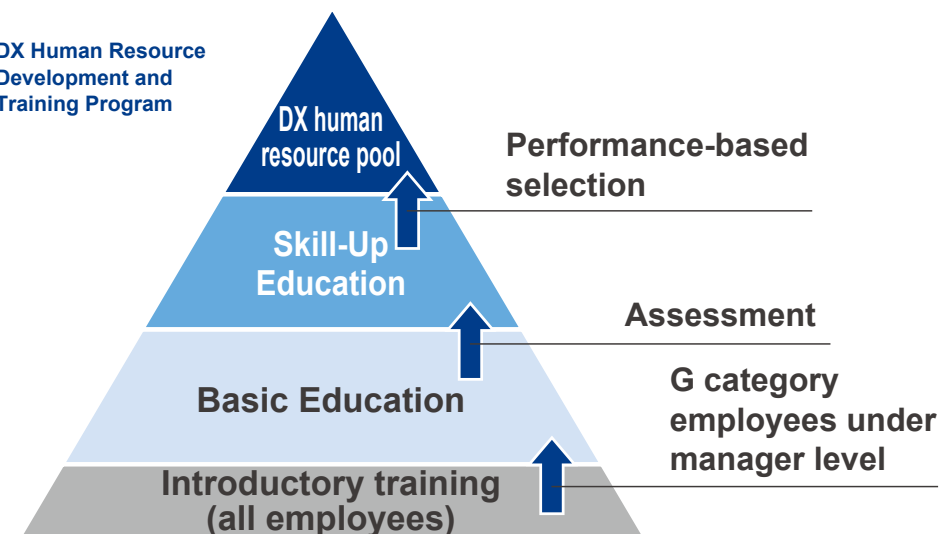
## DX Talent Development Program and Digital Pilot Training

In order to carry out measures to achieve our Mission 2030 targets, we believe it is essential for all employees to acquire digital literacy and to utilize the available digital technology in their respective workplaces. Each department requires "DX human resources" with the knowledge and skills to actively promote DX. However, rather than recruiting these from within our current resource pool, we launched a pyramidal "DX human resources" development and education program in FY2023 to raise the level of digital literacy among all employees.

Through this educational program, the participants can feel their growth with improved works and quality, while their motivations will increase through incentives enabled by the corresponding human resource evaluation systems. For managers of these participants, the work processes in their workplace will improve, leading to an organizational and self-evaluation.

This program is a source of performance improvement and competitive force, while it leads to development of outstanding human resources, that are the company's treasures. We believe that providing excellent products and services through our DX achievement will lead to resolution of social issues.

### DX Human Resource Development and Training Program



## From "Knowing" to "Doing" through Practical DX Training

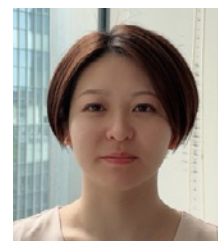
To become a DP, it is essential to gain knowledge through e-learning and clear a certain level in assessments, but that alone only means you "know." DPs must be people who achieve results through action, and must elevate themselves from "knowing" to "doing."

The key to this was practical training (dojo) conducted as part of skill-up education. Here, participants were asked to plan DX initiatives using Denka's existing ICT assets. New developments or new tool introductions were not allowed, they had to use what was already available. The intention was that while it is easy to consider DX with new tools, by intentionally using only existing ICT assets, we could truly assess the candidates' abilities and also provide an opportunity to learn about Denka's ICT assets. In the first round of planning, 85 candidates submitted 120 ideas. These proposals were scored with input from consultants (including external perspectives). Although the candidates already had a high level of digital literacy and had improved further through e-learning, the average score in the first round was 40, with the highest being 64. This highlighted the significant gap between "knowing" and "doing." As a result of conducting practical training (dojo) to overcome this barrier, the average score was significantly raised to 64, the previous highest score.

### VOICE

#### Rena Sato

Electronics & Innovative Products  
Functional Ceramics Department  
(Digital Pilot)



Leveraging the insights gained through last fiscal year's skill-up training, I am now working as a core member of our company's DX initiatives. Moving forward, I will drive continuous improvement and challenges based on digital technology, with both "business transformation" and "creation of new value" as our dual engines. I will proactively engage to contribute to the growth of the entire organization.

#### Masahiro Touya

Quality Assurance Department,  
Head Office  
(Skill-Up Education  
program participant)



After leveling up from last year's basic training, I am now participating in a skill-up training. The reason I decided to participate was not only to deepen my expertise in chemistry, but also because I felt the need to reskill in digital fields. This training is offered in an e-learning format, which allows me to take courses at my own pace, making it very appealing. I am using it as an opportunity to improve my skills. By applying what I have learned in this training, I aim to become a DP and give back to my department.

# Technology -Process Reforms-

## Initiatives for “Process Innovation” and “Factory DX” to Transform the Organization and Improve Productivity

Amid accelerating declining birthrate and the aging population as well as declining working population, Denka Group's production sites are working to transform their organizations and improve labor productivity by making the most of digital and robotic technologies and significantly reforming existing processes, so that continuous production activities can be maintained with limited human resources.

Specifically, we are promoting smart factory (DX) initiatives at production sites, automating inspection equipment using AI technology, automating material handling\*, enabling early detection of abnormalities through predictive equipment management, and optimizing operating conditions and improving quality through plant data analysis. We are further advancing these initiatives to achieve the goals set out in our management plan.

\* A collective term of equipment used to facilitate and automate logistics operations.

### VOICE

#### Factory DX Initiatives

#### Masatoshi Saba

Production Technology Department,  
Chiba Plant



At the Chiba Plant, DX initiative themes were created by organizing and systematizing departmental business challenges. To steadily solve on-site issues such as operational optimization through manufacturing data analysis, business efficiency and advancement using quantity and monetary data, and skill transfer through the evolution of knowledge search, we are closely collaborating among plant-related departments, headquarters departments, and vendors to achieve productivity improvement and a shift to high value-added operations.

#### Automation of visual inspection operations

#### Takuma Nakatake

Production Technology Department,  
Gosen Site



The use of AI technology for image recognition enables highly accurate automatic judgment without relying on visual inspection, which is expected to stabilize quality. It is also effective for reducing inspection costs and addressing future labor shortages. In the inspection of swabs included with rapid diagnostic kits for infectious diseases, the introduction of AI-based automatic inspection machines is expected to reduce the number of inspectors by 19. Going forward, we will consider expanding this to other products and realize process innovation and continuous improvement through the use of AI technology.

## To Achieve the “Mission 2030” Management Plan Targets

### [2024 results]

- We selected products and plants to prioritize for process innovation and implemented initiatives with a focus on selection and concentration. As a result, we made 46 process innovation investments during the period, and after completion, we expect labor savings equivalent to 70 people. In addition, this fiscal year, we executed carefully selected investments with consideration for business profitability.
- We defined our DX strategy for production sites as “realizing smart factories where manufacturing brings joy,” clarified our Ideal Form of Denka for promoting factory DX, and set up the necessary mechanisms, system concepts, and KPIs to achieve our goals.

#### [Examples of initiatives]



#### (1) Standardization of Electric Furnace operation through Big Data Analysis

In electric furnaces, skilled workers used various data and past experience to adjust operating conditions. To standardize operating methods, we organized and analyzed past data, which has led to the elimination of individual dependency and stabilization of operations and quality.



#### (2) Strengthening Quality and Production Management, and Labor-Saving

In the manufacturing process of in vitro diagnostic pharmaceuticals, we are introducing MES (Manufacturing Execution System) and LIMS (Laboratory Information Management System). This will streamline the recording and transcription of inspection data and strengthen our quality management system.



#### (3) Skill-Less Transformation of “Artisan Skills” that Have Become Individualized

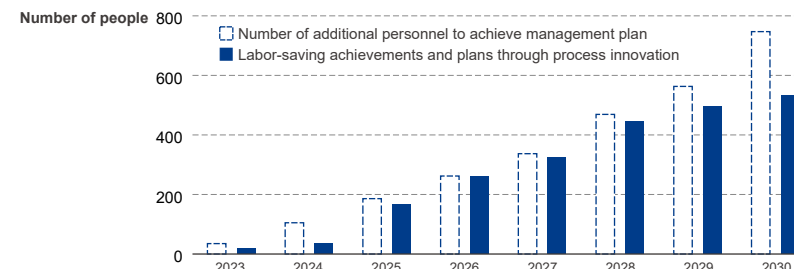
In the manufacturing process of electronic components, we are promoting skill-less transformation for tasks that are manual and dependent on skilled workers. By digitizing movements and scientifically analyzing phenomena, we are working to automate “artisan skills,” aiming not only for skill-less transformation but also for labor-saving.

### [2026 plan]

- From 2024 to 2026, we will execute approximately 150 process innovation themes over three years, minimizing additional personnel needed to achieve the management plan “Mission 2030.” We will also review priorities and themes from the perspectives of business viability, labor-saving effects, and cost structure to achieve our goals.
- We will also promote information sharing of process innovation technologies, horizontal deployment, and the transition from individual optimization to overall optimization.

### [Division Goals for 2030]

- In a social environment where declining birthrate and the aging population as well as declining working population are accelerating, we aim to improve labor productivity to achieve continuous production activities with limited human resources.
- We will promote smart factory initiatives by adapting IoT, big data analysis, AI, and robotics technologies, aiming at factories equipped with innovative technologies, evolving according to the changes in time.
- We will strengthen collaboration between departments and promote process innovation with a focus on overall optimization, transforming organizations and business models to secure competitive advantage.





## Kei Hara

Managing  
Executive Officer  
Chief Human Resource Officer

### Message from CHRO

Fiscal year 2024 was a year of many challenges and transformations for Denka in a very tough business environment. Drawing on those experiences, we are taking new steps to put Denka back on a growth trajectory.

This year, our goal is to achieve the committed budget no matter what. To that end, we will strengthen our organization and support the development of a mindset at the individual level to ensure that everyone accomplishes their set goals. However, daily effort, persistence, and creativity are essential; simply repeating the same things without thinking is not enough.

We will also incorporate various ideas and opinions, and provide systems and infrastructure to facilitate the creation of new things and reskilling. Our goal is to build an organization that balances “strength and rigor” with “kindness and flexibility.” This means creating an environment where each employee can freely express their opinions, respect one another, and work together. Once a decision is made, we will unite and move forward with strong momentum. This will foster creativity and innovation while building a solid business foundation. With everyone’s cooperation and effort, we can achieve this goal. Let’s continue to work together to put Denka back on a growth trajectory and evolve into a strong and compassionate organization.



## Human Resources Value Creation

## Denka's Core Values of “Initiative”, “Integrity”, and “Empathy” Make It a Company Where Each Individual Can Realize Personal Growth

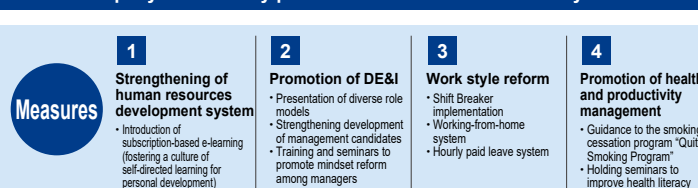
In our management plan “Mission 2030”, we established three policies—strengthening of human resources development system, promotion of diversity, equity and inclusion, and health and productivity management and work style reform—and set strategies and 2030 targets based on those policies. Regarding investment in human resources,

we aim to be a company where each individual can experience personal growth through Denka's core values of “Initiative,” “Integrity,” and “Empathy.” We are actively pursuing system reforms and regularly conducting employee awareness surveys to identify issues and implement improvement measures.

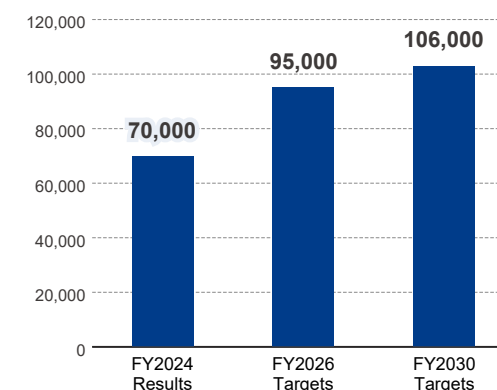
### Challenges and initiatives for achieving the 2030 goals



### A company where every person can aim to be the best they can be



### Average training costs (unit: yen)





## Previous Human Resources Initiatives and KPIs

In the creation of human resources value under the “Mission 2030” management plan, we have identified “strengthening of human resources development system”, “promotion of diversity, equity and inclusion”, and “health and productivity management and work style reform” as key policies (materialities), and set medium- to long-term KPIs linked to each of our policies.

| Policy                                              | Measures                                             | 2021                                                                                                                                                                                                                                             | 2022                                                                                                                                                                                                                                                          | 2023                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 2024                                                                                                                                                                                                                                                                                                                                                                                               | 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strengthening of human resources development system | Improve personnel systems and evaluations            |                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>Launched strategic personnel changes</li> <li>Reviewed human resource development programs</li> </ul>                                                                                                                                                                                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>Introduced system to support self-improvement</li> </ul>                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Introduced subscription-based e-learning (for managers only)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                               |
|                                                     | Improve employee treatment                           |                                                                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>Revised wages for M-category employees</li> <li>Established conversion system from S-category to M-category employees</li> </ul>                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                     | Improve management                                   |                                                                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>Launched succession plan</li> </ul>                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Established Career Planning Committee</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Promotion of diversity, equity & inclusion (DEI)    | Active employment and promotion of female managers   | <ul style="list-style-type: none"> <li>Launched project for employment and promotion of female managers</li> <li>Newly established investment framework for workplace environment improvement</li> <li>Acquired Kurumin certification</li> </ul> | <ul style="list-style-type: none"> <li>Held seminars to provide support for balancing work and childcare commitments</li> </ul>                                                                                                                               | <ul style="list-style-type: none"> <li>Expanded recruitment portfolio</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"> <li>Acquired Kurumin certification (2nd time)</li> <li>Held a panel discussion event with outside directors × female managers</li> <li>Held the Women's Career Journey (from March 2025, ongoing)</li> </ul>                                                                                                                                                    | <ul style="list-style-type: none"> <li>Established company-wide policy for promoting DE&amp;I</li> <li>Held workshops for female managers</li> <li>Work and Caregiving Balance Promotion Month</li> <li>Held seminars to provide support for balancing work and childcare commitments</li> </ul>                                                                                                                                                                                             |
|                                                     | Support for balancing work and childcare commitments |                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Work style reform                                   | System                                               | <ul style="list-style-type: none"> <li>Established investment framework for workplace environment improvement</li> </ul>                                                                                                                         | <ul style="list-style-type: none"> <li>Relaxed requirements for employees to take childcare and nursing care leave</li> <li>Introduced Shinkansen commuter passes</li> <li>Hourly paid leave trials began at all production sites</li> </ul>                  | <ul style="list-style-type: none"> <li>Systemized innovative working styles (working-from-home, etc.)</li> <li>Expanded shift breakers</li> <li>Started in-house recruiting system</li> </ul>                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"> <li>Established wellness leave (Leave for menstruation, infertility treatments, and donor activities)</li> <li>Established system for hourly paid leave</li> </ul>                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                     | Employee engagement                                  |                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>Conducted 3rd Employee Awareness Survey</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Held town hall meetings and lunch gatherings by management</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                 |
| Promotion of health and productivity management     | Systems and initiatives                              | <ul style="list-style-type: none"> <li>Newly established Health Promotion Office</li> <li>Announced health management declaration</li> </ul>                                                                                                     | <ul style="list-style-type: none"> <li>Introduced Health Support App (&amp;well)</li> <li>Recognized as a Certified Health &amp; Productivity Management Organization 2022</li> <li>The 1st labor and management jointly sponsored walking contest</li> </ul> | <ul style="list-style-type: none"> <li>Recognized as a Certified Health &amp; Productivity Management Organization 2023 and part of the White 500</li> <li>Held Denka's Health Week (seminars)</li> <li>Held gait measurement sessions to prevent falls (all production sites)</li> <li>Decided on future policies aimed at a workplace free of passive smoking</li> <li>Began offering support to quit smoking</li> <li>The 2nd labor and management jointly sponsored walking contest</li> </ul> | <ul style="list-style-type: none"> <li>Held gait measurement sessions to prevent falls</li> <li>Expanded no smoking period during working hours, aiming at a workplace free of passive smoking</li> <li>Expanded and strengthened support to quit smoking</li> <li>Held 3rd labor and management jointly sponsored walking contest</li> <li>Held Denka Health Week (May), held seminars</li> </ul> | <ul style="list-style-type: none"> <li>Recognized as a Certified Health &amp; Productivity Management Organization 2025 and part of the White 500, for the three consecutive year</li> <li>Completed smoking ban during working hours</li> <li>Guidance to the health insurance smoking cessation program through the implementation of a smoking cessation campaign (free distribution of nicotine gum)</li> <li>Held 4th labor and management jointly sponsored walking contest</li> </ul> |

| Policy                                                                | KPI                                                                              | FY2024 Results | FY2026 Targets | 2030 Targets |
|-----------------------------------------------------------------------|----------------------------------------------------------------------------------|----------------|----------------|--------------|
| Promotion of work style reform and health and productivity management | Overtime hours (hour/person/year)                                                | 147            | 120            | 90           |
|                                                                       | Percentage of employees taking annual paid leave                                 | 77%            | 85%            | 100%         |
| Strengthening of human resources development system                   | Average training costs (ten thousand yen/person/year)                            | 7              | 9              | 11           |
| Promotion of Diversity, Equity & Inclusion                            | Ratio of total foreign nationals/ mid-career hires/women in managerial positions | 21%            | 25%            | 50%          |
|                                                                       | Ratio of female employees in managerial positions                                | 5%             | 7%             | 15%          |
|                                                                       | Percentage of males taking parental leave                                        | 73%            | 75%            | 85%          |
|                                                                       | Percentage of mid-career hires                                                   | 17%            | 50%            | 50%          |





## Strengthening of Human Resources Development System

### Strategy

#### Cultivation of Future Executive Manager Candidates, Building of Company-Wide, Integrated Education Framework, and Fostering of a Self-Directed Learning Culture

##### ● Cultivation of Future Executive Manager Candidates

As part of promoting our succession plan for strategically cultivating future executive managers, we have been operating a "Career Planning Committee" (CPC) chaired by the CHRO since FY2023. The CPC provides opportunities for development by giving "tough assignments" to human resources at or above the manager level who have been selected based on recommendations by executive officers.

##### ● Building of Company-Wide, Integrated Education Framework, and Fostering of a Self-directed Learning Culture

To realize "human resources value creation", we will develop a consistent company-wide education system that enables people to "be the best they can be"—as stated by our human resources development policy—and we will strive for all employees to be "specialists." We have also put in place a self-improvement support system to provide support for each employee as they realize the career they aspire to, and tackle the challenges of building their own life.

### FY2024 Initiatives

#### ● Cultivation of Future Executive Manager Candidates

At the FY2024 CPC, a reassignment plan dated April 1, 2025 was decided for a total of 13 of the selected department and section managers. We will continue to work on expanding human capital by regularly reviewing the selected personnel.

#### ● Building of Company-Wide, Integrated Education Framework, and Fostering of a Self-directed Learning Culture

Since FY2025, indirect department training has been incorporated into the human resource development program, which previously consisted only of hierarchical training organized by the Human Resources Department. In addition, with the introduction of a new LMS\*, it has become possible to centrally manage the number of participants and training hours for each program.

Furthermore, since FY2025, subscription-based e-learning has been introduced exclusively for managers.

\* Learning Management System

## Promotion of Diversity, Equity & Inclusion

### Strategy

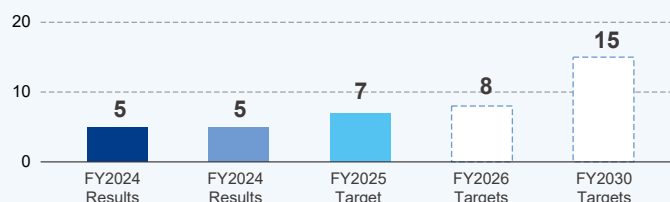
#### Fostering of workplace environments, systems, and culture that empowers individuals with diverse ways of thinking to demonstrate their capabilities

Denka's slogan for promoting DE&I is "a company where everyone can aim to be the best they can be." We will create business value that makes the world a better place and become a company continually chosen by society.

### FY2024 Initiatives

In FY2024, from the perspective of promoting equity, we continued to implement various support measures for balancing work and personal responsibilities. For balancing work and caregiving, November was designated as a focused promotion month, and initiatives such as e-learning and public seminars were implemented to deepen understanding of caregiving. For balancing work and caregiving, November was designated as a focused promotion month, and initiatives such as e-learning and public seminars were implemented to deepen understanding of caregiving. For balancing work and childcare, we developed initiatives tailored to each target group, such as seminars for managers, public seminars for the child-rearing generation, roundtable discussions for parents, and career training for returnees. In addition, to promote women's empowerment, we presented diverse images of active women and worked to increase motivation for career advancement by introducing role models and holding panel discussions with female executives and female managers.

Ratio of female managers (%)



## Work Style Reform and Health and Productivity Management

### Strategy

#### Promotion of system reforms to create workplaces that employees will "want to come to work again tomorrow"

To realize a company where employees can feel their own growth and want to come to work again tomorrow, we aim to create a workplace environment where employees can work energetically in both mind and body. As improvement goals, we have set "reduction of high-stress employees" for mental health and "increase in employees with appropriate weight" for physical health. In particular, we have positioned improvement of "exercise habits" and "smoking" as priority issues and will advance related initiatives. In light of the results of our health issues analysis, we have added worsening lifestyle disease risks and aging employees as priority issues. We have adopted the goals of "enhancing approaches for Prediabetes" and "reducing fall accidents", and we have also strengthened related measures.

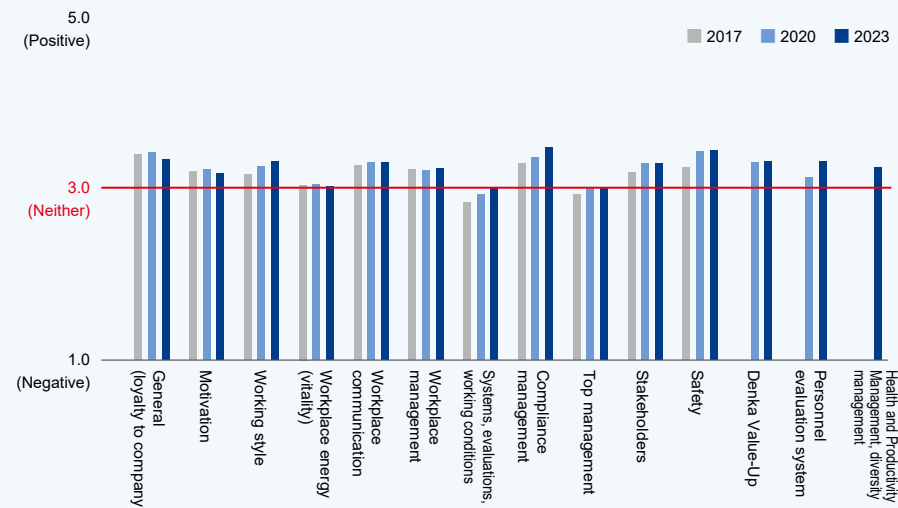
### FY2024 Initiatives

To further enhance employees' understanding of health management, we established a health week called "Denka Health Week," during which daily health seminars were held. In addition, a labor-management co-hosted Denka Walking Competition was held to improve health literacy and promote the establishment of exercise habits. To achieve a smoke-free workplace, we launched a "Smoking Cessation Campaign" to raise awareness of the health insurance smoking cessation program in preparation for the company-wide smoking ban during working hours starting in FY2025. As a result, more than 60 people have newly started working on quitting smoking. For fall accident prevention, walking measurement events were held at each business site, and exercise guidance based on the measurement results was provided.

## Conducted Employee Awareness Survey

At Denka, we introduced an Employee Awareness Survey in 2017 with the objective of understanding how employees think about the company and their jobs, and their awareness of problems, and creating workplace environments with greater job satisfaction. We measured the effectiveness of measures taken based on the results of the previous two times. We are considering steps to address new issues, and moving to implementation.

Transition of  
Employee  
Awareness  
Survey Scores



### Progress of Issues and Measures to be Addressed Going Forward

#### Issue (1) Working Style

##### Standardization and streamlining of operations

###### Issues

- Work gets concentrated on specific people due to person dependency of work
- Work load varies, and it is hard to even out
- Managers do not make time for necessary management work

###### Measures

- Make work visible and streamline work through process reform
- Improve the skill level of all employees by strengthening human resource development

###### Review Progress of Approved Measures

- Operational process reforms ▶ P60
- Develop LMS and implement effective educational measures, as well as provide optional e-learning and video sites for voluntary learning

#### Issue (2) Management

##### Review of responsibilities and authority, and realization of communication to improve sense of unity

###### Issues

- Approval process is too long
- Dissemination of information on management decisions to employees
- Communication between top management, middle management, and front line employees

###### Measures

- Promote delegation of authority
- Actively issue messages from top management
- Have the officer in charge explain important management decisions to employees
- Improve understanding and acceptance of decisions

###### Review Progress of Approved Measures

- Revise job standards sequentially and promote delegation of authority to speed up decision-making and improve operational efficiency
- Hold town hall meetings
- Formulate company-wide diversity policy

#### Issue (3) Workplace Climate and Culture

##### Creating a workplace with job satisfaction (satisfaction + ease of work)

###### Issues

- Have habits and constraints due to the past
- Hard to understand the situation and circumstances in other departments
- Pressed by day-to-day work, and do not have the leeway to tackle challenges

###### Measures

- Improve understanding of other departments through rotation between departments and job types
- Find extra time through work reform or outsourcing, and create a workplace where it is easier to tackle challenges

###### Review Progress of Approved Measures

- From April 2025, introduce a talent management system and promote company-wide and planned rotation based on objective information about each individual, revitalizing talent exchange
- In workplaces operating with shifts, assign personnel (shift breakers) to cover staff shortages caused by employees taking holidays and leave, thereby promoting leave acquisition and reducing long working hours
- Improve work-life balance through systems for hourly leave and establish new wellness leaves (for menstruation, infertility treatment, donor activities), etc.

#### Issue (4) Systems

##### Introduction and use of strategic personnel system

###### Issues

- Transfers between departments and job types are rare, and work tends to fall into a repetitive pattern
- It is hard for the younger generation to envision their career
- Desire for introduction of systems (flextime, incentives for younger workers, etc.)

###### Measures

- Introduce more active personnel transfers and in-house recruiting system to support career building
- Actively disseminate information on personnel systems and working condition improvements
- Identify issues and consider improvements through a company-wide reform project

###### Review Progress of Approved Measures

- Further brush up the internal recruitment system introduced in FY2023 and improve its operation to expand support for employees' autonomous career development
- From April 2026, change the current personnel system to a simpler and more rational form, and prepare for future revisions toward a job- and performance-oriented system



## Pursuit of Sustainability/Denka's Environmental Management

Environment

### Message from the Responsible Officer

#### Michio Kawamura

Executive officer  
In Charge of  
Sustainability  
Promotion  
Department

Denka is actively advancing initiatives to promote sustainability at the core of its corporate and production activities. In the management plan "Mission 2030," we advocate for business, human resources, and management value creation, and in business value creation, we aim to contribute to a sustainable society. Specifically, we have set KPIs of a 60% reduction in carbon emissions compared to FY2013 by 2030, achieving carbon neutrality by 2050, and a maximum output of 150MW from renewable energy generation.

As one initiative to enhance daily lives in sustainable cities, we have been working on chemical recycling, operating a demonstration facility at the Chiba Plant since 2024 that chemically decomposes polystyrene containers collected from households and recycles them back into raw materials. This is an advanced initiative involving local governments, citizens, and companies working together. Regarding recycling and sustainability, we have obtained "ISCC PLUS" certification for a sustainable recycled raw material supply chain, including our major resin production base in Singapore.

In the field of renewable energy, we have been generating hydroelectric power at the Omi Plant for many years. In addition, in 2024, we completed the introduction of solar power generation as renewable energy at our local plant in Vietnam, and we are also planning to introduce a solar power generation system in Singapore. In addition to these activities, we are identifying and addressing priority issues related to biodiversity in accordance with the Taskforce on Nature-related Financial Disclosures (TNFD) guidelines. Furthermore, we are actively participating in international initiatives such as the GX League, working on sustainability from a global perspective that goes beyond the scope of a single company. Of course, continuous energy conservation, production process optimization, and efficiency improvements are being pursued as our social responsibility as a manufacturer.

Through these various initiatives, Denka will continue to fulfill its role as a "specialist in making the world a better place through the power of chemistry."

## FY2025 Environmental Policy

### Basic Policy

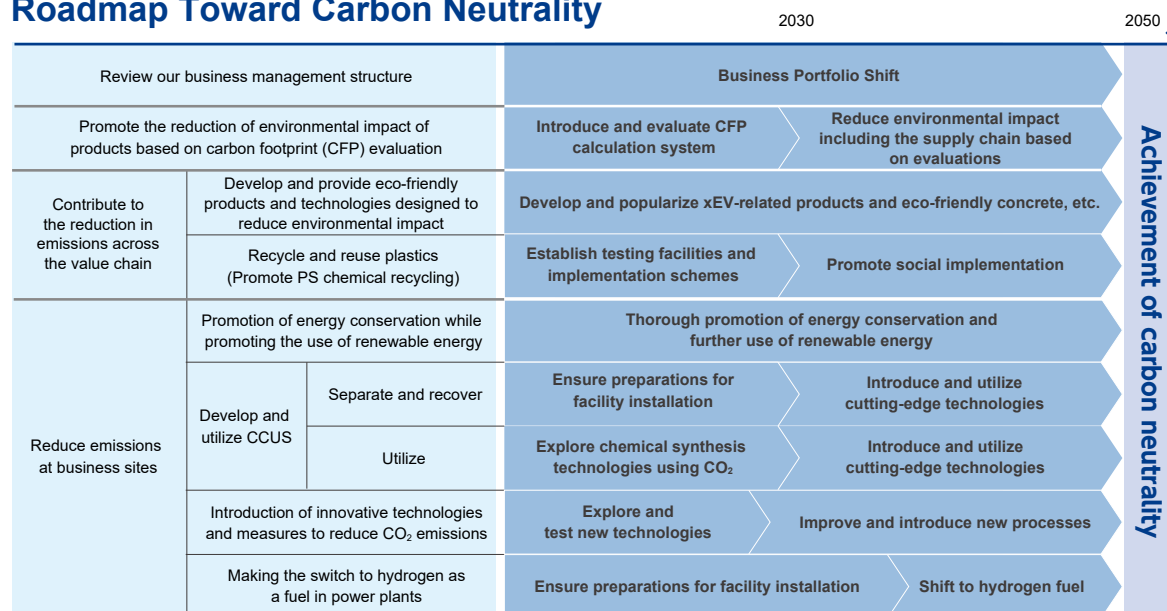
In FY2024, we formulated the "Denka GX Roadmap," which serves as our guideline for achieving carbon neutrality by 2050. We position FY2025 as Denka's "first year of GX," and by working on the following initiatives, we will create environmental value, strengthen product competitiveness, and earn the satisfaction and trust of our stakeholders.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <b>GX Human Resource Development</b> <ul style="list-style-type: none"> <li>Improving employees' literacy regarding sustainability and environmental mindset</li> </ul> <p><b>Related materiality themes</b></p> <div> <div>Achievement of carbon neutrality</div> <div>Sustainable cities and fulfilling daily lives</div> <div>Environmental conservation and minimization environmental footprint</div> </div> |  <b>Process Innovation, Promotion of Energy Conservation, and Profitability</b> <ul style="list-style-type: none"> <li>Promotion of improvement activities that contribute to CO<sub>2</sub> reduction in one's own workplace</li> <li>Reduction of electricity usage and consideration of new electricity plans (self-consignment, introduction of new renewable energy, etc.)</li> </ul> <p><b>Related materiality themes</b></p> <div> <div>Achievement of carbon neutrality</div> <div>Sustainable cities and fulfilling daily lives</div> </div> |  <b>Appropriate Response to Information Disclosure</b> <ul style="list-style-type: none"> <li>New selection as an ESG investment stock</li> <li>Preparation for GX League emissions trading in 2026</li> <li>Development of personnel for carbon footprint calculation and improvement of transparency in environmental information disclosure</li> </ul> <p><b>Related materiality themes</b></p> <div> <div>Achievement of carbon neutrality</div> <div>Sustainable cities and fulfilling daily lives</div> <div>Environmental conservation and minimization environmental footprint</div> </div> |  <b>Strengthening the Supply Chain</b> <ul style="list-style-type: none"> <li>Awareness-raising activities for users regarding increased product costs due to CO<sub>2</sub> reduction in products</li> <li>Strengthening product competitiveness and designing systems for environmentally friendly products</li> <li>Improvement of raw material and product transportation and storage, review of packaging materials, and investigation and consideration of switching to low-carbon raw materials</li> </ul> <p><b>Related materiality themes</b></p> <div> <div>Achievement of carbon neutrality</div> <div>Sustainable cities and fulfilling daily lives</div> </div> |  <b>Effective Use of Resources and Promotion of Reduction of Hazardous Substances, Etc.</b> <ul style="list-style-type: none"> <li>Continuation of zero-emission waste and further reduction of waste through valorization, etc.</li> <li>Promoting the appropriate understanding and reduction consideration of hazardous substance emissions, water usage and discharge, etc.</li> <li>Contribution to a circular economy</li> </ul> <p><b>Related materiality themes</b></p> <div> <div>Environmental conservation and minimization environmental footprint</div> </div> |
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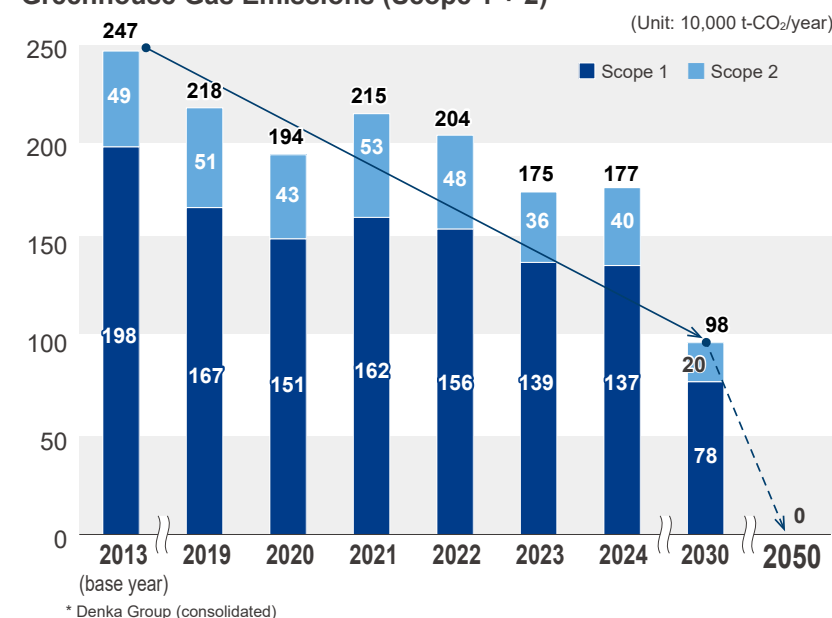
## Carbon Neutrality

For CO<sub>2</sub> emissions attributable to our company (Scope 1 and 2), we are aiming for a 60% reduction from FY2013 levels by 2030 and for carbon neutrality by 2050, so we will strive to convert raw materials, fuel, and processes, and to expand our energy conservation and use of renewable energy. We will also actively collaborate with business partners and local governments to reduce CO<sub>2</sub> emissions in the supply chain (Scope 3).

### Roadmap Toward Carbon Neutrality



### Medium- and Long-term Targets for Reducing Greenhouse Gas Emissions (Scope 1 + 2)



### Regarding Scope 3 Emissions

Scope 3 emissions in FY2024 were about 47% of total emissions (Scope 1+2+3).

To promote carbon neutrality throughout the supply chain in an active manner, we are collecting CFP (carbon footprint) and reduction plan information for raw materials from suppliers and setting reduction targets for Scope 3.

We are also steadily reducing Scope 3 emissions by “examining switching to low-carbon raw materials,” “developing and expanding sales of environmentally friendly products that reduce users’ CO<sub>2</sub> emissions” and “reducing waste generated during manufacturing.”

### Adoption of Internal Carbon Pricing (Internal Carbon Taxes)

At Denka, we have adopted an internal carbon pricing system for capital investment to further carbon neutrality. For our most recent investments, the price is set to ¥10,000/t-CO<sub>2</sub>, and this is used as a standard for determining profit and other figures. Going forward, we will investigate trends by governments and other countries, and review this pricing as appropriate.

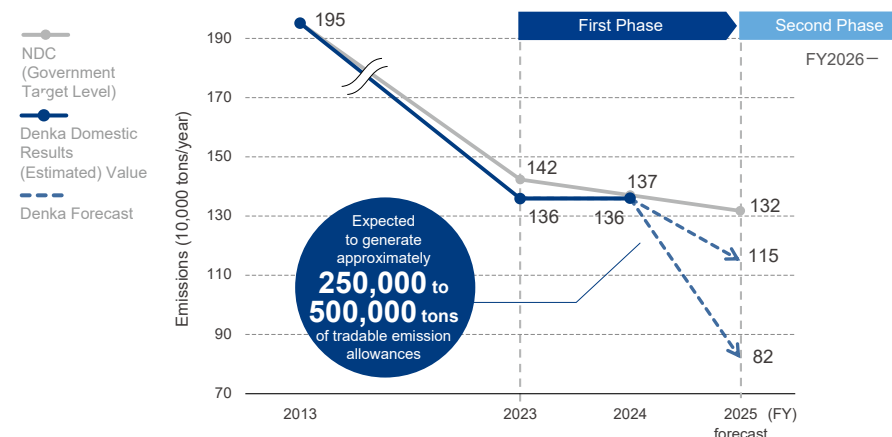
## Participation in GX League

The GX League aims to promote discussion and practical action for the creation of new markets, through industry-government-academia collaboration, by a group of companies that will lead the transformation of the entire economic and social system.

As a company that has declared carbon neutrality, we participate in the GX League. In the first phase of emissions trading (FY2023–FY2025), we expect to generate approximately 250,000 to 500,000 tons of tradable emission allowances through CO<sub>2</sub> emission reductions. We are committed to achieving our targets and working toward carbon neutrality through voluntary emissions trading and other initiatives.



Our CO<sub>2</sub> Emissions (Scope 1) and Emission Allowances in the First Phase (FY2023–FY2025)



## Initiatives for Environmentally Conscious Products and Technologies

### Carbon Negative Concrete “CUCO” Project



CUCO website  
<https://www.cuco-2030.jp/>

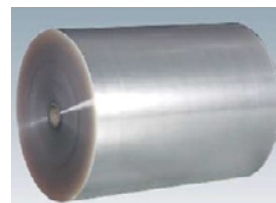
CUCO is a consortium of 55 companies led by Denka, Kajima Corporation, and Takenaka Corporation implementing the “Green Innovation Fund Project/Project for Development of Concrete and Other Manufacturing Technologies Using CO<sub>2</sub>,” adopted by the New Energy and Industrial Technology Development Organization (NEDO). Through this project, we aim to realize highly versatile carbon negative concrete, develop construction technologies, establish quality assessment technologies, and promote the use of these technologies around the world. Also, through active CO<sub>2</sub> fixation in concrete—a goal we are pursuing through development of this technology—we will promote the transition from decarbonization to “active carbon” to play our role in the reduction of greenhouse gases.

As a result of the consortium’s joint development, our “LEAF” is used as a component material in the “CUCO-SUICOM Shot,” which was used in part of the structure of the “CUCO-SUICOM Dome (Sustaina Dome)” constructed by Kajima Corporation at the Osaka-Kansai Expo site, as well as in the “CUCO-SUICOM Block” laid as sidewalk blocks at the EXPO Arena. Technologies developed by this consortium are branded as CUCO, and we are working to promote their widespread adoption for social implementation.

### Biomass BOPS

BOPS is a biaxially stretched polystyrene resin sheet widely used mainly for food containers, leveraging its transparency, rigidity, and food safety. We have launched “Biomass BOPS,” which allocates biomass-derived raw materials using the mass balance approach\*. As part of promoting the circular economy, we have obtained the international “ISCC PLUS Certification,” a system that manages and guarantees products made from sustainable raw materials such as recycled or biomass materials throughout the supply chain. “Biomass BOPS” is our first biomass product using this approach.

\* The mass balance approach is a method in which raw materials with certain characteristics are mixed with those without during processing and distribution, and those characteristics are allocated to a portion of the product according to the input amount of the specific raw material.



### AlSink

“AlSink” is a composite material made of aluminum and ceramics, featuring a coefficient of thermal expansion similar to ceramic substrates and a thermal conductivity equal to or greater than aluminum nitride (AlN). As a highly reliable heat sink material, it contributes to the enhanced performance and longevity of high-power modules. In addition to applications in power modules for railway inverters, which require high reliability, demand for DC power transmission in the renewable energy sector is rapidly expanding, contributing to the energy shift toward renewable.





# Expansion of Renewable Energy Sources and Introduction of Power Generation Technologies with Low Environmental Impact

In the 110 years since our founding, Denka has cultivated technology for creating renewable energy—primarily hydroelectric power generation—and technology for fully exploiting that energy in chemical manufacturing. Going forward, we will continue to focus on initiatives toward further decarbonization for realizing carbon neutrality.

## 1 Outlook for Our Renewable Energy Generation Capacity

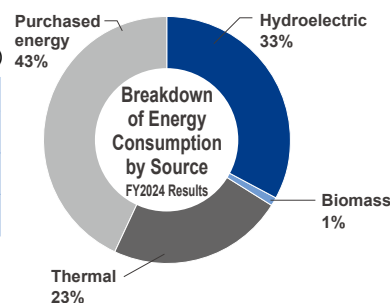
To achieve carbon neutrality by 2050, we are working to achieve early attainment of the “maximum output of renewable energy generation: 150MW” set as a non-financial KPI in our management plan “Mission 2030,” and to further increase this target. At present, we are considering introduction of new solar power generation facilities at business sites, renewal of existing hydroelectric power plants (improvement of power generation efficiency), and, over the medium- to long-term, the possibility of introducing new power sources, such as development of hydroelectric power plants. We will accelerate these efforts going forward.

### Outlook for Our Renewable Energy Generation Capacity

(Power generation capacity MW)

|               | FY2023 | FY2024 | FY2030 |
|---------------|--------|--------|--------|
| Hydroelectric | 140    | 140    | 140    |
| Solar, etc.   | 6      | 7      | 10     |
| Total         | 146    | 147    | 150    |

\* The above figures include 50% of the power output from power plants run by Kurobegawa Electric Power Company (a joint venture co-owned by Denka and Hokuriku Electric Power Company).



## 2 Denka Hydroelectric Power

The Omi Plant is geographically situated amid a web of 17 hydroelectric power plants, including power plants co-owned together with Kurobegawa Electric Power Company, which boast a total maximum output of approximately 140,000 kW, making this one of the largest private-owned power generation networks of its kind in Japan. Hydroelectric power plants generate virtually no greenhouse gases while serving as a renewable energy source with superior energy efficiency. Thus, these power plants are capable of harmoniously coexisting with the natural environment while generating electricity in a sustainable manner. About 1/3rd of our power demand is met with hydroelectric power, and by effectively using this resource, we will contribute to the realization of a sustainable society.

### Hydroelectric power

Japan

17

locations \* Includes plants owned by joint venture companies

Maximum Output

140,290<sub>kW</sub>

\* As of March 2025, including Denka's ownership of output from hydroelectric power plants owned by a joint venture



New Omigawa Hydroelectric Power Plant (started operation in 2021)



New Himekawa No.6 Hydroelectric Power Plant (started operation in 2022)

## 3 Energy Conservation Initiatives

In terms of thermal power plants, we have introduced high-efficiency gas turbine power generation facilities at the Omi Plant (FY2020) and the Chiba Plant (FY2022), and these will contribute to energy conservation and reduction of CO<sub>2</sub> emissions. Looking towards the future, we are also investigating and considering power generation facilities using hydrogen gas single-fuel or mixed-fuel burning technology.



Gas turbine power generation facilities at the Omi Plant, which began operation in 2020



Gas turbine power generation facilities at the Chiba Plant, which began operation in 2022

## 4 Solar Power Generation Initiatives

In addition to the solar power generation facilities currently operating at the Shibukawa and Isesaki Plants in Gunma Prefecture, solar power generation facilities using PPA\* have started operation at our plant in Vietnam (FY2024) and at the Chiba Plant (FY2025).

To increase renewable energy generation capacity, which is tied to the non-financial KPIs in our management plan “Mission 2030,” we are examining the potential for adoption throughout the Group, both inside and outside Japan.

\* Power Purchase Agreement (PPA): A system under which a power producer installs and operates a solar power generation facility on our company's site, and supplies the generated power to our company.



Solar Power Generation PPA at Overseas Site (Vietnam)

## Information Disclosure Based on the Recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD)

Denka Group announced its support for TCFD in September 2020. Going forward, we will carry out ongoing assessments focused on risk and opportunities arising from climate change and other relevant factors, including changes in government policies, regulations and market conditions as well as technological breakthroughs in the course of across-the-board initiatives aimed at realizing the low-carbon society and decarbonized economy envisioned by the Paris Agreement.



### Governance

For details on our sustainability promotion structure, please refer to [▶P31](#)

### Metrics and Targets

In our management plan "Mission 2030," we have set non-financial KPIs for achieving carbon neutrality, and are managing our progress.

**CO<sub>2</sub> emissions (Scope 1+2) reduction rate... 2030: 60% (compared to FY2013) 2050: 100%**

**Maximum renewable power generation output...2030: 150 MW**

### Risk Management

Risks related to climate change is managed as a priority risk in Denka's risk management system. [▶P87](#)

### Strategy

We are analyzing scenarios regarding the risks and opportunities of climate change, and we will continue verifying anticipated effects and countermeasures over the medium- to long-term. Through analysis, we will quantitatively ascertain business risks and opportunities for the Denka Group, and will incorporate these into our management plan and business strategies.

### Climate Change-related Risks and Opportunities Based on Scenario Analysis

■ Risks ■ Opportunities

| Scenario                                                               | TCFD classification |                    | Risk/opportunity event                                                                                                                  | Approach to calculating impact                                                                                                                  |                                                                                                                                                                                | Impact             |                                      | Applicable Division    | Main related business sites                                                                                                 | Countermeasures                                                                                                                                                                     |
|------------------------------------------------------------------------|---------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                        |                     |                    |                                                                                                                                         |                                                                                                                                                 |                                                                                                                                                                                | Medium term (2030) | Long term (2050)                     |                        |                                                                                                                             |                                                                                                                                                                                     |
| NET ZERO (1.5°C)                                                       | Risks               | Laws/ regulations  | Increased costs due to rising carbon taxes                                                                                              | Calculation of amount of carbon tax based on the carbon price projections of the IEA's WEO, taking GHG emissions in FY2022 as a reference point | Calculation of the cost share if decarbonization measures are not taken                                                                                                        | ¥43 billion        | ¥77 billion                          | All divisions          | Omi Plant                                                                                                                   | ・ Expansion of clean energy, support for energy conservation, and introduction of new technology                                                                                    |
|                                                                        |                     |                    |                                                                                                                                         |                                                                                                                                                 | Calculation of the cost share if decarbonization measures are taken (reduction of CO <sub>2</sub> emissions (Scope 1, 2) by 60% by 2030, and 100% by 2050, from FY2013 levels) | ¥21 billion        | ¥0                                   |                        |                                                                                                                             |                                                                                                                                                                                     |
|                                                                        | Opportunities       | Products/ services | Growth in demand for products that contribute to decarbonization (silicon nitride, acetylene black, spherical alumina)                  | Calculation of increase in sales based on market growth rate, using sales results from FY2022 as a reference point                              | ¥19 billion                                                                                                                                                                    | —                  | Electronics & Innovative Products    | Chiba Plant            | ・ Augmentation of production facilities in line with increased demand                                                       |                                                                                                                                                                                     |
|                                                                        |                     |                    | Growth in demand for products that contribute to solving the food crisis (biostimulant market)                                          | Calculation of increase in sales based on market growth rate, using sales results from FY2022 as a reference point                              | ¥0.1 to 1 billion                                                                                                                                                              | —                  | Elastomer & Infrastructure Solutions | Denka Azumin Co., Ltd. | ・ Introduction of new products and expansion of sales<br>・ R&D on products with even higher functionality                   |                                                                                                                                                                                     |
|                                                                        |                     |                    | Growth in demand for products which make effective use of CO <sub>2</sub> (LEAF concrete for CO <sub>2</sub> capture and fixation)      | Calculation of increase in sales based on sales plan                                                                                            | ¥0.1 to 2 billion                                                                                                                                                              | —                  | Elastomer & Infrastructure Solutions | Omuta Plant            | ・ Introduction of new products and expansion of sales<br>・ R&D on products with even higher functionality                   |                                                                                                                                                                                     |
|                                                                        | 3~4°C               | Risks              | Markets                                                                                                                                 | Increased raw material and fuel costs due to rising naphtha prices                                                                              | Calculation of cost increase due to price inflation rate, taking the fuel purchase amount for FY2022 as a reference point (IEA WEO)                                            | ¥~4 to 6 billion   | ¥~5 to 12 billion                    | Polymer Solutions      | Omi Plant                                                                                                                   | ・ Promotion of recycling resources through chemical recycling of used polystyrene, and development/sale of biomass-derived raw material products such as resins containing eggshell |
| Increased raw material and fuel costs due to rising natural gas prices |                     |                    |                                                                                                                                         | Calculation of cost increase due to price inflation rate, taking the fuel purchase amount for FY2022 as a reference point (IEA WEO)             | ¥~6 to 1 billion                                                                                                                                                               | ¥~8 to 1 billion   | All divisions                        | Omi Plant, Chiba Plant | ・ Reduction in usage through process electrification<br>・ Energy conservation through optimization of production flow       |                                                                                                                                                                                     |
| Physical risks                                                         |                     |                    | Increased damage to production facilities and suspension of production activities due to intensification of natural disasters           | Calculation based on increase in annual rainfall and risk of flood damage at business sites near oceans and rivers                              | ¥1 billion or less                                                                                                                                                             | ¥1 billion or less | All divisions                        | Omuta Plant            | ・ Review and strengthening of facility maintenance measures                                                                 |                                                                                                                                                                                     |
| Opportunities                                                          |                     | Products/ services | Growth in demand for products (vaccines and diagnostic reagents) that contribute to the prevention and diagnosis of infectious diseases | Calculation based on market growth rate, using sales results from FY2022 as a reference point                                                   | ¥17 billion                                                                                                                                                                    | —                  | Life Innovation                      | Gosen Site             | ・ Strengthening R&D and introducing new technology<br>・ Augmentation of production facilities in line with increased demand |                                                                                                                                                                                     |

## Initiatives for Biodiversity and the Task Force on Nature-related Financial Disclosures (TNFD)



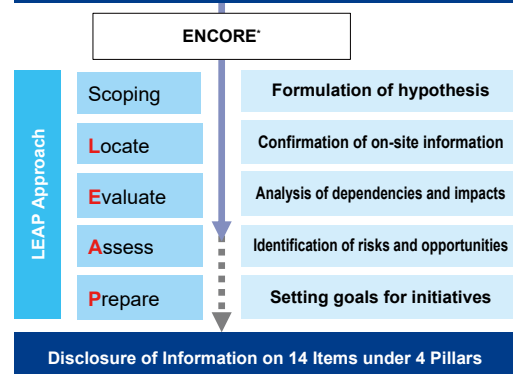
The Denka Group has set forth “Reduce environmental burden and the preservation/protect biodiversity” in our ESG Basic Policy, and are working hard to understand the environmental impact of our business activities, and to avoid, and mitigate risks, while promoting activities cognizant of preserving and improving biodiversity in the surrounding area of the production and research facilities.

As part of these efforts, we have been organizing information, conducting field surveys, analysis, and implementing evaluations in line with the “LEAP Approach” recommended by the Task Force on Nature-related Financial Disclosures (TNFD) since September 2022.

### Participation in Initiatives

Denka became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, an international initiative on biodiversity, in August 2024. We also joined the Keidanren Nature Conservation Council from October 2024, and will contribute to biodiversity through the Biodiversity Declaration Initiative.

### Preliminary Natural Environment Survey (9 Domestic Sites)



\* LEAP approach: An integrated approach for scientifically evaluating contact points and dependency relationships between business activities and nature, as well as impacts, risks, opportunities, and other nature-related issues

\* ENCORE ( <https://encorenature.org/en/>): Allows you to filter by sector or sub-industry and check the degree of dependence on and impact on nature.

### Achievements to Date and Future initiatives

We have conducted ENCORE analysis and on-site surveys (see column below) to understand the connection between operations at each of the nine domestic sites and the natural environment.

As a result of research and analysis under the Scoping and Locate steps, Omi Plant was selected as a model site for deepening priority initiatives. Based on the results (Evaluate) of organizing the dependencies and impacts related to Omi Plant and their causal relationships, we will identify risks and opportunities and link them to specific countermeasures going forward.

### Survey and Analysis of Dependencies and Impacts on Nature in the Sector Where Omi Plant is Located (Scoping~Locate~Evaluate)

In the sector where Omi Plant is located, it was found that there is a strong dependence on ecosystem services related to the categories of “water,” “greenhouse gas,” “pollutants,” “waste,” and “species,” as well as a significant impact on natural capital. Areas where such connections exist between nature and the operations of Omi Plant were identified as “priority areas.”

Among these “priority areas,” we began surveys to confirm the situation of forests distributed in the catchment area of hydroelectric power, which is an important energy source for Omi Plant, and the Omi Plant green space adjacent to a local recreation area.

| Dependency/<br>Impact<br>Categories | Dependency/<br>Impact | Dependent ecosystem services/<br>Factors causing impacts |
|-------------------------------------|-----------------------|----------------------------------------------------------|
| Water                               | Dependency            | Water flow regulation                                    |
| Water                               | Dependency            | Water supply                                             |
| Water                               | Dependency            | Water purification                                       |
| Water                               | Impact                | Water usage                                              |
| Greenhouse gas                      | Impact                | Greenhouse gas emissions                                 |
| Pollutants                          | Impact                | Discharge of harmful<br>pollutants into water and soil   |
| Waste                               | Dependency            | Purification of solid waste                              |
| Waste                               | Impact                | Generation and release<br>of solid waste                 |
| Species                             | Impact                | Disturbance (e.g., noise, light)                         |

For categories of natural capital with strong dependencies and impacts on nature, we are organizing and studying the following relationships with the natural environment to examine issues related to dependencies and impacts that should be prioritized.

- **Factors that cause changes in ecosystem services on which we depend**
- **Impacts of plant operations on natural capital**

During our studies, we also value collaboration with relevant organizations and communication with local natural environment experts, and will link these to specific environmental conservation activities as the Denka Group.



### [Column] ~Evaluation of the Location Environment of Nine Domestic Business Sites and Strengthening Relationships with Local Governments~

For the nine domestic business sites, we organized environmental data (such as the presence of areas important for biodiversity around the plants and areas where ecosystem integrity is rapidly declining) and confirmed the connection with the natural environment on-site from the perspective of location and operational activities. In addition, to examine initiatives based in local regions, we are also promoting exchanges of opinions with local governments where the sites are located. In Machida City, where the Denka Innovation Center is located, efforts have begun to explore collaboration for the conservation of rare plants.



Confirming the location environment of the Innovation Center (left) and wild rare species (right)

### [Examples of future environmental conservation activities that take into account dependence and impact on nature]

- ① Hydroelectric power prevents the “generation of greenhouse gases” but depends on “water flow regulation services.”  
→ **Ensure “water flow regulation services” (maintenance of water sources, health of forests that conserve water sources).**
- ② The operation of the Omi Plant may cause “disturbance to living organisms due to noise and light,” which could force operational environmental considerations or lead to the degradation of ecosystem services.  
→ **Consider measures to reduce the impact of noise and light.**
- ③ The “generation and release of solid waste” associated with the operation of the Omi Plant may cause environmental changes in land areas, such as expansion of disposal sites.  
→ **In addition to current measures, devise new countermeasures.**

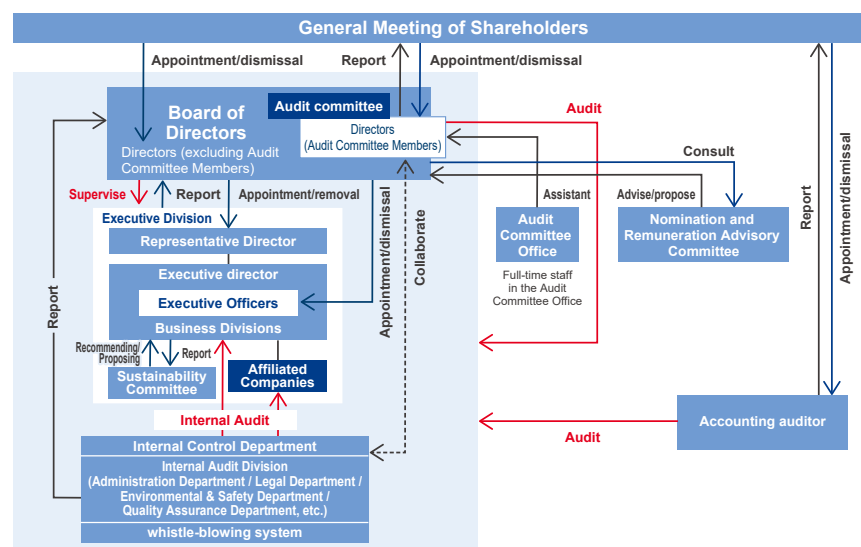


## Message from the Chairman



**Toshio Imai** Chairman and Representative Director

### ■ Corporate Governance Structure



The modern world is experiencing accelerating climate change, ultra-rapid technological advancement centered on AI, global fragmentation due to the end of globalization, and dramatic demographic changes. The business environment surrounding our company is also changing rapidly. In this context, we are striving to sustainably enhance corporate value by fulfilling our purpose: “making the world a better place as specialists in chemistry.”

Our Board of Directors aims to fulfill its fiduciary and accountability responsibilities to shareholders by providing highly effective oversight of management to enhance corporate value. Since the establishment of the “Denka Corporate Governance Guidelines” in 2015 and the transition to a Company with Audit and Supervisory Board in 2019, we have continued to strengthen this system.

Last fiscal year, the Board of Directors held nine “Management Issues Roundtables” to discuss medium- to long-term management issues, five “Nomination and Remuneration Advisory Committees,” and five “Sustainability Committees” to monitor progress toward non-financial goals. This year, to further streamline discussions at the “Management Issues Roundtables” and “Nomination and Remuneration Advisory Committees,” we have organized discussion topics and annual schedules in advance. In addition to these measures, we are further enhancing prior explanations to outside directors regarding agenda items for the Board of Directors, and we plan to deepen discussions on “future Board structures” and “succession plans for management talent” to strengthen the effectiveness of the Nomination and Remuneration Advisory Committee. To fulfill our accountability to shareholders, we will also provide opportunities for outside directors to engage in dialogues directly with investors. Through these initiatives, we will further invigorate the Board of Directors and realize enhanced corporate value.

## Board of Directors



Photographed on July 14, 2025

Mizuhiro Uchida

Director  
(Full-time Audit  
Committee Member)

Miyuki Matoba

Outside Director  
(Audit Committee  
Member)

Akio Yamamoto

Outside Director  
(Audit Committee  
Member)

Toshio Kinoshita

Outside Director  
(Audit Committee  
Member)

Toshio Imai

Chairman and  
Representative Director

Ikuo Ishida

Representative  
Director, President

Rumiko Nakata

Outside Director

Rimiru Hayashida

Director

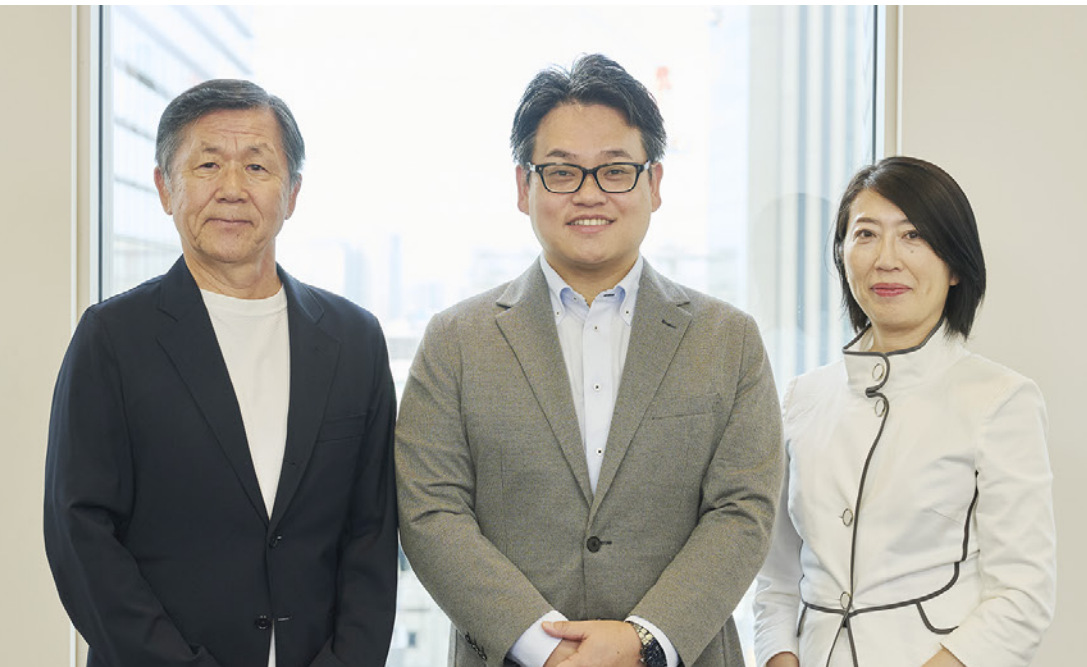
Masanobu Kosaka

Director

• Information on the Board of Directors and skill matrix <https://denka.disclosure.site/ja/themes/672> \* For career history, please refer to the "Notice of Convocation of the Ordinary General Meeting of Shareholders."



# Institutional Investor Analyst × Outside Director Dialogue



## Akio Yamamoto

Denka Company Limited  
Director, Audit Committee  
Members

## Kazuya Uesako

Sumitomo Mitsui Trust Asset  
Management Co., Ltd.  
Head of Materials and Infrastructure Team,  
Research Department

## Miyuki Matoba

Denka Company Limited  
Director, Audit Committee Members

### Biography of Kazuya Uesako

2001 Joined Sumitomo Trust and Banking Co., Ltd.

\* Currently "Sumitomo Mitsui Trust Asset Management" due to company integration and organizational changes.

2009 Equity analyst

2014 In charge of Chemical Sector

## Takahiro Okabe [Facilitator] Sinc Inc. Director

Denka Company Limited is committed to engaging in dialogue with stakeholders, including shareholders and institutional investors. As part of this year's Denka Report Integrated Report, we invited analyst Kazuya Uesako, who supports our management from the perspective of institutional investors, to have a direct exchange of opinions with two of our Outside Directors. Here, we cover the topics of discussions on the effectiveness of the Board of Directors, management issues, and future expectations.

### (1) Main Roles of Outside Directors

**Okabe:** First, I would like to ask Mr. Uesako. From the perspective of institutional investors, how do you view the role of Outside Directors?

**Uesako:** We institutional investors do not seek short-term stock price increases in our investee companies, but instead place an importance on enhancing corporate value over the long term. Therefore, we expect Outside Directors to contribute to enhancing corporate value from an external perspective.

**Matoba:** I make it a point to hold the perspective of shareholders. At the same time, I also value the attitude of working together with internal Directors and employees to aim for the enhancement of corporate value.

**Yamamoto:** The Executive Division is required to make quick decisions today and tomorrow, along with medium- to long-term business strategies. On the other hand, we Outside Directors need to indicate the company's direction with a more medium- to long-term perspective and awareness of the times. I always try to supervise and advise with sincerity and integrity, constantly questioning whether my own thinking is correct. Rather than taking a confrontational stance with the Executive Division, I am conscious of sharing issues for value creation and aiming to solve them together.

### (2) Initiatives to Improve the Effectiveness of the Board of Directors

**Okabe:** What kind of efforts are being made to make discussions at the Board of Directors more meaningful?

**Yamamoto:** Compared to when I was appointed as a Director, the operation of our Board of Directors and the system and effectiveness of corporate governance have improved significantly. For example, once every three months, only Outside Officers hold a liaison meeting to discuss the operation of the Board of Directors and company issues, and share the content and recommendations with the Executive Division, and the executive side also responds in a sincere manner. For important matters to

Dialogue between Institutional Investor Analyst and Outside Directors

be submitted to the Board of Directors, the Executive Division holds advance briefings on business and R&D strategy policies and individual agenda items, providing opportunities for discussion before the Board meeting. Since it is sometimes impossible to engage in discussions without understanding the medium- to long-term business strategies, the introduction of this process has been very meaningful.

**Matoba:** As Mr. Yamamoto mentioned, various improvements had already been made before I took office, but at that time, the Board of Directors still engaged in detailed discussions on individual matters. As a result of requesting that more time be devoted to discussions on core management issues, the content of reports was improved according to approval authority, and I feel that the quality of discussions has improved.

(3) Reflecting Stock Market Opinions in Management

**Okabe:** How are opinions from shareholders and investors shared with the Board of Directors?

**Yamamoto:** Opinions and information obtained by the Corporate Communications Department through IR activities are also shared with the Board of Directors. Since FY2024, opinions received from institutional investors after each quarterly financial results announcement has been reported to the Board. These opinions are candid and unfiltered. Since FY2025, outside directors have also been



participating in SR meetings and communicating directly with investors. I believe this provides a meaningful opportunity to reflect the voice of the stock market in management.

**Uesako:** Opinions from the stock market can sometimes be short-term in perspective. While not all opinions align with value creation, I think it is wonderful that you are exposed to diverse views and constantly reflecting on your own thinking.

(4) Advice and Discussions as Outside Directors

**Uesako:** I would like to ask about the advice and discussions you have provided as outside directors so far.

**Matoba:** I believe each of us speaks based on our respective backgrounds. As a lawyer, I am often expected to provide input from a risk and compliance perspective, focusing on protective measures, and in fact, I may make such comments frequently. However, as an outside director, I try to avoid delving into detailed legal matters and instead aim to make statements that encourage the executive team from a broader risk-taking perspective.

**Yamamoto:** Ms. Matoba is a lawyer, Mr. Kinoshita is an internationally certified public accountant, Ms. Nakata specializes in human resource strategy and human capital management, and I bring experience in domestic and international corporate management. While it is natural for each of us to offer opinions based on our expertise, we also speak about the company's direction from the perspective of seasoned management professionals. Internal directors, too, go beyond their backgrounds in technology and finance to share views on management approaches and talent development, resulting in lively discussions.

**Okabe:** What about the Nomination and Remuneration Advisory Committee?

**Yamamoto:** When the committee was established in 2017 (formerly the Management Advisory Committee), its role was to discuss and advise on proposals from the executive side. Now, in addition to dialogue with the president and director candidates and discussions within the committee, we also conduct training and informal meetings for department and section manager-level candidates who are expected to lead future management, and accumulate experience in positions required for succession planning as selection criteria. The committee now plays a more directly effective role.

**Uesako:** From the perspective of institutional investors, there is great interest in the fundamental measures for the chloroprene rubber business at the U.S. subsidiary DPE (Denka Performance Elastomer LLC), announced in May 2025. As an outside director, what opinions have you expressed at board meetings?

## Dialogue between Institutional Investor Analyst and Outside Directors

**Matoba:** As this is an ongoing matter, I cannot discuss details beyond what has been publicly announced. However, since my appointment as an outside director, I have consistently spoken from various perspectives about the risks involved and whether the proposed responses and measures are appropriate, to ensure the company moves in the right direction.

**Yamamoto:** This issue involves many factors that need to be considered from various angles, and there are many stakeholders to address. At board meetings, while keeping in mind the need for prompt progress, we gather information from multiple sources and engage in repeated discussions to ensure appropriate management decisions are made.

**Uesako:** This is a difficult issue, and I think it is inevitable that it will take time to resolve. In this context, I appreciate the decision made in May this year to temporarily suspend production at DPE and announce a policy to reduce losses. I believe that companies able to adapt their management to changes in the external environment are those that properly incorporate external opinions.

### (5) What Are Denka's Management Challenges?

**Uesako:** As of now, what management challenges do you recognize as outside directors?

**Yamamoto:** I believe there are three management challenges our company must face now. The first is reforming our business portfolio. We have already withdrawn from several businesses, including cement, and have made capital investments in strategic business areas. I expect continued, focused efforts toward the ideal future we envision for the company.

The second is strengthening the profitability of existing businesses. It is urgent to improve ROE through the expansion of best practice initiatives and further enhancement of profitability in growth areas. The third is the creation of new businesses. Our management plan "Mission 2030" includes various mechanisms and initiatives to generate new businesses, and we are beginning to see results, such as the launch of "SNECTON," which is expected to become a core product. However, I believe we need to focus even more on creating large-scale businesses that will drive our company's future. **Matoba:** I agree. Regarding the first point, portfolio reform, I think we need not only business restructuring but also organizational reform, such as organically connecting talent across divisions. This also relates to the third point, new business creation, but discussions tend to be siloed within business units, and those within divisions may not be aware of the potential for cross-functional themes.

**Uesako:** I also believe portfolio reform is the most important issue. In addition to measures for the chloroprene business and responses to petrochemical industry restructuring in the Polymer Solutions, we should also reconsider our investment approach for growth businesses. I think we need to re-examine whether we are truly making appropriate investments in businesses expected to grow.



The time frame and scope of investments, and how we pursue development toward those goals—especially in the electronics and advanced fields—require an urgent review of strategy. Furthermore, for new businesses in the Life Innovation Division, where Denka is making significant investments, I would like us to reconsider whether these are businesses we should continue to pursue as a company.

**Matoba:** I think we need to be able to concretely envision what kind of company we want to become, rather than just discussing it abstractly. Unless every employee can picture this, we won't be able to prioritize investments in growth areas.

**Yamamoto:** Recently, I visited the Gosen Site, where vaccines, test reagents, and POCT are produced, and I felt that the long-standing efforts to ensure safety and quality have led to significant achievements. I believe our company's earnest corporate culture is being fully utilized in this field. To further leverage this strong business area for future development, as Ms. Matoba pointed out, I think we need to shift to a method of concentrating resources and personnel under a large company vision. Furthermore, electronic materials and components are Denka's strengths, and they are also Japan's strengths. We should consider strategies not only for our company but also from the perspective of strengthening Japan's overall competitiveness. While Japan is falling behind in several industrial sectors globally, the field of electronic materials and components will continue to be a major battleground where we maintain an advantage.

## Dialogue between Institutional Investor Analyst and Outside Directors



**Uesako:** I also believe there is still room for growth in chemical materials. Considering medium- to long-term growth potential, I think this is an area where we should discuss initiatives not just as Denka alone, but as part of Japan's chemical industry as a whole.

### (6) Expectations for Denka toward the Future

**Okabe:** Lastly, as an investor, please share your expectations for Denka looking toward the future.

**Uesako:** I hope to see continued profit growth through contributions to society and the environment. I believe it is necessary to generate profits in order to provide the resources for contributing to society and the environment.

**Matoba:** I completely agree. As a company, it is important to generate profits and return those profits to society. I believe it is necessary to identify what is needed in the world, set a clear direction, and aim to provide what society requires. Rather than thinking only within the company, I would like to contribute as an outside director by working with an eye on connections to the outside world.

**Uesako:** I have heard that some chemical companies are achieving results by having business divisions collaborate across divisions to conduct activities to provide solutions to customers and

generate new business ideas. I hope Denka can achieve similar results as this as well.

**Yamamoto:** Our company has made considerable efforts in corporate governance, and its effectiveness has improved. At the same time, as a company, it is necessary to contribute to society through the development of profitable businesses, and given that everyone's time is limited, I think it is also necessary to review priorities as appropriate.

**Uesako:** So, you mean to address materiality by prioritizing them.

**Yamamoto:** Our company is facing tough times right now. I hope we can become a company where employees feel glad to work, and shareholders want to support us, not just aiming to improve profitability and corporate value. As an outside director, I am once again determined to contribute to the company's growth.

**Uesako:** I started covering the chemical sector more than 10 years ago, and the first time I learned about the workings of a petrochemical complex thanks to a thorough explanation from your company's IR director at the time. I have continued to cover your company ever since, partly out of gratitude. I hope that more people will come to support Denka in this way.

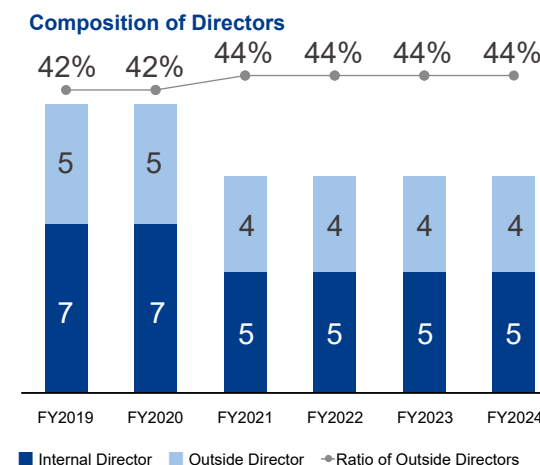


Date: July 10, 2025, Location: Denka Company Limited Head Office



## Our View on the Appointment of Directors

Under the Denka Vision formulated in 2022, to achieve the eight-year management plan “Mission 2030” through fiscal 2030, the Company aims to strengthen the management structure with Directors and Executive Officers, while enriching the governance structure and supervisory function. In electing Directors, internal Directors are chosen from persons who possess a wealth of experience and achievements in various divisions within the Company, while also possessing insights and adequate specialized knowledge as Director, and Outside Directors are chosen from persons who possess the specialization required for continuous growth and improvement in corporate value of the Company and wide insights based on a wealth of business experience and management experience at other companies. The Company believes that it is important for the Board of Directors as a whole to elect from persons who possess expertise and wide insights based on a wealth of business experience and management experience at other companies required for the improving corporate value, and consist of a good balance of personnel with a variety of knowledge, experience, and abilities, and ensure that the composition of the Board of Directors is diverse in terms of gender, international background, work history, and other factors. Additionally, the Company believes that Independent Outside Directors should comprise at least one-third of Directors. The present ratio is approximately 44%.



### Skills Matrix of the Board of Directors

|                                      |                  |                                       | Attributes          |     |                           |        | Skills                                 |                                |                 |                                |                   |                    |            |                |                                    |                                 |                           |    |
|--------------------------------------|------------------|---------------------------------------|---------------------|-----|---------------------------|--------|----------------------------------------|--------------------------------|-----------------|--------------------------------|-------------------|--------------------|------------|----------------|------------------------------------|---------------------------------|---------------------------|----|
|                                      |                  |                                       | Independent Outside | Age | Number of years in office | Gender | Corporate managing/ Corporate planning | Human Resources Value Creation | Global business | Financial strategy/ Accounting | Legal/ Compliance | ESG/Sustainability |            |                | Business value creation/ Marketing | Research/ Intellectual property | Technology/ Manufacturing | DX |
|                                      |                  |                                       |                     |     |                           |        |                                        |                                |                 |                                |                   | E (Environment)    | S (Social) | G (Governance) |                                    |                                 |                           |    |
| Chairman and Representative Director | Toshio Imai      |                                       |                     | 66  | 6                         | M      | ○                                      | ○                              | ○               |                                |                   | ○                  |            | ○              | ○                                  |                                 |                           |    |
| Representative Director, President   | Ikuo Ishida      | President and Chief Executive Officer |                     | 63  | 2                         | M      | ○                                      | ○                              | ○               |                                | ○                 |                    |            | ○              | ○                                  |                                 |                           |    |
| Director                             | Rimiru Hayashida | Senior Managing Executive Officer     |                     | 63  | —                         | M      | ○                                      |                                |                 | ○                              |                   |                    |            | ○              |                                    |                                 |                           |    |
| Director                             | Masanobu Kosaka  | Managing Executive Officer            |                     | 62  | —                         | M      |                                        |                                | ○               |                                |                   | ○                  | ○          |                |                                    | ○                               | ○                         | ○  |
| Director                             | Rumiko Nakata    |                                       | ○                   | 69  | 1                         | F      |                                        | ○                              |                 |                                |                   |                    | ○          |                |                                    |                                 |                           |    |
| Director                             | Mizuhiro Uchida  | Full-time Audit Committee Member      |                     | 63  | 2                         | M      |                                        |                                |                 | ○                              | ○                 |                    | ○          | ○              |                                    |                                 |                           | ○  |
| Director                             | Toshio Kinoshita | Audit Committee Member                | ○                   | 76  | 10                        | M      |                                        |                                | ○               | ○                              |                   |                    |            | ○              |                                    |                                 |                           |    |
| Director                             | Akio Yamamoto    | Audit Committee Member                | ○                   | 73  | 10                        | M      | ○                                      | ○                              | ○               |                                |                   |                    |            |                | ○                                  |                                 |                           |    |
| Director                             | Miyuki Matoba    | Audit Committee Member                | ○                   | 51  | 4                         | F      |                                        |                                |                 |                                | ○                 |                    | ○          | ○              |                                    | ○                               |                           |    |

\* The matrix above shows the skills that the Board of Directors expects from them among the knowledge and experience they possess. \* Age and years in office are as of June 20, 2025. \*F: Female, M: Male

#### (Reference: Skill matrix for managing executive officers who do not concurrently serve as directors)

|                |                            |  |    |  |   |   |   |   |  |  |   |   |   |  |   |   |   |   |
|----------------|----------------------------|--|----|--|---|---|---|---|--|--|---|---|---|--|---|---|---|---|
| Yukio Sasagawa | Managing Executive Officer |  | 64 |  | M |   |   |   |  |  |   | ○ | ○ |  |   | ○ | ○ | ○ |
| Kei Hara       | Managing Executive Officer |  | 59 |  | M | ○ | ○ | ○ |  |  | ○ |   | ○ |  | ○ |   |   |   |

## Necessary Skills for the Board of Directors and the Reason They Were Selected

The skills considered necessary for the Company's Board of Directors to make important decisions and supervise management under Denka's vision formulated in 2022 to reach the goals of the Company's eight year management plan through

### Corporate Management/Corporate Planning

Directors are needed who have extensive management experience and achievements to establish and review management plans aimed at realizing the Denka's Vision and supervise the execution of duties to achieve these plans.

### Human Resources Value Creation

Directors are needed who have extensive knowledge and experience related to human resources value creation in order to realize human resource investment and system reforms, aiming to become a company where each and every employee can gain experience self-realization and personal growth.

### Global Business

Directors are needed who have extensive experience in global business to fulfill our Purpose to "make the world a better place as specialists in chemistry" with an awareness of global megatrends.

### Financial Strategy/Accounting

Directors are needed who have extensive knowledge and experience in the financial strategy and the accounting field not only to ensure the accurate disclosure of financial information, but also to drive selection and concentration of businesses, pursue optimal capital structure and improve profitability and efficiency.

### Legal/Compliance

Directors are needed who have robust knowledge and experience in the legal and compliance fields to ensure fair and trustworthy corporate activities appropriately responding to increasingly complex legal systems and regulations in Japan and abroad.

### ESG & Sustainability/E (Environment)

Directors with extensive knowledge and experience in E (Environment) are needed to fulfill corporate social responsibility working on the precondition for continuation of business, "Achievement of carbon neutrality," "Sustainable cities and fulfilling daily lives," and "Environmental conservation and minimization of environmental footprint."

### ESG & Sustainability/S (Society)

Directors with solid knowledge and experience in S (Society) are needed to fulfill corporate social responsibility through the provision of safe and high-quality products, respect for human rights, and participation in the effort to build a better community.

fiscal 2030, and to promote ESG management through the priority management materiality issues are as follows.

### ESG & Sustainability/G (Governance)

Directors with solid knowledge and experience in G (Governance) are needed to fulfill corporate social responsibility building a more advanced and effective corporate governance system that ensures transparency and fairness based on high ethical standards.

### Business Value Creation/Marketing

Directors are needed who have market insight based on a broad perspective, as well as extensive business experience to ensure that all the three focus areas, ICT & Energy, Healthcare, and Sustainable Living, will be fully made up of "three-star businesses" that incorporate the three elements of specialty, megatrends, and sustainability, while promoting the transformation of business portfolio, considering also selling or exiting a business that is difficult to convert to a "three-star businesses."

### R & D/Intellectual Property

Directors are needed who have a track record of promotion of innovation, as well as deep knowledge in science and technology and a wealth of experience in proprietary technologies and intellectual property, in order to create business value in the three focus areas of ICT & Energy, Healthcare, and Sustainable Living.

### Technology/Manufacturing

Directors are needed who are deeply familiar with technology, and who have extensive practical experience and robust insight into manufacturing are needed to create management values through process reforms to improve productivity, ensure trustworthiness in manufacturing, and establish a safe work environment.

### DX

Directors are needed with profound knowledge and extensive experience related to digital technologies and data utilization, as well as the ability to understand and analyze the nature of the Group's business and use this insight to transform it are needed to promote the transformation of business model and organization through process reforms.

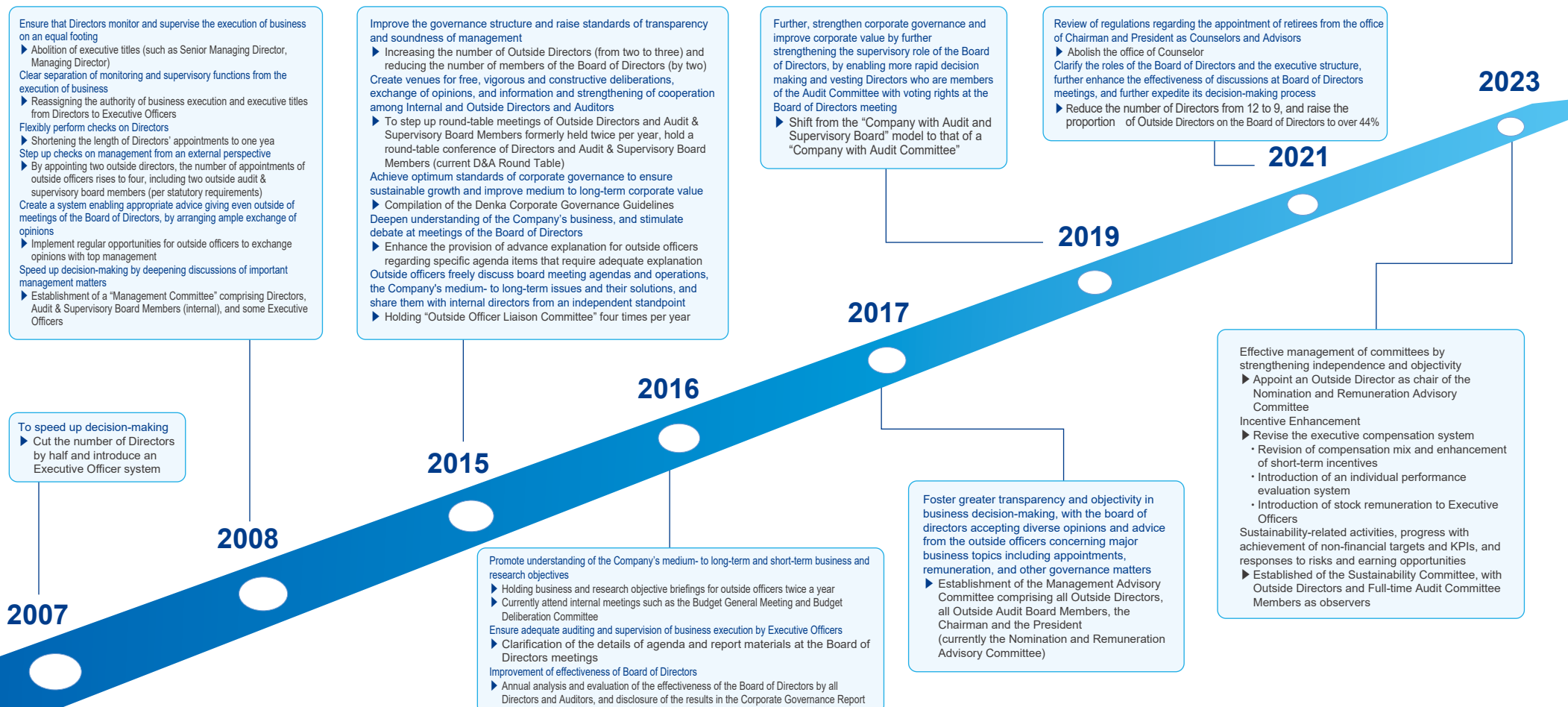
## Basic Approach to Corporate Governance

To fulfill the expectations and trust of its many stakeholders, including shareholders, customers, local society, and employees, based on Denka's Vision (a vision of the future) comprising the Core Value that is the Company's DNA to serve as the foundation to support the tiers above, Purpose that serves as the North Star to guide the Company, and the Mission that the Company aspires to accomplish by 2030, the Company strives to strengthen its business foundation by improving its earnings power and expanding the scope of operations, while also

working to improve corporate value by making every effort to continue being a company that can win the trust and sympathy of society.

The Company considers corporate governance as the foundation for the above, and so we have striven to strengthen governance, to fulfill the responsibilities we owe to all our stakeholders and ensure the transparency and soundness of our management.

## Governance Chronology Initiatives to Corporate Governance Thus Far



# Director Remuneration

## 1 Policy (Basic Policy)

We have set the remuneration for each Director (excluding Audit Committee Members) based on their roles and responsibilities within the limit of the total amount approved by the General Meeting of Shareholders. To enhance objectivity and transparency, remuneration is determined by the Board of Directors after receiving advice and recommendations from the Nomination and Remuneration Advisory Committee and this process is outlined in our internal regulations. Remuneration for Directors consists of a basic remuneration set at a fixed amount as well as performance-linked remuneration and stock remuneration. The performance-linked remuneration is designed to increase awareness of Directors of their responsibility to work to improve business and individual performance each fiscal year to function as an incentive, while the stock remuneration aims to instill a strong sense of purposefulness toward achieving medium- to long-term growth in corporate performance and corporate value in our Directors. However, Outside Directors and Non-Executive Directors receive only basic remuneration in light of their duties.

## 2 Director Remuneration System and Content

### (1) Diagram of Basic System (Executive Directors)



\* The above chart shows the approximate ratio when operating income is achieved based on the management plan and the evaluation for individual performance-linked remuneration (linked to individual evaluation of achievement of financial and non-financial targets, etc.) is standard.

### (2) Content of Each Remuneration

#### 1) Basic Remuneration

A fixed monetary remuneration is paid every month to each director depending on their responsibilities and roles, considering the standard for employee salary.

#### 2) Performance-linked Compensation

Performance-linked compensation consists of compensation linked to the performance of the entire Company and individual performance. The Chairman and President are only eligible for compensation linked to the performance of the entire Company. However, the Chairman who does not have representative rights (Non-Executive Directors) is not eligible. The total amount of compensation linked to the performance of the entire Company is determined according to the consolidated operating income, which is a major numerical target in our management plan and is distributed among each

### FY2024 Director Remuneration

| Category                                                                  | Number of persons | Amount of remuneration, etc. | Content            |                         |                                 |          |                    |                       |
|---------------------------------------------------------------------------|-------------------|------------------------------|--------------------|-------------------------|---------------------------------|----------|--------------------|-----------------------|
|                                                                           |                   |                              | Cash remuneration  |                         |                                 |          | Stock remuneration |                       |
|                                                                           |                   |                              | Basic remuneration |                         | Performance-linked compensation |          |                    |                       |
|                                                                           |                   |                              | Number of persons  | Total                   | Number of persons               | Total    | Number of persons  | Total                 |
| Director (excluding Audit Committee Members) (Of which Outside Directors) | 6<br>(2)          | 203 million yen<br>(12)      | 6<br>(2)           | 181 million yen<br>(12) | —<br>(—)                        | —<br>(—) | 3<br>(—)           | 21 million yen<br>(—) |
| Director (Audit Committee Member) (Of which Outside Directors)            | 4<br>(3)          | 77<br>(38)                   | 4<br>(3)           | 77<br>(38)              | —<br>(—)                        | —<br>(—) | —<br>(—)           | —<br>(—)              |
| Total (Of which Outside Directors)                                        | 10<br>(5)         | 280<br>(51)                  | 10<br>(5)          | 258<br>(51)             | —<br>(—)                        | —<br>(—) | 3<br>(—)           | 21<br>(—)             |

\* Currently, there are nine directors (including four outside directors), but the above remuneration includes the remuneration for one director who retired at the conclusion of the 165th Annual General Meeting of Shareholders held on June 20, 2024.

\* Performance-linked remuneration for this fiscal year was not paid for either company-wide or individual performance-linked remuneration, based on the results for the period.

director according to their roles and responsibilities immediately after the financial statement is finalized. However, if the consolidated operating income does not reach the designated amount, there is a large amount of extraordinary loss, or a major compliance violation occurs, compensation will not be provided or provided in a reduced amount. Compensation linked to individual performance is determined based on the individual evaluation of each director based on how much they were able to achieve their financial and non-financial targets, and compensation is provided immediately after the financial statement is finalized as outlined in our internal regulations.

#### 3) Stock Remuneration

Stock remuneration is a system that uses the trust method to issue treasury stock to directors through the trust after their retirement according to points provided each month according to their position as outlined in our internal regulations. The capital required for issuing treasury stock for directors provided to the trust is set to a maximum of 40 million yen per year.

### (3) Method of Determining the Content of Individual Compensation, Etc. for Directors

Individual compensation for directors is determined by the Board of Directors after receiving advice and recommendations from the Nomination and Remuneration Advisory Committee and this process is outlined in our internal regulations. Of the director remuneration, compensation linked to individual performance is determined based on the evaluation of each director's performance by the President as outlined in our internal regulations stipulated by the Board of Directors. The Board of Directors stipulates the amount of compensation linked to individual performance before ensuring appropriate execution of the above authority by the President as well as reporting on their content.



# Evaluation of the Effectiveness of the Board of Directors

## 1 Method of Evaluation

Denka analyzes and evaluates the effectiveness of the Board of Directors every year. As we did in the previous fiscal year, Denka analyzed and evaluated the effectiveness of the Board of Directors by having individual Directors complete the "Self Evaluation Questionnaire", such as scale, composition, operation, and 25 other items, and discussed the questionnaire results at Board of Directors meetings.

## 2 Evaluation Items and Evaluation Period

[Evaluation Items]

1. Purpose and Role of the Board of Directors
2. Effectiveness of the Board of Directors
3. Relationship with Stakeholders
4. Support System for Outside Officers (such as information provision)
5. Other Free Comments

[Evaluation Period] July 2024 – March 2025

## 3 Summary of Evaluation Results and Future Efforts

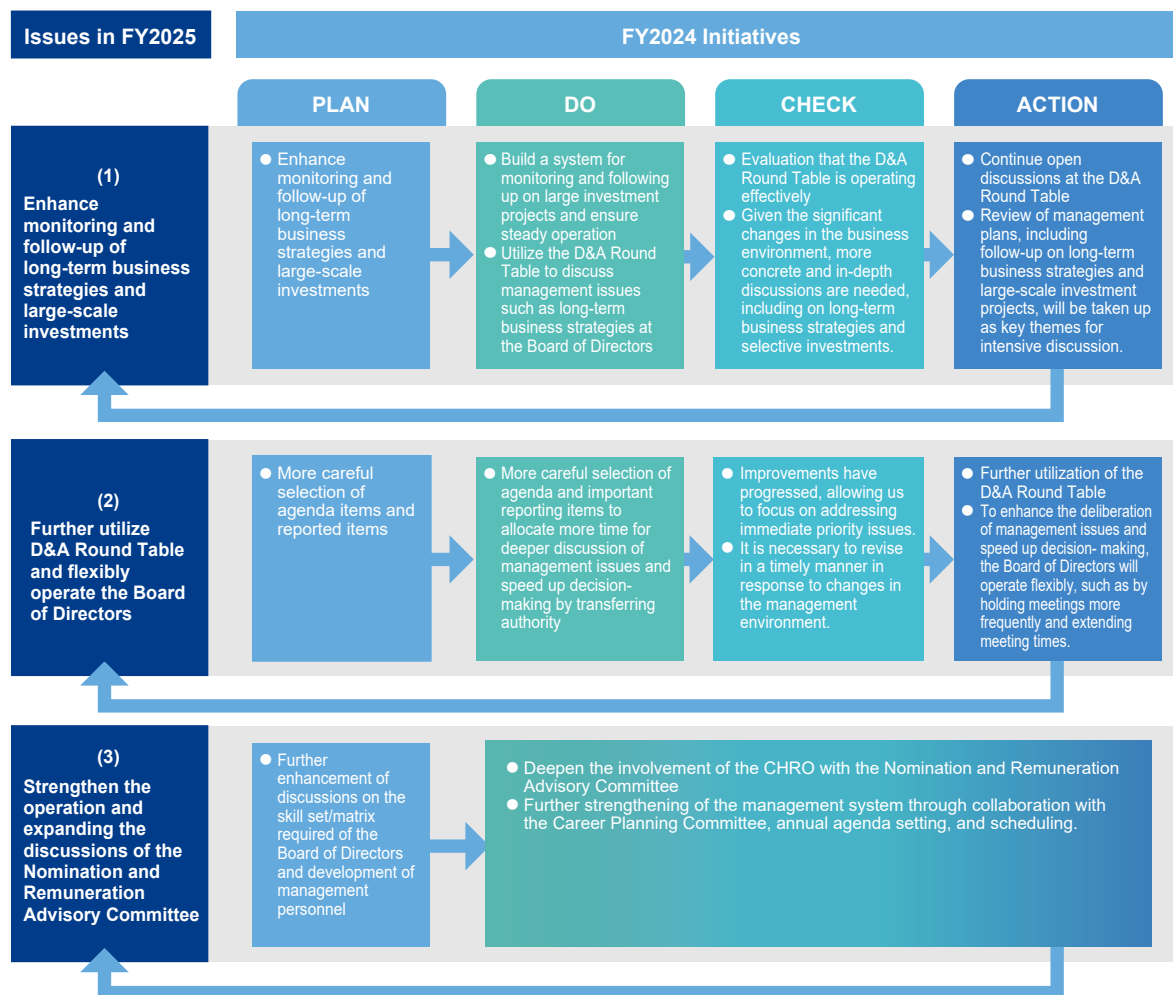
The results of fiscal 2024 confirmed that the frequency and time of meetings of the Board of Directors and its composition (balance and diversity of knowledge, experience, and abilities) are appropriate and management oversight and supervision are being properly implemented by the Board of Directors, of which 44% are Independent Outside Directors.

Regarding strengthening of monitoring and follow-up on last year's management issues like long-term business strategies and large-scale investment projects, while there was improvement in follow-up on some large-scale investment projects, it was agreed that, in light of significant changes in the business environment and the review of the management plan "Mission 2030," more concrete and in-depth discussions are needed, including on long-term business strategies and selection of investments.

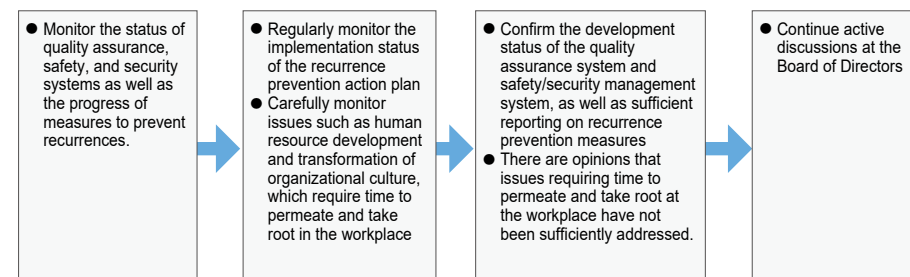
In addition, improvements have been made in further selection of agenda items and streamlining of reporting, and it was noted that this allowed a greater focus on addressing immediate priority issues.

Furthermore, while appropriate responses and reporting have been made regarding the reliable monitoring of the status of the quality assurance system, safety and security management system, and progress of recurrence prevention measures, there were opinions that continuity and efforts from a group management perspective are important for recurrence prevention. In addition, the need for monitoring and discussion by the Board of Directors regarding human resource development and organizational culture transformation was also shared. Additionally, in order to further enhance discussions on the skill set/skill matrix required of the Board of Directors and the development of management personnel to achieve the management plan "Mission 2030," the need to strengthen the operation system of the Nomination and Remuneration Advisory Committee was confirmed.

In light of these constructive opinions, the Board of Directors will continue its efforts to improve its effectiveness, thereby enhancing corporate value over the medium and long term and meeting the expectations and trust of shareholders and other stakeholders.



### <Reference> Details of Issues and Activities in FY2024 (excluding above (1) and (2))



Management Status of Each Committee

Board of Directors and Optional Committees, etc.

■ Board of Directors (Met 15 Times in FY2024)

To accomplish the Company's Mission in the Vision, the Board of Directors monitors and supervises major operational decision-making and execution of business duties by executive officers, based on strategic and management planning. The Board of Directors as a whole appoints candidates to be Directors in line with the standards for the appointment of both internal and Outside Directors, based on the belief that it is important to appoint a good balance of people with a variety of expertise, experiences, and skills. In addition, to ensure that all directors on the Board can focus on monitoring and supervising business execution on an equal footing, positions such as Senior Managing Director and Managing Director have, in principle, been abolished. Furthermore, to enable shareholders to promptly check directors (excluding Audit Committee members) at the General Meeting of Shareholders, the term of office is set at one year. Furthermore, to strengthen the functions of the Board of Directors and enhance objectivity and transparency, we have established the "Nomination and Remuneration Advisory Committee" as an advisory body to the Board, and hold the "D&A Round Table" to deepen discussions on particularly important management matters.

- [Key topics in FY2024]
- (1) Fundamental measures for the chloroprene rubber business, etc.

(2) Suspension of operations at the Ofuna Plant due to portfolio transformation

(3) Acetylene Black: Follow-up on the investment effects of the new manufacturing site (4th site) in Thailand

(4) Rapid Antigen Test Kits: Follow-up on the investment effects of increased production capacity

(5) Best Practice Project (Promotion of cost reduction)

Audit Committee (Met 13 Times in FY2024)

In accordance with their fiduciary responsibilities to shareholders, Audit Committee Members and the Audit Committee, with the support of the full-time staff of the Audit Committee Dept., whose independence from management is ensured, conduct audits of the legality and appropriateness of the execution of duties by the Directors, while paying attention to efficiency through close cooperation with the Internal Control Department and other relevant departments. Additionally, the Committee visits the Company's divisions, departments, branches, business sites, and subsidiaries and engages in activities such as confirmation by hearing and the exchange of opinions on the status of business execution. They also work on enhancing the effectiveness of the audit by reporting their opinions to the Board of Directors after the necessary discussions concerning the results of these activities at the Audit Committee. In addition, the Audit Committee forms views on matters related to the election and compensation of Directors (excluding Directors who are Audit Committee Members), as well as the election, dismissal, or non-reappointment of accounting auditors, in accordance with the Companies Act. Furthermore, the Company appoints candidates for Directors who are Audit Committee Members based on its judgment that, in order for the Audit Committee to fulfill its roles and responsibilities, Audit Committee Members should possess appropriate experience and ability as required for their duties, and that in particular, there should be at least one person with expertise in finance and accounting.

■ D&A Round Table (Met 9 Times in FY2024)

In order to facilitate in-depth discussions regarding management matters that are of particular importance, the D&A Round Table is organized as a forum for free, open-minded, constructive discussions, exchange of opinions and information, and strengthening of cooperation between internal and Outside Directors.

■ Nomination and Remuneration Advisory Committee (Met 6 Times in FY2024)

For major management matters such as nomination, remuneration, and other elements of governance, the Board of Directors has set up the Nomination and Remuneration Advisory Committee, comprising all Outside Directors, the Chairman, and the President, to foster transparency and objectivity in management decision-making, informed by a wide range of opinion and advice from Outside Directors. In fiscal 2024 this Committee received inquiries from the Board of Directors regarding the executive and governance structure, the formulation of a skills matrix, appointment of a CFO, succession planning, and remuneration for officers, and made recommendations and proposals regarding the results of these inquiries after deliberations at the Committee. The committee is chaired by an Outside Director since fiscal 2023.

■ Outside Officer Liaison Committee (Met 4 Times in FY2024)

Outside officers frankly discuss the nature of the agenda and operation of the board of directors, as well as the Company's medium- to long-term issues and their solutions, from an independent standpoint and share the results of the discussions with internal directors, to contribute to management.

The Audit Committee conducted an effectiveness evaluation for FY2024, with the aim of reflecting on audit activities, incorporating findings into the next year's audit plan, and improving audit quality. Referring to effectiveness evaluation methods already implemented by other companies, we set five perspectives—committee size and composition, operations (frequency and duration of meetings, independence, staff functions), audit activities (frequency and depth of legality/appropriateness audits and group-wide internal control system audits), and cooperation with the Internal Control Department and accounting auditors—and evaluated 20 items. As a result, almost all items were rated generally favorable, and we determined that the Committee's effectiveness for FY2024 is ensured. As an area for further improvement, cooperation with auditors of subsidiaries and affiliates was identified. Since FY2023, we have held the "Denka Group Auditors Liaison Meeting" to share issues and topics in audits at each company and exchange opinions to resolve challenges in fulfilling auditors' missions. However, to further accelerate solutions to issues such as lack of expertise and audit time, and to strengthen group governance by improving the effectiveness of audits by each company's auditors, it was suggested that the Committee should take the lead in these efforts. The Audit Committee will continue to work closely with auditors of group companies and the Internal Control Department to enhance the effectiveness of group-wide audits.

# Place the Utmost Priority on Safety

## 1 | Fiscal 2025 Activities

### Basic Policy

We have recently established the "Denka Group Occupational Health and Safety Policy" and revised the company-wide basic policy (April 2025). We have also set out behavioral guidelines that all Denka Group officers and employees must follow to ensure occupational health and safety, and published them on our sustainability website.

#### [Basic Policy]

At Denka Group, all officers and employees\* understands and practices that workplace safety, health, and facility security and disaster prevention are the top priorities in all production-related activities.

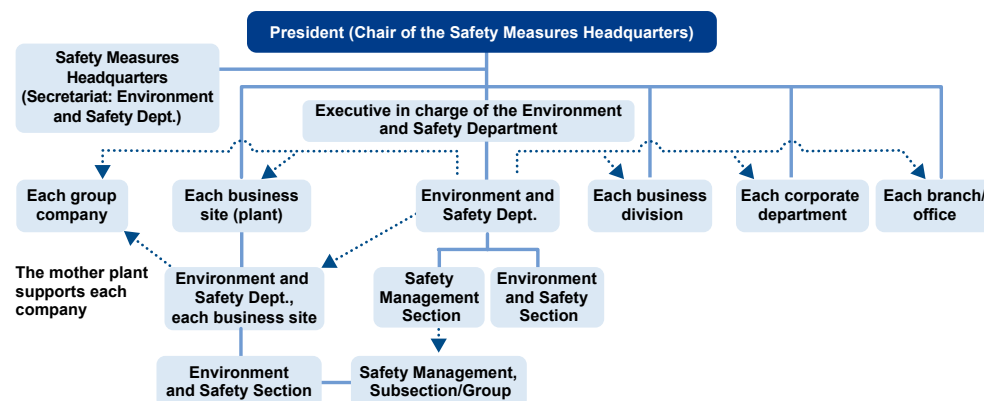
\* All officers and employees: All officers, employees, and temporary staff of the Denka Group, and contractors and their employees

## 2 | Strategies to Achieve Objectives of Management Plan "Mission 2030"

In order to achieve an occupational accident frequency rate of 0.2 or less and 0 serious accidents by 2030, we are systematically working on the following strategies.

### (1) Safety Management System

A Safety Measures Headquarters, headed by the President as Chair of the Safety Measures Headquarters, has been established, with safety management specialists assigned to the Environment and Safety Department (the secretariat) to audit, confirm, and support safety management throughout the Group. In addition, to provide detailed support to domestic and overseas group companies, we have introduced a mother plant system, in which the Environment and Safety Department of the mother plant visits each company to address safety management issues.



### (2) Annual Safety Management Plan

As the overall plan for the Denka Group this fiscal year, we have set individual initiatives aimed at achieving a KPI of occupational accident frequency rate of 0.2 or less and zero serious accidents, as well as initiatives aimed at the "ideal state" that forms the foundation for these, and have developed a concrete schedule.

#### FY2025 Denka Group Occupational Health and Safety Management Plan

#### 1. Initiatives to Achieve an Occupational Accident Frequency Rate of 0.2 or Less

- 1-1. Initiatives to improve non-technical skills company-wide to prevent behavioral accidents, and promotion of measures tailored to the issues of each business site
- 1-2. Focus on activities at each business site that are effective in reducing/preventing lost-time injuries
- 1-3. Systematic workplace patrols and continuous improvement based on corporate audit findings

#### 2. Initiatives to Achieve Zero Serious Accidents

- 2-1. Confirm compliance with risk assessment guidelines and implement accident prevention measures focused on high-energy hazards
- 2-2. Formulate and implement process risk assessments and education plans to reduce safety risks

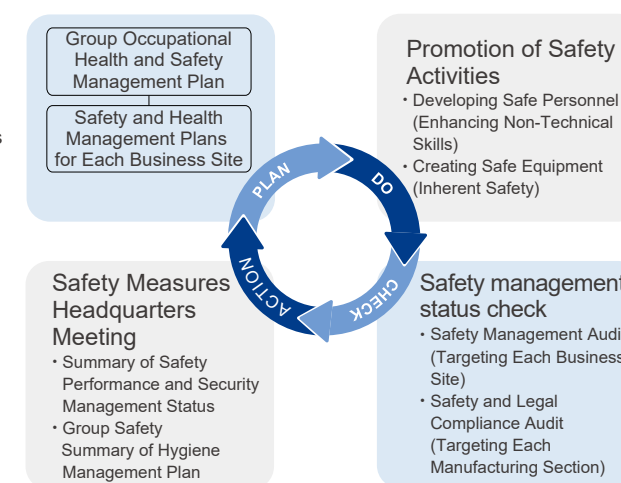
#### 3. Initiatives to Establish and Realize Denka's Vision

- 3-1. Eliminate ineffective activities and thoroughly implement activities that should be undertaken
- 3-2. Establish group-wide common rules and promote initiatives
- 3-3. Formulate digital/DX policies related to safety management and promote their implementation at business sites

### (3) Safety Management PDCA

Based on the group-wide annual occupational health and safety management plan, each business site prepares its own annual plan in line with this and promotes various safety activities.

Activity status is confirmed through safety management audits, reviewed at the Safety Measures Headquarters meeting, and reflected in the next year's occupational health and safety management plan, creating a system for continuous improvement in safety management.



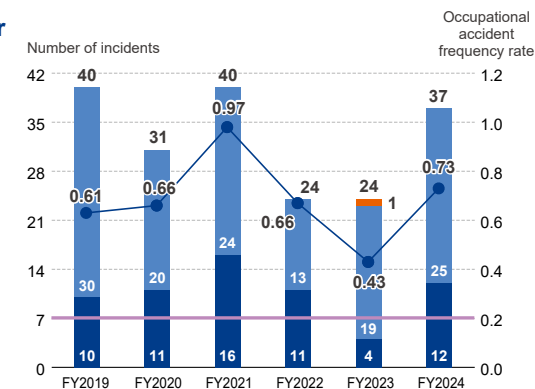
## Place the Utmost Priority on Safety

### 3 | Trends in Occupational Accident Frequency Rate (Current Status)

The number of occupational accidents in FY2024 was 37, an increase of 13 from FY2023. Of these, 12 were accidents resulting in leave from work, and the occupational accident frequency rate worsened to 0.73. By type, “caught in or entangled” accidents occurred 7 times, and “falls or collisions” occurred 6 times, making these the main causes of the increase. Many “caught in or entangled” incidents occurred during periodic repairs or non-routine work, which are difficult to prevent by equipment safety measures alone. To reduce the occupational accident frequency rate, it is necessary to implement both “creating safe equipment” through inherent safety and “developing safe personnel.”

#### Trends in Number and Frequency Rate of Occupational Accidents

■ Non-leave or less  
■ Leave of absence  
■ Fatalities  
● Occupational accident frequency rate  
— M30 KPI (2030 Targets)

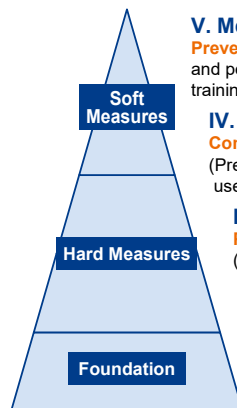


### 4 | Initiatives of Prioritizing Safety

#### (1) “Developing Safe Personnel”: Initiatives to Enhance Non-Technical Skills

Ensuring safety requires not only acquiring technical skills but also improving individual risk sensitivity. Therefore, we have started initiatives to enhance non-technical skills. Last fiscal year, we trained representatives from each business site as non-technical skill instructors. This year, we plan to develop instructors for each department based on these representatives, implement training and safety activities in each department, and promote “developing safe personnel.”

#### Hierarchy of Safety Measures



#### Utilizing Non-Technical Skills

##### V. Measures for Individual Sensitivity

**Preventing direct contact between** hazard sources and people (Learning from past accidents, repeated training in workshops, hazard prediction training, etc.)

##### IV. Administrative Measures

**Controlling** hazard sources and people (Preparation of manuals, restricted entry measures, use of protective equipment, etc.)

##### III. Engineering Measures

**Physically isolating** hazard sources and people (Guards, covers, safety devices, etc.)

##### II. Inherent Safety

**Elimination of** hazard sources (Mechanization, remote operation, etc.)

##### I. Legal Compliance

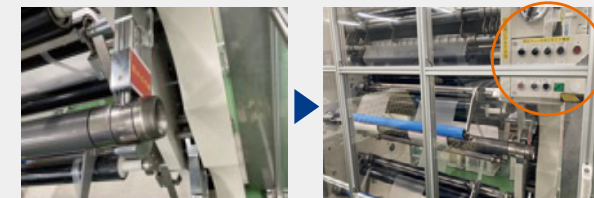
Reliable implementation of **prescribed measures**

#### (2) “Creating Safe Equipment”: Comprehensive Inspection for Caught-in/Entanglement Hazards

To further reduce accidents caused by equipment-related caught-in or entanglement hazards, we are focusing on inspecting risky tasks and equipment. This time, we incorporated various perspectives, including members of the newly established safety management staff/groups at new business sites, in addition to the workplace, and newly identified risks equivalent to 5% of previous cases. We are advancing both hard and soft measures to enable work in a safer environment.

#### Improvement Image

**Since the inching button is inside the safety fence, it will be relocated outside the fence.**



### 5 | Establishment of Systems Based on Lessons from Serious Accidents

#### (1) Systematic Patrols Within Business Sites

- Safety management staff/groups at all plants are conducting patrol activities aimed at reducing and preventing accidents resulting in leave from work.
- Patrol results and on-site requests are shared at the Safety and Health Committee, etc. and utilized to improve the workplace environment.



#### (2) Continuous Improvement Based on Audit Findings from Corporate

- We strive to ensure compliance, including at group companies, through various audits.
- In safety management audits, we check whether measures to prevent recurrence of accidents are being properly implemented, and also work on continuous improvement.





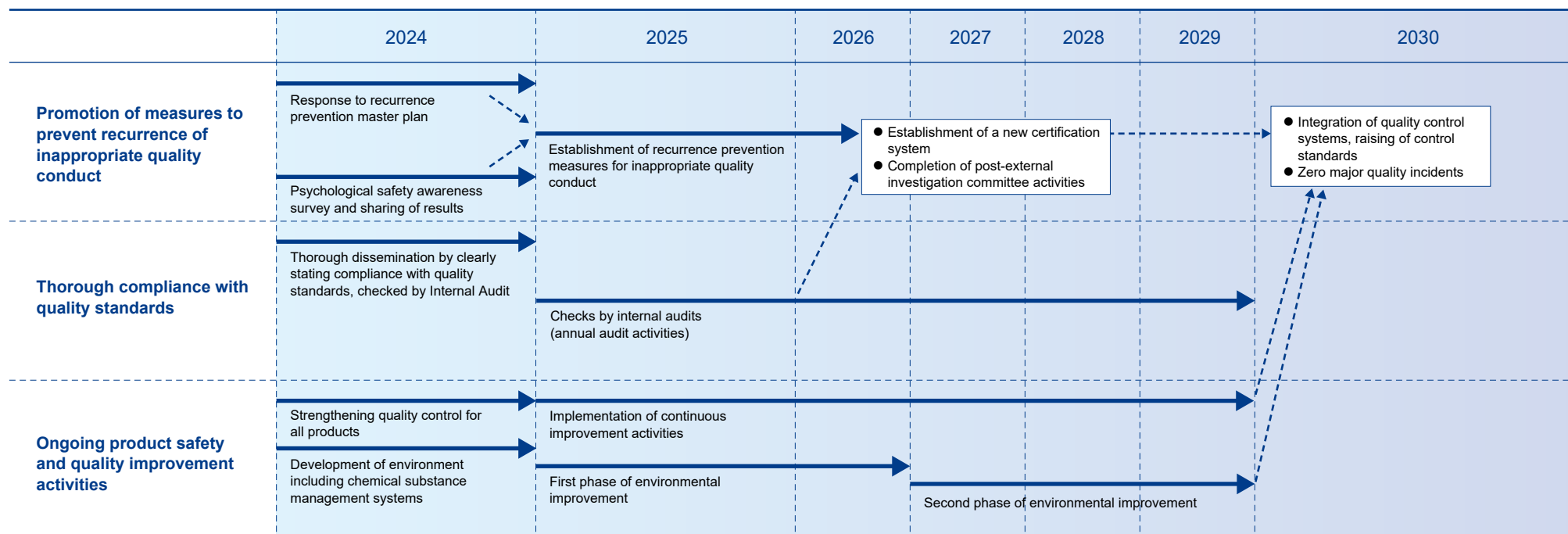
# Quality Assurance Management

The Denka Group have established a quality policy that aligns with our management plan “Mission 2030,” and we are conducting quality assurance activities for our broad range of products. This diverse product lineup covers everything from organic chemistry, such as synthetic resin and resin processing, to inorganic chemistry using methods such as highly functional powder control technology, and bio-related fields such as bacteria/virus incubation and antibody/antigen production technology.

## Quality Policy (Fiscal 2025)

The Denka Group aims for zero major quality incidents by promoting and improving quality management, providing safe, stable and high-quality products and services, ensuring compliance with quality standards, and establishing measures to prevent recurrence of inappropriate quality practices. Through these efforts, we are striving to earn the satisfaction and trust of stakeholders and contribute to new value creation.

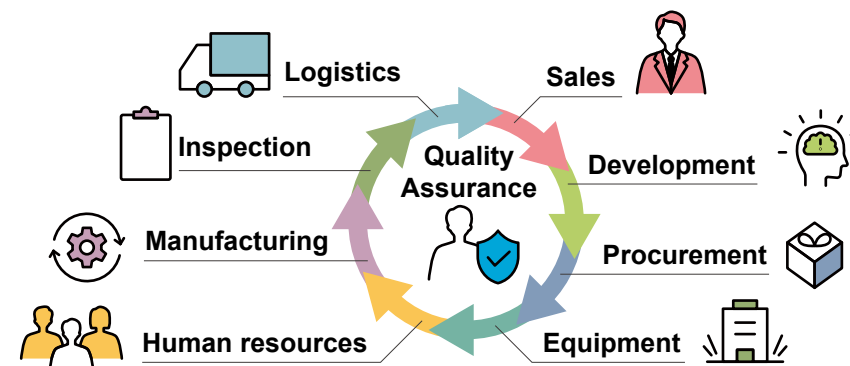
## Roadmap for Management Plan “Mission 2030”



## Quality Assurance Management

### 1 | Initiatives for Quality Improvement and Customer Satisfaction

Matters such as quality requirements from the market, laws and regulations for each product are becoming increasingly stringent. As part of our efforts to address these, we are systematically implementing quality gate management through design reviews. We are working together to address issues identified in the market environment, product design, and manufacturing processes, and to provide products that are highly evaluated by stakeholders.



### 2 | Chemical Substance Management/Product Safety

We constantly collect and monitor information on domestic and international legal revisions related to chemical substances (e.g., Chemical Substances Control Law/Japan, REACH Regulation/EU). To ensure compliance with legal amendments and further enhance safety, we promptly and appropriately respond when changes to product components or production processes are required.

### 3 | Promotion of Quality Roundtable Meetings by Management

As a measure to prevent recurrence of inappropriate quality practices that became apparent in May 2025, various quality roundtable meetings are being held by management.

#### <Roundtable Discussions with Management>

- Town Hall Meeting
- Quality Roundtable Meetings
- Opinion Exchange Meetings

We aim to foster a company culture with high psychological safety by encouraging direct discussions between management and employees at all levels, from supervisors to staff on the production floor.



May 2025 Shibukawa Plant and Isesaki Plant joint exchange meeting

### 4 | Strengthen Quality Compliance Education

To strengthen compliance with quality standards, we are providing quality compliance education to employees. We are improving educational content and delivery methods, reviewing educational programs, and promoting compliance throughout the group.



### 5 | Improvement of Quality Management System and Management Level

Requests and comments from customers regarding the quality of our products are managed company-wide through the “Quality Management System” for quality improvement and the “Chemical Substance Management System” for managing chemical information. We will continue to enhance our management level, further improve quality and product safety, and provide products and services that earn the trust of our stakeholders.

Message from the Executive Officer in charge of the Internal Control Department,  
Legal Department, Administrative Department, and Secretary Department.

## Akinori Adachi

Executive Officer

At Denka Group, under the management plan “Mission 2030,” we aim to realize a sustainable society and enhance corporate value, positioning the strengthening of risk management as a key management issue. Amid increasing uncertainty surrounding our business, such as growing societal demands regarding climate change (TCFD), rapid social changes including greater respect for human rights, rapidly changing business environments, and full-scale business portfolio shift, we are working to appropriately control various risks and minimize capital costs. To this end, we have established the Denka Group Risk Management Committee, chaired by the president, and are strengthening our risk management system through integrated risk management (ERM) system and year-round activities. Going forward, we will further enhance our integrated risk management system to achieve “Mission 2030,” thereby not only improving corporate reliability but also contributing to society as a whole.

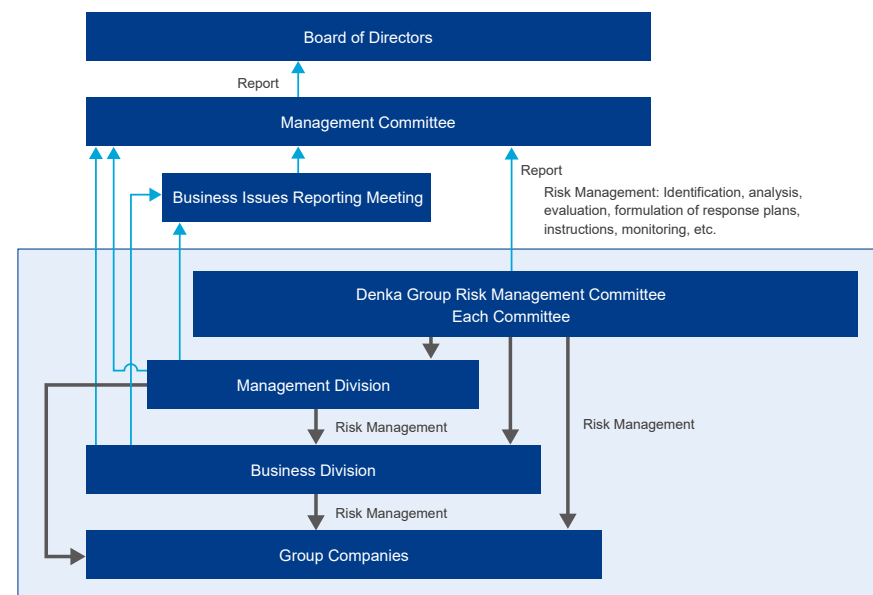
## Denka's Approach to Sustainability and Risk Management

Denka's Board of Directors recognizes that responding to the various social issues related to sustainability is an important management issue that leads to reductions of risks and to profit opportunities. To that end, we formulated the “Denka Group ESG Basic Policy” to put the four areas and ten principles of the United Nations Global Compact into practice and is taking appropriate responses according to the risks, such as strengthening a group-wide compliance system and taking on the challenge of creating new businesses to solve social issues. Furthermore, the Sustainability Committee chaired by the President also strives to manage the progress of various sustainability initiatives as well as share good practices. Denka strives to improve corporate value in the mid- to long-term through these activities related to sustainability.

## Denka's Risk Management Structure

Denka's Board of Directors recognizes that risks and strategy are inseparable and is working to develop and improve an environment in which each executive officer can take risks, while at the same time developing and improving Denka's risk management structure for the entire Group. To achieve these purposes, the Management Committee and the Business Issues Reporting Meeting, both of which are held monthly, discuss the identification and evaluation of each risk that may affect the Group's management and measures to control risks while considering profitability and other economic values. In addition, each risk in the business divisions, including the status of achievement of the business plan, is continuously tracked. Each cross-organizational committee conducts specialized risk management depending on the type of risk, such as legal matters, capital investment, the environment, health and safety, quality control, startup investment, and more. Furthermore, Denka's management divisions are striving to manage the Group's risks, which they are in charge of based on the Group's common rules. In addition, while business divisions manage their risks, we dispatch directors to each Group company for them to discuss with our management divisions and manage the business risks of each company. Denka is working to further strengthen the risk management system of the entire Group based on the concept of Enterprise Risk Management. The Denka Group Risk Management Committee selects and identifies group management-level risks and opportunities as priority risks and evaluates their level of impact, formulates policies, and manages progress to enhance response to such priority risks. We published the Denka Group Management Handbook, a booklet that describes the ideal vision for each operation based on the concept of group internal control policy, to continuously work on strengthening a group-wide internal control system and conducting appropriate operations.

### Risk Management Structure during Normal Times

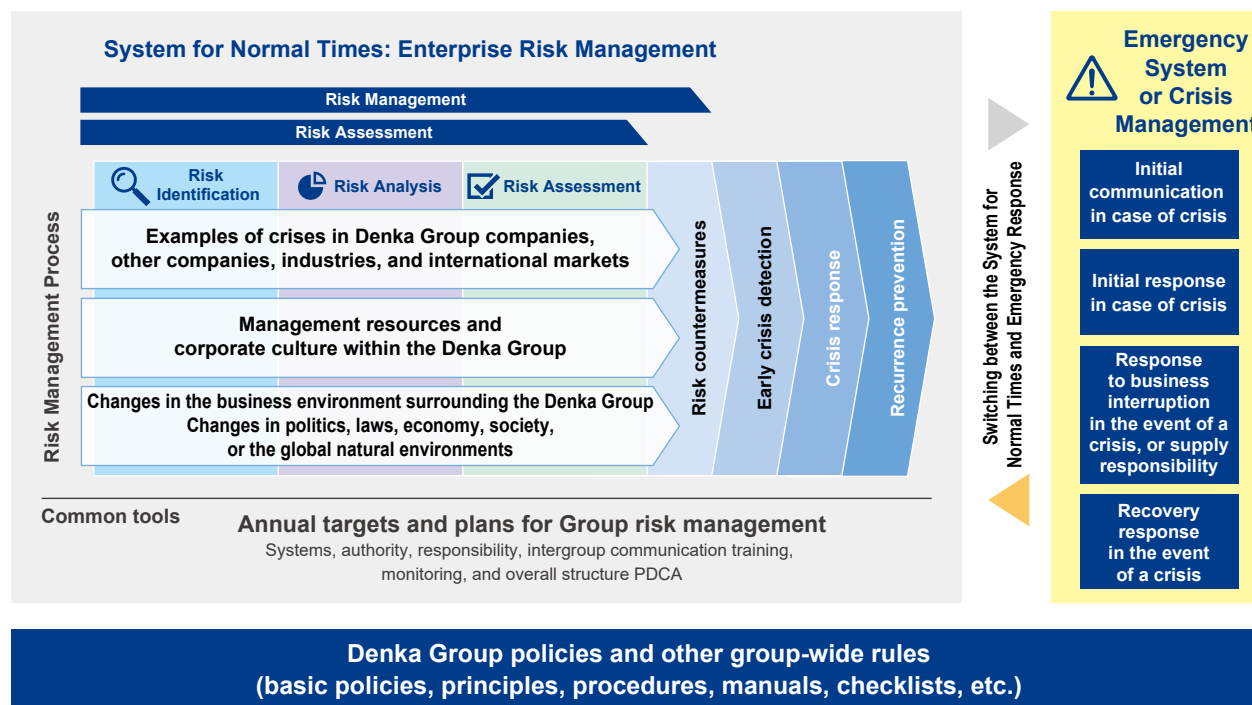




## Enterprise Risk Management Initiatives

The Denka Group is working to strengthen its cross-organizational enterprise risk management system in the face of increasing uncertainties surrounding its business. The Denka Group Risk Management Committee chaired by the President identified priority risks by visualizing, analyzing, and evaluating risks that require cross-organizational management based on impact, frequency, and other factors. Management policy is determined based on these priority risks and various year-round monitoring activities, such as implementing measures to enhance the communication network during disasters and conducting real-time disaster response training participated by the management team from the Head Office and senior managers of plants. By increasing the effectiveness of countermeasures through trial and error, Denka will strive to improve corporate value for stakeholders over the medium to long term by reducing impacts of risk exposure on its business performance and minimizing its capital costs. In FY2024, as a response to identified priority risks, we strengthened our initial response to cyberattacks, reviewed business continuity plans, and conducted surveys of physical security at business sites and plants.

Denka Group has been continuously improving its enterprise risk management system but is currently working on risks related to safety and quality assurance in response to such issues that occurred in 2023. The Group is engaged in addressing organizational and operational systems, ensuring psychological safety, and reforming the corporate culture with the Environmental & Safety and Quality Assurance departments taking the lead.



List of Priority Risks and Their Risk Owners

| Major category   | Medium classification                                 | Small classification                                                                                                                                                                                                                                                                 | Risk owner                                                   |
|------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Business risks   | Disasters                                             | Earthquake disasters (earthquakes and tsunamis)                                                                                                                                                                                                                                      | Administrative Dept.                                         |
| Business risks   | Accidents/crimes                                      | Major crimes to the Company by third parties (terrorist attacks, arsons, threats, etc. in Japan)                                                                                                                                                                                     | Administrative Department/ Environment and Safety Department |
| Management risks | Business environment (social, economic, political)    | Inability to export, operate business, or other actions due to geopolitical risks                                                                                                                                                                                                    | Corporate Planning Dept.                                     |
| Management risks | Business environment (social, economic, political)    | Economic crises, economic shifts, and changes in exchange rates                                                                                                                                                                                                                      | Accounting Department/ Financial Strategy Department         |
| Management risks | Related companies (Group companies, etc.)             | Failure of group governance                                                                                                                                                                                                                                                          | Internal Control Department                                  |
| Business risks   | Disasters                                             | Climate change risks (cold and heat waves, droughts, long rains, irregular climates, etc.)                                                                                                                                                                                           | Sustainability Promotion Dept.                               |
| Business risks   | Accidents/crimes                                      | Operational accidents (fires, explosions, etc. at plants)                                                                                                                                                                                                                            | Environment and Safety Dept.                                 |
| Business risks   | IT/information management                             | Overall information system error due to cyber-attacks and unauthorized access                                                                                                                                                                                                        | Digital Strategy & Innovation Department                     |
| Business risks   | Products/services                                     | Troubles due to quality issues of products or services (product accidents, drug-induced injuries, large-scale food poisoning, foreign matter contamination, large-scale product recalls, etc.)                                                                                       | Quality Assurance Dept.                                      |
| Business risks   | Violation and non-conformance of laws and regulations | Encapsulation, falsification, and false reporting of information (product counterfeiting, falsification of quality and performance, encapsulation of labor accidents, etc.)<br>Violation of laws and regulations, violation of contracts and internal regulations⇒ Global compliance | Legal Department/ Internal Control Dept.                     |



## Denka's Risk Management Activities

Denka Group has established the Basic Guidelines for Crisis Management as a basic rule for responding to emergencies in the event that a risk that could have a significant impact on the management of the Denka Group materializes. Based on this guideline, each management department develops appropriate initial response rules, rules for the centralized aggregation of information, and rules for communication with the internal and external stakeholders as well as formulating countermeasures according to crisis scenarios in preparation for such crises. In order to minimize risks that could affect business continuity, such as information leaks caused by cyber-attacks, Denka has established common Group policies such as the Denka Group Information Security Policy, and the Group is implementing initiatives related to information security, including the protection of personal information. Also, with regard to risks in connection with product quality, which is important for a manufacturer, to minimize risks that may affect business continuity, Denka has established the Denka Group Quality Issue Response Policy and is implementing initiatives across the entire Group. If, in case a crisis does occur, the CEO is to decide whether to establish a crisis task force in accordance with the seriousness of the incident based on the Basic Guidelines for Crisis Management. The relevant departments work closely together and, when necessary, obtain the advice of outside experts to conduct various investigations, analyze causes, and formulate various countermeasures to prevent recurrence. Since fiscal 2023, Denka has been working to strengthen the risk management system of the entire Group based on the concept of Enterprise Risk Management.

## Denka Group Management Handbook

Denka distributes the Denka Group Management Handbook to Group companies in Japan and overseas to strengthen overall risk management and internal control of the Group.



## List of Risks and Locations of Articles Describing our Response

| Category                            | Summary of Major Risks                                                                                                                                      | Page                         | Page number for articles                                                                                   |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------------------------------------------------------------------------|
| Business management                 | Awareness of management issues and social issues related to sustainability                                                                                  | ▶ P05-16                     | Message from the President                                                                                 |
|                                     |                                                                                                                                                             | ▶ P31-33                     | Sustainability management promotion structure                                                              |
|                                     | Execution of the management plan and financial strategy, business environment (economic crisis, economic/foreign exchange fluctuations, geopolitical risks) | ▶ P04                        | Temporary suspension of chloroprene rubber manufacturing equipment at US DPE and its effects               |
|                                     |                                                                                                                                                             | ▶ P17-22                     | Financial Strategy                                                                                         |
|                                     |                                                                                                                                                             | ▶ P34-36                     | Management Plan "Mission 2030"                                                                             |
|                                     | Corporate governance, group governance                                                                                                                      | ▶ P71-82                     | Management Value Creation                                                                                  |
|                                     | Responding to changes in the business environment, natural disasters                                                                                        | ▶ P37-48                     | Message from division heads, business strategies, SWOT analyses                                            |
| Risk management & compliance        | Risk management, accidents/crimes                                                                                                                           | ▶ P87-94                     | Risk management                                                                                            |
| Accidents & disasters               | Operational accidents, safety, health and disaster prevention                                                                                               | ▶ P83-84                     | Place the utmost priority on safety                                                                        |
| Quality & product liability         | Issues caused by poor product/service quality, information coverups, falsification, false reporting                                                         | ▶ P85-86                     | Quality Assurance Management                                                                               |
| Information systems                 | Overall information system error due to cyber-attacks and unauthorized access                                                                               | Sustainability website (web) | Governance/compliance with laws and regulations/thorough corporate ethics/information security management  |
|                                     |                                                                                                                                                             | ▶ P56-59                     | DDX Financial Strategy                                                                                     |
|                                     | Digitalization, DX                                                                                                                                          | ▶ P60                        | Technology -Process Reforms-                                                                               |
| Environmental Management            | Climate change, abnormal weather, reduction of environmental impact, and biodiversity                                                                       | ▶ P65-70                     | Pursuit of sustainability/Denka's Environmental Management                                                 |
| HR strategy                         | Employment, DE&I, human resource development, health management                                                                                             | ▶ P61-64                     | Human Resources Value Creation                                                                             |
| Respect for human rights            | Human rights violation risks                                                                                                                                | ▶ P91                        | Initiatives for respecting human rights                                                                    |
| Protection of intellectual property | Protection of intellectual property                                                                                                                         | Sustainability website (web) | Governance/compliance with laws and regulations/thorough corporate ethics/intellectual property management |
| Protection of personal information  | Protection of personal information                                                                                                                          | Sustainability website (web) | Governance/compliance with laws and regulations/thorough corporate ethics/information security management  |
| Supply chain                        | Export trade management                                                                                                                                     | Sustainability website (web) | Governance/compliance with laws and corporate ethics/export security trade control                         |
|                                     | BCP (Business Continuity Plan)                                                                                                                              | Sustainability website (web) | Governance/corporate governance/BCP                                                                        |
|                                     | Procurement risks                                                                                                                                           | Sustainability website (web) | Society/procurement/Denka Group Basic Policy and Guidelines on Sustainable Procurement                     |
| Communication                       | Responsible dialogue with stakeholders                                                                                                                      | ▶ P95-97                     | Dialogue with Stakeholders                                                                                 |

# Denka Group Internal Control

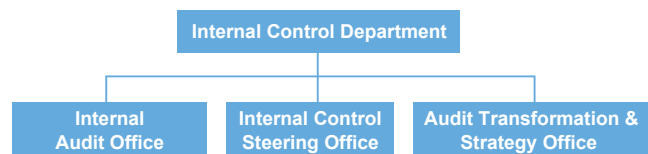
## Basic Policy

The Company is committed to improving the non-financial value of the entire group by enhancing internal control, improving business processes, reducing risks, and preventing fraud. The Internal Control Department is organized to lead the force, and we envision becoming a professional team that is trusted by stakeholders inside and outside the company by carrying out three activities:

implementing assurance, giving advice, and assisting activities, all on a PDCA basis. As one of the non-financial KPIs in management plan “Mission 2030”, we have set a goal of completing the establishment of a structure of internal controls (Internal Control Framework) within the group by 2030, which packages standardized internal control initiatives.

## Organizational Structure

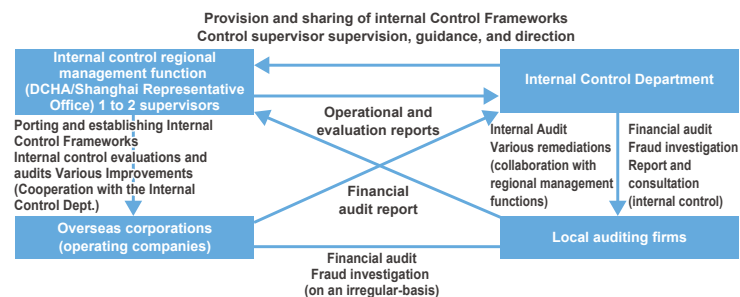
The Internal Control Department is comprised of three distinct offices: The Internal Audit Office, Internal Control Steering Office, and Audit Transformation & Strategy Office. The Internal Audit Office is responsible for assurance activities, including control evaluations, audits, and advisory services. The Internal Control Steering Office supports the “first line” in designing and implementing controls. The Audit Transformation & Strategy Office explores innovative audit methodologies while promoting Digital Transformation (DX). Furthermore, the Internal Control Department is actively promoting mid-career recruitment to foster its transformation into an organization that embraces diverse values, unrestricted by gender, age, or nationality.



## Overseas Corporate Internal Control Regional Management Structure

Internal control functions have also been organized within regional headquarters companies in Singapore and China, and are working with the Internal Control Department to strengthen Group's control.

### Overseas Corporate Internal Control Regional Management Structure



## Road Map in the Management Plan “Mission 2030”

|                                  | [2024 results]                                                                                                                                                                                                                                                                                                                                                                                                                             | [2026 plan (M30 interim targets)]                                                                                                                                                                                                                                                                       | [FY2030 Targets]                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Internal control framework       | (1) Implementation completed (FY2024 completion):<br>17 companies, 1 site<br>(2) In progress – total 3 companies                                                                                                                                                                                                                                                                                                                           | • Implementation completed:<br>26 companies, 2 sites<br>(* Number of companies reporting completion)                                                                                                                                                                                                    | Establish internal control framework for all Group companies                                                                                                                                                                                                                                                                                                                                  |
| Enterprise Risk Management (ERM) | • Introduced an Enterprise Risk Management (ERM) system to centrally manage group-wide risks.<br>• Identified and selected the Denka Group's "priority risks (10 items)."<br>• Started BCP formulation at Gosen Site<br>• “Tokyo metropolitan epicentral earthquake disaster”<br>• Creation of initial response manual<br>• Securing communication means in emergencies (in cooperation with the Digital Strategy & Innovation Department) | • Strengthening the functions and authority of the head office second line (head office management divisions) via ERM<br>• Institutionalizing a “group management mindset” through a shift in mindset via ERM (from a single-entity management-oriented approach to group management-oriented approach) | • Qualitative improvement of “group control and group management” through strengthening the functions and authority of the head office second line (head office management divisions)<br>• Strengthening the management foundation supporting group management (e.g., building information infrastructure to promote group-wide information sharing and systems for detailed risk assessment) |

## Overview of Internal Control

### 1 Adoption of the Three Defense Line

Our company's internal control system is composed of three lines of defense: the first line is the risk owners (sales and manufacturing sites, etc.), the second line is the management department that provides control support and monitoring to the first line, and the third line is the internal audit departments that evaluate and assure the effectiveness of controls.

### 2 Achievements (Number of Audits and Support for Internal Control Development)

In FY2024, we conducted 50 voluntary audits, ten group companies for Company-level Control (CLC) and three group companies for internal control related to Process-level Controls (PLC) under J-SOX. In addition, five companies, mainly overseas group companies, have started to establish internal controls using the Internal Control Framework, and together with the three companies that began last year, evaluations have been completed for six companies.

### 3 Awareness and Dissemination of Internal Controls

The results of internal control evaluations and audits are also shared with relevant management departments (second line) and major group company executives, and a wide range of items are discussed and reported, such as significant findings, specific actions to be taken, and good examples of control.

## Initiatives to Respect Human Rights

The Denka Group respects international norms related to human rights and strives to act by the Guiding Principles on Business and Human Rights of the United Nations. In addition, we endorse the Ten Principles stipulated by the above initiative as a signatory company of the United Nations Global Compact. We share a common understanding of the importance of human rights throughout our business activities. Based on the Denka Group ESG Basic Policy and the Denka Group Ethics Policy, we work to fulfill our responsibility in respecting human rights. We value diversity in terms of race, religion, gender, age, nationality, and disability, and will increase corporate value by fulfilling our responsibilities.

### Promotion System

We organize related departments and Human Rights Working Team to coordinate in promoting initiatives on respecting human rights. The progress of initiatives is reported twice a year to the Board of Directors after being discussed by the Sustainability Committee.



### Denka Group Human Rights Policy

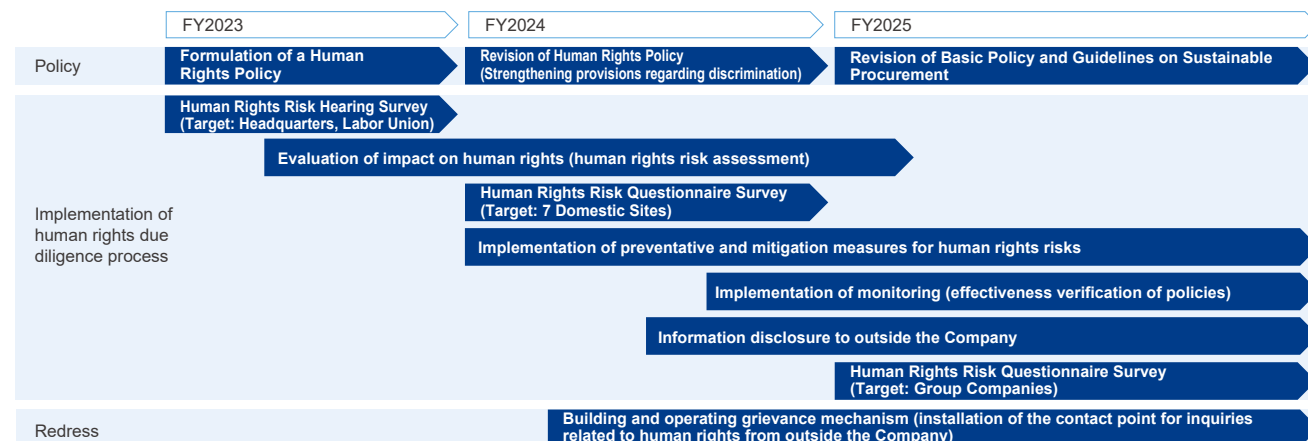
The Denka Group Human Rights Policy was approved by the Board of Directors and enacted on September 11, 2023. This human rights policy applies to all Group executives and employees, and its business partners and suppliers are urged to support and respect it.



• Denka Group Human Rights Policy  
<https://denka.disclosure.site/ja/themes/796>

### Target and Road Map of the Response Process in the Management Plan “Mission2030”

We are promoting activities of achieve the 2030 target of establishing a process of identifying and responding to human rights risks in the Group’s supply chain in the Management Plan “Mission2030”. We will continue to promote awareness of and disseminate the Denka Group Human Rights Policy to all Group employees and work systematically together with expert third parties on human rights due diligence and redress mechanisms.



## Sustainable Procurement

The Denka Group builds partnerships with all business partners, works to strengthen mutually beneficial relationships, fulfills its social responsibilities in the supply chain, and aims for sustainable development by establishing the “Denka Group Basic Policy on Sustainable Procurement” and the “Denka Group Sustainable Procurement Guidelines” based on the “Denka Group ESG Basic Policy.” To promote sustainability throughout the supply chain, these policies and guidelines are applied to all transactions with Denka Group business partners.



• Denka Group Basic Policy and Guidelines on Sustainable Procurement  
<https://denka.disclosure.site/ja/themes/798>

### FY2030 Targets

- (1) Conduct procurement questionnaire for all business partners
- (2) Improvement of Low-Scoring Suppliers

### FY2024 Initiatives

- Compiled BCP raw material risk assessments.
- Listed scores for each company by questionnaire item (all 9 items including human rights, labor, and environment). In FY2025 and FY2026, we plan to focus on “human rights and labor” items, conduct hearings with target suppliers, and request improvements.

## Basic Policy on Taxation

The Denka Group recognizes tax payment as one of the basic and important social responsibilities that companies must fulfill, and strives to pay taxes appropriately under this policy to contribute to economic and social development.



• Denka Group Basic Policy on Taxation  
<https://denka.disclosure.site/ja/themes/826>

## Policy on Strategic Shareholdings

As a general rule, Denka does not hold strategic shareholdings considering the improvement of capital efficiency. However, Denka will hold such shareholdings if it judges that it will contribute to building a stable business relationship and maintaining and strengthening business alliances under its growth strategy, thereby enhancing the Company's corporate value over the medium to long term. In accordance with the above policy, the Board of Directors conducts a comprehensive annual review of such shares from various perspectives, including the financial condition of the issuing company, the volume of transactions with the Company and the economic rationality of such transactions, and a comparison with the Company's cost of capital. As a result of this continuous analysis, the number of issues of strategic shareholdings as of March 31, 2025, decreased by 9 from the end of the previous fiscal year to 45, and the ratio to consolidated net assets decreased by 0.79 percentage points to 6.42% from the end of the previous fiscal year.

### Trends in Strategic Shareholdings

|                                           | FY2019  | FY2020  | FY2021  | FY2022  | FY2023  | FY2024  |
|-------------------------------------------|---------|---------|---------|---------|---------|---------|
| Number of issues                          | 97      | 93      | 90      | 70      | 54      | 45      |
| Amount on balance sheet (Millions of yen) | 26,468  | 33,243  | 34,034  | 29,956  | 22,848  | 19,786  |
| Total net assets (Millions of yen)        | 254,014 | 270,036 | 292,094 | 300,351 | 316,915 | 308,296 |
| Percentage of consolidated net assets     | 10.42%  | 12.31%  | 11.65%  | 9.97%   | 7.21%   | 6.42%   |

### Number of Issues of Strategic Shareholdings at the End of March 2025 and the Amount on the Balance Sheet

|                 | Number of issues | Amount on balance sheet |
|-----------------|------------------|-------------------------|
| Unlisted issues | 43 issues        | 3,338 million yen       |
| Listed issues   | 2 issues         | 16,448 million yen      |

### Issues with declining number of shares held in FY2024

|                 | Number of issues | Total amount of gains related to the decrease in the number of shares |
|-----------------|------------------|-----------------------------------------------------------------------|
| Unlisted issues | 9 issues         | 362 million yen                                                       |
| Listed issues   | —                | —                                                                     |

## Regarding Litigation Against US Subsidiary

Since 2018, multiple lawsuits (20 cases as of the end of March, 2025) have been brought against Denka's U.S. subsidiary, Denka Performance Elastomer LLC ("DPE"; Denka's stake in DPE is 70%), and DuPont de Nemours, Inc. and its affiliates (collectively "DuPont"), in the 40th Judicial District Court, State of the Louisiana, United States, and are currently pending.

The plaintiffs (total sum of plaintiffs is 7,308, as of the end of March, 2025) are alleging in the lawsuits that they are suffering physical, property and psychological damage from chloroprene monomer emitted from the plant located in the State of Louisiana in the US, (DuPont started its operation in 1969 and later DPE acquired the plant in November 2015) where DPE manufactures Neoprene. In the lawsuits, the plaintiffs are seeking damages with an upper limit of 50,000 USD per plaintiff from DPE and DuPont. DPE will continue to closely examine the details of these claims by the plaintiffs and take appropriate response action.

On February 28, 2023, the US Department of Justice, on behalf of the US Environmental Protection Agency, filed a lawsuit against DPE in the US District Court for the Eastern District of Louisiana seeking to implement measures eliminate the hazards resulting from discharges of chloroprene monomer. A motion for preliminary injunction for DPE to take above measures was also filed on March 20, 2023. Subsequently, both proceedings were consolidated and pending before the court, but the US Department of Justice withdrew the lawsuit as of March 7, 2025, and the case was closed.

On April 9, 2024, the United States Environmental Protection Agency announced new air emission regulations for chemical substances applicable to chloroprene rubber manufacturing facilities that include DPE, and published them in the federal register on May 16 that year. The regulations requires chloroprene rubber manufacturing facilities in the United States to substantially reduce emissions of chloroprene monomer, a raw material for chloroprene rubber, by implementing various emission control measures. In response to these regulations, DPE filed a petition with the United States Court of Appeals for the District of Columbia Circuit on May 16, 2024, seeking a review of the regulations themselves. On July 10, 2024, DPE also filed a petition for review with the Fifth Circuit of United States Court of Appeals seeking confirmation of the legal validity of the two-year extension of the compliance grace period for these regulations given by Louisiana Department of Environmental Quality (LDEQ), and both cases are currently pending before their respective courts. Regarding these regulations, the U.S. government also announced in a presidential proclamation dated July 17, 2025, that the initial compliance grace period would be extended by two years.

For details, please refer to the news releases\* posted on the corporate website of Denka Co., Ltd.



• <https://www.denka.co.jp/news/>

\* News releases dated June 19, 2019; February 14, June 8, June 19, August 7, December 17, 2020; March 2, June 22, July 20, 2021; April 28 and June 17, October 28, 2022; January 13, March 6, April 21, 2023; and April 17, July 10, 2024.



# Denka's Group Compliance

## Basic Policy

The Group broadly defines “compliance” as compliance with laws, contracts, internal regulations, and social norms. The Denka Group Ethics Committee, established by the Board of Directors and chaired by the CEO, oversees compliance efforts across the entire Group. Under this committee and in response to each compliance risk, our Management Division in the Head Office devises and implements various preventive measures, gathers information on the latest laws and regulations, legal

precedents, and case examples from other companies, establishes and revises various rules, including the Group's common rules and common company-wide rules, and carrying out various compliance training, monitoring, auditing, and more, related to corporate ethics, general laws, environment, quality, occupational health and safety, and human rights.

## Compliance Promotion System

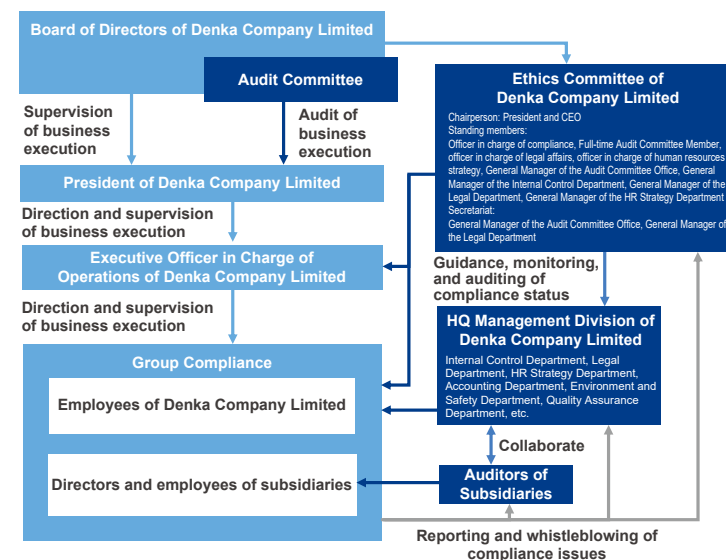
The Denka Group has established the “Denka Group Corporate Ethics Policy” as its highest-level compliance regulation, enacted by the Board of Directors. This policy aims to ensure that all officers and employees of the Denka Group practice compliance, thereby maintaining and securing the trust of society and ensuring the sustainable development and continuity of the entire Group. To achieve this, the policy stipulates the code of conduct, organizational structure, responsibilities of relevant officers and employees, and the establishment of a whistleblowing system that all officers and employees must observe. Based on this policy, the Board of Directors has established the “Ethics Committee,” chaired by the president, which oversees all compliance-related activities, including monitoring the progress of compliance promotion activities, addressing issues, and deliberating on activity plans for the following year. At the same time, the Board of Directors appoints an executive officer (Chief Compliance Officer (CCO)) responsible for promoting compliance. The CCO assists the president, who serves as the chair of the Ethics Committee, and directs and supervises compliance promotion activities carried out by the Legal Department, Internal Control Department, HR Strategy Department, and other HQ management divisions that serve as the Ethics Committee Secretariat. Through this corporate ethics policy and the organizational and responsibility structure it sets out, we are working to strengthen the compliance system for the Denka Group both domestically and internationally.

## Denka Group Standards of Business Conduct

The Denka Group has formulated the “Denka Group Standards of Business Conduct,” which further specifies the code of conduct that all officers and employees must observe as set forth in the “Denka Group Corporate Ethics Policy.” These set forth global standards of ethical conduct, as guidelines for ethically and legally appropriate actions, including, which executives and employees of each Denka Group company should follow to realize the Group's vision. In terms of content, we distribute booklets (in Japanese, English, and Chinese languages) as a guide for each employee's daily work. It covers basic rules for appropriate work, environment, safety, fair transactions, export regulations, economic sanctions, insider trading, personal information management, quality compliance, intellectual property rights, corruption prevention, compliance with labor laws, respecting human rights, and other themes.

## Compliance Awareness and Education

To establish a compliance-first system and corporate culture in a thorough manner, the Denka Group designates every October as “Compliance Reinforcement Month,” during which the president delivers a message and the Ethics Committee conducts activities such as e-learning training, surveys, and obtaining compliance pledges from all officers and employees of the group. In the e-learning conducted in FY2024, more than 6,000 participants took part at all locations. In addition, the Legal Department, which serves as the Ethics Committee Secretariat, extracts key compliance risks from the above survey results and holds seminars on those areas, as well as regularly disseminates information via the intranet.



Standards of Business Conduct Booklet (English version)



Training scenes for group companies

## Whistle-Blowing System “Denka Group Helpline”

To ensure more reliable compliance management throughout the group and to promptly identify and correct compliance issues at group companies, the Denka Group has established the “Denka Group Corporate Ethics Policy” and the “Denka Group Whistleblowing Policy.” Based on these regulations, the Ethics Committee has established and operates the group-wide whistleblowing system, the “Denka Group Helpline.” Officers and employees of each Group company in Japan and overseas, regardless of the contract type, such as temporary employees, etc., their family members within the second degree of kinship living with them, and retirees as stipulated by the Whistleblower Protection Act of Japan, can report compliance issues to the Denka Group Ethics Committee at any time using the Denka Group Helpline anonymously or with identifying information, in Japanese, English, or Chinese language.

The Denka Group Ethics Committee not only has multiple contact points for receiving reports (the committee secretariat as the internal contact point; Nishimura & Asahi and specialized businesses serve as the external contact point), but also has stipulated the obligations in the group-wide whistle-blowing regulations for officers and employees to keep the identity of the whistleblower confidential and to prohibit retaliatory actions against whistleblowers, and the strict punishment for violations of these obligations. The Legal Department that the Ethics Committee Secretariat is in charge of is also working to maintain trust in and promote the use of the internal whistle-blowing system by emphasizing this information for officers and employees through various compliance training programs. With this initiative, the Denka Group Helpline is actively being used, contributing to improving the effectiveness of compliance efforts made by the Denka Group. From FY2025, a new reporting channel has also been established for supply chain-related business partners of Denka Group companies to report issues related to human rights.

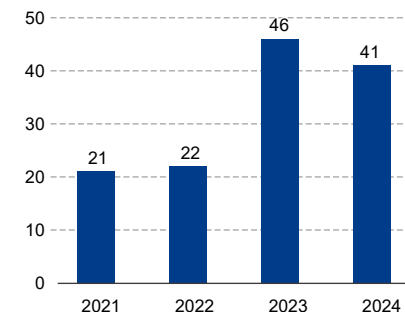
## Response to Misconduct

Denka formulated a basic regulation on responding to compliance violation incidents in August 2022 to fairly and appropriately respond to compliance issues reported via internal reporting, office organization, and other routes. This regulation stipulates specifics on internal reporting related to compliance issues, investigation systems, process of proceedings when an issue is recognized, and measures for internal dissemination as corrective and preventative measures. If a compliance issue occurs in the Company, we strive for the early resolution and correction of the issue including implementing necessary disciplinary action by the internal investigation team investigating the issue under the regulation.

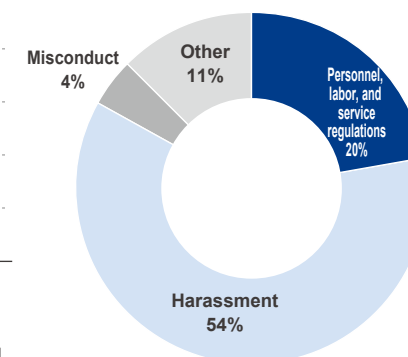
Handbook for employees on using the whistleblowing system



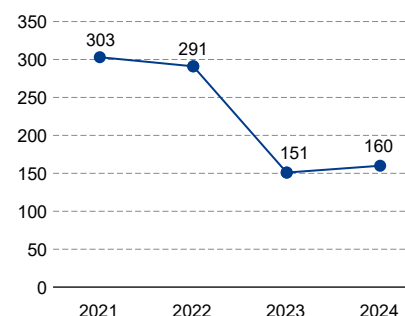
### Trend in the Number of Reports



### Breakdown of Internal Reports (cumulative from FY2019–FY2024)



### Trend in the Number of Consolidated Employees Per Report (Persons/Reports)



\* Classification is based on the content of the report at the time of receipt and does not necessarily reflect the recognized facts.

### Breakdown of Offices in FY2024 (Cases)

|                                | Misconduct | Harassment | Personnel, labor, and service regulations | Other |
|--------------------------------|------------|------------|-------------------------------------------|-------|
| Head Office                    | 1          | 6          | 2                                         | 1     |
| Research facilities and plants | –          | 11         | 2                                         | 1     |
| Group companies                | 1          | 8          | 3                                         | 2     |
| Unknown                        | –          | –          | 2                                         | 1     |

## Dialogue with Stakeholders

### 1. Creating Value through Dialogue with Our Stakeholders

The Denka Group considers maintaining responsible dialogue with stakeholders and an integral part of the process of assessing our social responsibilities, the degree of our social contributions, and stakeholder expectations about improving our corporate value. It also forms part of the Denka Group ESG Basic Policy, "Information disclosure and constructive dialogue with stakeholders". The diagram below illustrates the significance of dialogue with our various stakeholders and the value it creates.



## 2. Examples of Dialogue with Stakeholders

|                                                                                                            | Objective/Themes                                                                                                                                                                                                                                                                                                           | Means                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <b>Customers</b>         | <ul style="list-style-type: none"> <li>■ Providing safe, high-quality products that satisfy our customers and appropriate information.</li> <li>■ Forging relationships built on trust through sincere communication with our customers</li> </ul>                                                                         | <ul style="list-style-type: none"> <li>■ Face-to-face and online meetings with customers</li> <li>■ Providing technical services</li> <li>■ Conducting customer satisfaction surveys</li> </ul>                                                                                                                          |
|  <b>Business Partners</b> | <ul style="list-style-type: none"> <li>■ Promoting open innovation and building good relationships with our business partners to ensure co-existence and shared prosperity across the entire supply chain.</li> </ul>                                                                                                      | <ul style="list-style-type: none"> <li>■ Face-to-face and online meetings with suppliers</li> <li>■ Announcement of our Partnership Building Declaration</li> </ul>                                                                                                                                                      |
|  <b>Local Communities</b> | <ul style="list-style-type: none"> <li>■ Actively participating in the formation of more habitable local communities and contributing to their development as a good corporate citizen.</li> <li>■ Maintaining sound political and administrative relations and fostering a relationship of trust with society.</li> </ul> | <ul style="list-style-type: none"> <li>■ Comprehensive disaster prevention drills</li> <li>■ Participation in local events</li> <li>■ Facility tours and resident briefings</li> <li>■ Educational support</li> <li>■ Interaction with local residents and dialogue</li> <li>■ Social contribution activities</li> </ul> |

### “Junior Soccer Festival” Held at Denka Big Swan Stadium

On July 21, 2024, the Aomi Plant held the “7th Denka Big Swan Junior Soccer Festival” at Denka Big Swan Stadium, for which it holds the naming rights. Since 2015, this soccer festival has been held as part of Denka’s 100th anniversary and regional contribution activities, with the cooperation of the Itoigawa City Soccer Association. Through activities rooted in the Joetsu and Itoigawa communities of Niigata Prefecture, the event aims to give children of the region, who will shape the future, the joy of playing soccer on the same pitch as professionals.



### “Introduction to Patent Analysis Seminar” Held at Meiji University

We held the “Introduction to Patent Analysis Seminar” at Meiji University, aimed at understanding the importance of patent analysis and learning skills from basics to practice. Patent analysis is essential for grasping new technologies and competitive trends, and is a key tool for understanding technological progress and market trends, especially in rapidly developing fields such as SDGs-related technologies. This seminar focused on the technological trends of “alternative meat,” a technology attracting attention for SDGs, and included collecting patent information using the Patent Information Platform (J-PlatPat) and group work-based patent analysis. Students who participated commented, “I never imagined I could learn so much from patent graphs and lists,” and “It was fascinating to see how information obtained from patent analysis connects to a company’s strengths, weaknesses, and marketing strategies.”



|                                                                                                                  |                                                                                                                                                                                             |                                                                                                                                                                                      |                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
|  <b>Denka Group Employees</b> | <ul style="list-style-type: none"> <li>■ Reflecting the opinions of employees to promote the creation of a healthy and comfortable workplace for all members of the Denka Group.</li> </ul> | <ul style="list-style-type: none"> <li>■ Visits by and dialogue with the President</li> <li>■ Use of internal portal sites</li> <li>■ Conducted Employee Awareness Survey</li> </ul> | <ul style="list-style-type: none"> <li>■ Labor-management council</li> <li>■ Town Hall Meeting</li> <li>■ Lunch Meeting</li> </ul> |
|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|

### Town Hall Meeting Held

To foster a corporate culture where it is easy to speak up and take on challenges regardless of position, we hold “Town Hall Meetings” that facilitate communication between management and employees. In FY2025, the President visited locations nationwide, sharing his aspirations and values as President while interacting with employees.

July 2025 Denka Chemicals GmbH (Germany) Event



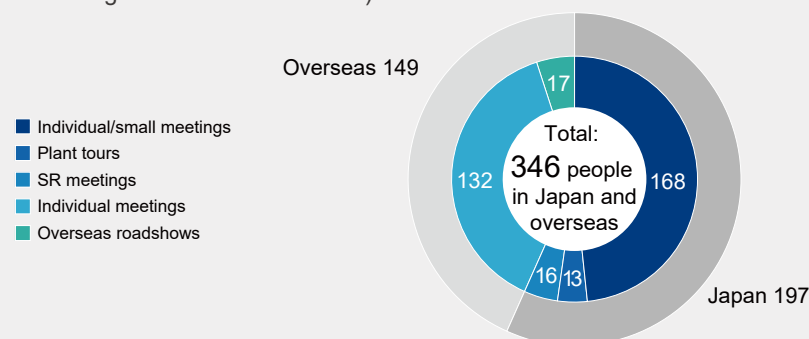




## Shareholders and Investors

### Objective/Themes

- Actively, effectively and fairly disclosing financial and non-financial information and ensuring its reliability through constructive dialogue.
- Enhancing our group governance structure to enhance the value of the entire company.
- Meetings with institutional investors and securities company analysts (Excluding shareholders' meetings, Financial Results Presentation, and Briefing for Individual Investors)



- Main topics of dialogue and matters of interest to shareholders and matters for increased disclosure
  - Policy and progress of business portfolio shift
  - Management policy, its content, and cash allocation (shareholder returns, strategic investment, human capital investment, R&D, financial leverage, etc.) that complies with prerequisites that have changed since the formulation of the management plan "Mission 2030"
  - Prospects for future growth business and investment plan

### Feedback to Management and Board of Directors

- Shareholder opinions obtained through dialogue are fed back to management and the Board of Directors, and to relevant departments
- When there are matters with many shareholder opinions, feedback is provided as needed



4 times a year + as needed

### Means

#### ■ Holding of the General Meeting of Shareholders (once per year)

Improve the content of convocation notices and other materials for shareholders' meetings to increase the level of disclosure.

Adoption of live-streaming for shareholders who are unable to attend the venue on the day, and the exercise of voting rights via the Internet using personal computers, etc.

#### ■ Holding of Financial Results Presentation (4 times a year: approx. 80 - 100 people)

The President and senior management provide quarterly briefings on financial results and growth strategies to institutional investors and securities company analysts. (Briefings are also held for the media 2 times a year.)

#### ■ Holding briefings for individual investors (once a year, 44 people in-person, 377 people online)

The officer in charge of IR holds briefings for individual investors in a hybrid method to explain management plans and overview of the business.

#### ■ Meetings with institutional investors and securities company analysts (Total: 346 people)

- Individual meetings/small meetings (168 in Japan and 132 overseas)  
The Corporate Communications Department conducts interactive dialogue with institutional investors and securities company analysts at individual meetings or small meetings to discuss financial results, management plans, and other details.
- Plant tours (once a year: 1 location in Japan) (13 people in Japan)  
Hold plant tours for institutional investors and analysts from securities companies to explain the characteristics of products and each plant
- SR meetings (2 times a year: 16 people in Japan)  
The General Affairs Department conducts dialogue with major domestic shareholders (institutional investors) to discuss our initiatives centered on governance and business challenges.
- Overseas road shows (2 times a year: 17 people overseas)  
The President holds dialogue with overseas institutional investors in the Americas, Europe, and Asia on management plans, business models, R&D, shareholder returns, ESG, and other topics.
- Management Briefing (Scheduled 2 times a year)

### ■ Incorporating Dialogue and Feedback into Management

- As an opportunity to communicate management strategy, the first management briefing was held in May 2025 (Previously, management strategies were communicated as topics at financial results briefings)
- Appointed the CFO as a candidate for director to strengthen management from a financial perspective, taking into account shareholders' opinions

## Denka's 11-Year Financial Summary

|                                                                                                                                                                                            | FY2014                                                                                                                         | FY2015   | FY2016   | FY2017                                                                                                                                               | FY2018   | FY2019   | FY2020                                                                                                                                                                                                 | FY2021   | FY2022   | FY2023                                                                                                                                                                                                                        | FY2024   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|----------|----------|------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>Summary Statement of Income</b> (million yen)                                                                                                                                           |                                                                                                                                |          |          |                                                                                                                                                      |          |          |                                                                                                                                                                                                        |          |          |                                                                                                                                                                                                                               |          |
| Net sales                                                                                                                                                                                  | 383,978                                                                                                                        | 369,853  | 362,647  | 395,629                                                                                                                                              | 413,128  | 380,803  | 354,391                                                                                                                                                                                                | 384,849  | 407,559  | 389,263                                                                                                                                                                                                                       | 400,251  |
| Operating income                                                                                                                                                                           | 24,047                                                                                                                         | 30,634   | 25,844   | 33,652                                                                                                                                               | 34,228   | 31,587   | 34,729                                                                                                                                                                                                 | 40,123   | 32,324   | 13,376                                                                                                                                                                                                                        | 14,413   |
| Ordinary profit                                                                                                                                                                            | 24,287                                                                                                                         | 27,022   | 23,158   | 31,499                                                                                                                                               | 32,811   | 30,034   | 32,143                                                                                                                                                                                                 | 36,474   | 28,025   | 5,474                                                                                                                                                                                                                         | 7,623    |
| Profit attributable to owners of parent                                                                                                                                                    | 19,021                                                                                                                         | 19,472   | 18,145   | 23,035                                                                                                                                               | 25,046   | 22,703   | 22,785                                                                                                                                                                                                 | 26,012   | 12,768   | 11,947                                                                                                                                                                                                                        | (12,300) |
| <b>Financial Position</b> (million yen)                                                                                                                                                    |                                                                                                                                |          |          |                                                                                                                                                      |          |          |                                                                                                                                                                                                        |          |          |                                                                                                                                                                                                                               |          |
| Current assets                                                                                                                                                                             | 170,497                                                                                                                        | 161,876  | 168,902  | 184,129                                                                                                                                              | 190,730  | 198,452  | 200,726                                                                                                                                                                                                | 218,164  | 251,793  | 265,447                                                                                                                                                                                                                       | 270,455  |
| Total assets                                                                                                                                                                               | 445,569                                                                                                                        | 443,864  | 454,944  | 473,799                                                                                                                                              | 483,827  | 501,448  | 526,035                                                                                                                                                                                                | 557,646  | 592,158  | 616,244                                                                                                                                                                                                                       | 655,524  |
| Current liabilities                                                                                                                                                                        | 160,101                                                                                                                        | 147,537  | 144,190  | 158,043                                                                                                                                              | 154,047  | 160,807  | 155,062                                                                                                                                                                                                | 166,679  | 164,457  | 171,557                                                                                                                                                                                                                       | 230,501  |
| Net assets                                                                                                                                                                                 | 210,798                                                                                                                        | 216,071  | 227,487  | 242,780                                                                                                                                              | 250,481  | 254,014  | 270,036                                                                                                                                                                                                | 292,094  | 300,351  | 316,915                                                                                                                                                                                                                       | 308,296  |
| Interest-bearing debt                                                                                                                                                                      | 122,536                                                                                                                        | 124,596  | 113,748  | 108,269                                                                                                                                              | 112,134  | 134,340  | 138,191                                                                                                                                                                                                | 137,032  | 169,729  | 174,368                                                                                                                                                                                                                       | 217,679  |
| <b>Cash Flows</b> (million yen)                                                                                                                                                            |                                                                                                                                |          |          |                                                                                                                                                      |          |          |                                                                                                                                                                                                        |          |          |                                                                                                                                                                                                                               |          |
| Cash flows from operating activities                                                                                                                                                       | 35,557                                                                                                                         | 44,014   | 39,557   | 48,776                                                                                                                                               | 32,660   | 41,954   | 40,610                                                                                                                                                                                                 | 42,630   | 8,946    | 36,260                                                                                                                                                                                                                        | 18,620   |
| Cash flows from investing activities                                                                                                                                                       | (27,449)                                                                                                                       | (34,979) | (22,258) | (29,298)                                                                                                                                             | (26,176) | (36,303) | (36,976)                                                                                                                                                                                               | (36,839) | (28,268) | (22,572)                                                                                                                                                                                                                      | (59,586) |
| Cash flows from financing activities                                                                                                                                                       | (7,437)                                                                                                                        | (7,348)  | (19,319) | (15,858)                                                                                                                                             | (8,408)  | 9,544    | (6,706)                                                                                                                                                                                                | (12,341) | 18,361   | 712                                                                                                                                                                                                                           | 40,118   |
| Cash and cash equivalents at end of year                                                                                                                                                   | 9,157                                                                                                                          | 11,813   | 10,174   | 14,101                                                                                                                                               | 13,889   | 29,170   | 25,909                                                                                                                                                                                                 | 20,209   | 20,199   | 35,386                                                                                                                                                                                                                        | 37,002   |
| <b>Per Share Information</b> (yen)                                                                                                                                                         |                                                                                                                                |          |          |                                                                                                                                                      |          |          |                                                                                                                                                                                                        |          |          |                                                                                                                                                                                                                               |          |
| Dividends per share*                                                                                                                                                                       | 62.5                                                                                                                           | 65.0     | 70.0     | 105.0                                                                                                                                                | 120.0    | 125.0    | 125.0                                                                                                                                                                                                  | 145.0    | 100.0    | 100.0                                                                                                                                                                                                                         | 100.0    |
| Profit per share                                                                                                                                                                           | 207.40                                                                                                                         | 214.71   | 205.05   | 261.80                                                                                                                                               | 286.18   | 262.62   | 264.24                                                                                                                                                                                                 | 301.67   | 148.08   | 138.61                                                                                                                                                                                                                        | (142.73) |
| Net assets per share                                                                                                                                                                       | 2,279.70                                                                                                                       | 2,366.74 | 2,526.42 | 2,727.94                                                                                                                                             | 2,839.16 | 2,906.95 | 3,101.92                                                                                                                                                                                               | 3,345.34 | 3,438.28 | 3,568.69                                                                                                                                                                                                                      | 3,436.95 |
| <b>Financial Indices</b>                                                                                                                                                                   |                                                                                                                                |          |          |                                                                                                                                                      |          |          |                                                                                                                                                                                                        |          |          |                                                                                                                                                                                                                               |          |
| Operating income ratio (%)                                                                                                                                                                 | 6.3                                                                                                                            | 8.3      | 7.1      | 8.5                                                                                                                                                  | 8.3      | 8.3      | 9.8                                                                                                                                                                                                    | 10.4     | 7.9      | 3.4                                                                                                                                                                                                                           | 3.6      |
| Return on equity (ROE) (%)                                                                                                                                                                 | 9.6                                                                                                                            | 9.3      | 8.3      | 10.0                                                                                                                                                 | 10.3     | 9.1      | 8.8                                                                                                                                                                                                    | 9.4      | 4.4      | 4.0                                                                                                                                                                                                                           | (4.1)    |
| Return on assets (ROA) (%)                                                                                                                                                                 | 5.5                                                                                                                            | 6.1      | 5.2      | 6.8                                                                                                                                                  | 6.9      | 6.1      | 6.3                                                                                                                                                                                                    | 6.7      | 4.9      | 0.9                                                                                                                                                                                                                           | 1.2      |
| Shareholders' equity ratio (%)                                                                                                                                                             | 46.9                                                                                                                           | 47.7     | 49.1     | 50.5                                                                                                                                                 | 51.0     | 50.0     | 50.8                                                                                                                                                                                                   | 51.7     | 50.1     | 49.9                                                                                                                                                                                                                          | 45.2     |
| <b>Other</b>                                                                                                                                                                               |                                                                                                                                |          |          |                                                                                                                                                      |          |          |                                                                                                                                                                                                        |          |          |                                                                                                                                                                                                                               |          |
| Capital investment (million yen)                                                                                                                                                           | 21,300                                                                                                                         | 21,196   | 25,731   | 22,710                                                                                                                                               | 32,745   | 34,205   | 42,323                                                                                                                                                                                                 | 35,644   | 39,369   | 43,686                                                                                                                                                                                                                        | 69,173   |
| Depreciation and amortization (million yen)                                                                                                                                                | 23,032                                                                                                                         | 23,242   | 24,359   | 24,599                                                                                                                                               | 22,946   | 22,482   | 22,911                                                                                                                                                                                                 | 23,883   | 27,041   | 26,919                                                                                                                                                                                                                        | 27,858   |
| R&D spending (million yen)                                                                                                                                                                 | 11,127                                                                                                                         | 11,787   | 13,026   | 13,868                                                                                                                                               | 14,562   | 15,031   | 14,736                                                                                                                                                                                                 | 14,926   | 14,926   | 15,162                                                                                                                                                                                                                        | 14,887   |
| Number of employees at end of year (consolidated)                                                                                                                                          | 5,309                                                                                                                          | 5,788    | 5,816    | 5,944                                                                                                                                                | 6,133    | 6,316    | 6,351                                                                                                                                                                                                  | 6,358    | 6,406    | 6,514                                                                                                                                                                                                                         | 6,542    |
| <div> <div>Management Plans</div> <div> <b>Resumption of DENKA100</b> (2013-2017) </div> <div> <b>Denka Value-Up</b> (2018-2022) </div> <div> <b>Mission2030</b> (2023-2030) </div> </div> |                                                                                                                                |          |          |                                                                                                                                                      |          |          |                                                                                                                                                                                                        |          |          |                                                                                                                                                                                                                               |          |
| ► Denka's main achievements                                                                                                                                                                | <ul style="list-style-type: none"> <li>Completed the Denka Innovation Center main building</li> <li>Established DPE</li> </ul> |          |          | <ul style="list-style-type: none"> <li>100th anniversary</li> <li>Changed company name</li> <li>Acquired U.S. chloroprene rubber business</li> </ul> |          |          | <ul style="list-style-type: none"> <li>Shift to a "Company with Audit and Supervisory Board"</li> <li>Merger with DENKA SEIKEN Co., Ltd.</li> </ul>                                                    |          |          | <ul style="list-style-type: none"> <li>Transferred cement business to TD Cement Sales Co., Ltd.</li> </ul>                                                                                                                    |          |
| ► Environmental developments                                                                                                                                                               | <ul style="list-style-type: none"> <li>Consumption tax hike (to 8%)</li> </ul>                                                 |          |          | <ul style="list-style-type: none"> <li>Signing of the Paris Agreement</li> <li>Inauguration of the U.S. Trump administration</li> </ul>              |          |          | <ul style="list-style-type: none"> <li>Consumption tax hike (to 10%)</li> <li>COVID-19 pandemic</li> <li>Inauguration of the U.S. Biden administration</li> <li>Russian invasion of Ukraine</li> </ul> |          |          | <ul style="list-style-type: none"> <li>Israel, Gaza invasion</li> <li>Yen depreciation continues, reaching the 150 yen level for the first time in 32 years</li> <li>Inauguration of the U.S. Trump administration</li> </ul> |          |

Financial information for FY2017 and onwards are modified under the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued in February 2018). The "Accounting Standard for Revenue Recognition" (Corporate Accounting Standard No. 29, March 31, 2020), etc., has been applied from the beginning of the 163rd fiscal year, and the main management indicators, etc., for the 163rd fiscal year and beyond reflect the application of these accounting standards.

\* Cash dividends per share 1. Denka executed a reverse share split that merged five shares into one share as of October 1, 2017. As we aim to support easy-to-understand comparisons between performance in each fiscal year, the value of dividends per share for the preceding fiscal years has been retrospectively converted to reflect the value of dividends had the reverse share split already been in effect.

2. Dividends per share for FY2014 comprise (1) full-year dividends per share of ¥52.5 (¥10.5 per share before conversion); and (2) commemorative dividends per share of ¥10.0 (¥2.0 per share before conversion)

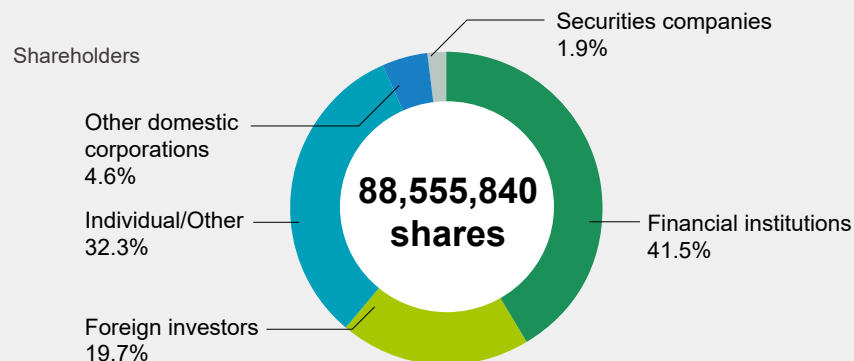
► IR Information <https://www.denka.co.jp/ir/>

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## Corporate Profile (as of March 31, 2025)

|                 |                                                                                                                                           |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Name            | Denka Company Limited                                                                                                                     |
| Established     | May 1, 1915                                                                                                                               |
| Employees       | Non-consolidated: 4,369 Consolidated: 6,542                                                                                               |
| Paid-in Capital | 36,998 million yen                                                                                                                        |
| Head Office     | 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-8338, Japan (Nihonbashi Mitsui Tower)<br>Tel.: +81-3-5290-5055 Fax: +81-3-5290-5059 |

## Share Information (as of March 31, 2025)



### Major Shareholders

| Shareholder name                                                                                                                   | Number of shares held (hundred shares) | Percentage of shares held (%) |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)                                                                               | 154,465                                | 17.90                         |
| Custody Bank of Japan, Ltd. (Trust Account)                                                                                        | 97,707                                 | 11.33                         |
| Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust, Mizuho Bank Account<br>Account retrusted by Custody Bank of Japan, Ltd. | 32,158                                 | 3.73                          |
| STATE STREET BANK AND TRUST COMPANY 505001                                                                                         | 28,996                                 | 3.36                          |
| TAIJU LIFE INSURANCE COMPANY LIMITED                                                                                               | 23,816                                 | 2.76                          |
| Denka Employee Shareholding Association                                                                                            | 15,396                                 | 1.78                          |
| The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)                                                                  | 14,455                                 | 1.68                          |
| Mitsui Sumitomo Insurance Company, Limited                                                                                         | 11,108                                 | 1.29                          |
| Custody Bank of Japan, Ltd. (Trust Account 4)                                                                                      | 11,066                                 | 1.28                          |
| MITSUMI & CO., LTD.                                                                                                                | 10,874                                 | 1.26                          |

(Notes) 1. 2,285,123 shares of treasury stock have been excluded from the above list of major shareholders.  
2. Treasury stock is excluded from the calculation of the percentage of shares held.

## Major Group Companies (as of September 30, 2025)



### Japan

- Denal Silane Co., Ltd.
- Denka Kojundo Gas Kabushiki Kaisha
- Hinode Kagaku Kogyo Co., Ltd.
- Denka Azumin Co., Ltd.
- Denka Elastlution Co.,Ltd.
- Denka Polymer Kabushiki Kaisha
- Denka Astec Co., Ltd.
- Akros Trading Co., Ltd.
- Denka Consultant & Engineering Co., Ltd.
- Toyo Styrene Co.,Ltd.\*
- Denak Co.,Ltd.\*
- Kurobegawa Electric Power Company\*

\* Equity-method affiliate

### Overseas

#### Europe

- Denka Chemicals GmbH
- DENKA SEIKEN UK Limited
- Icon Genetics GmbH

#### North America

- Denka Corporation
- DENKA SEIKEN USA Incorporated
- Denka Performance Elastomer LLC

#### East Asia

- Denka Chemicals Shanghai Co., Ltd.
- Denka Chemicals Development Materials (Suzhou) Co., Ltd.
- Denka Electronic Materials Dalian Co., Ltd.
- Denka Korea Co., Ltd.
- Denka Advanced Development (Suzhou) Co., Ltd.
- Denka Inorganic Materials (Tianjin) Co., Ltd.
- Denka Taiwan Corporation
- Akros Trading Taiwan Co., Ltd.
- Akros Trading China Co., Ltd.

#### Southeast Asia

- Denka Chemicals Holdings Asia Pacific Pte.Ltd.
- Denka Singapore Pte.Ltd.
- Denka Advantech Pte.Ltd.
- Denka Life Innovation Research Pte. Ltd.
- Denka Construction Solutions Malaysia Sdn Bhd.
- Denka Advanced Materials Vietnam Co., Ltd.
- Denka SCGC advanced Materials CO.,LTD.

# Denka

## ■ Inquiries

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<https://www.denka.co.jp>

UD  
FONT

A universal design font has  
been used that is easy to read  
and minimizes misreading.