

Denka

Possibility
of
chemistry

May 30, 2025 Management Presentation Materials

Securities code: 4061

Denka Co., Ltd



- Transforming Denka into an organization of initiative and implementing measures to enhance corporate value

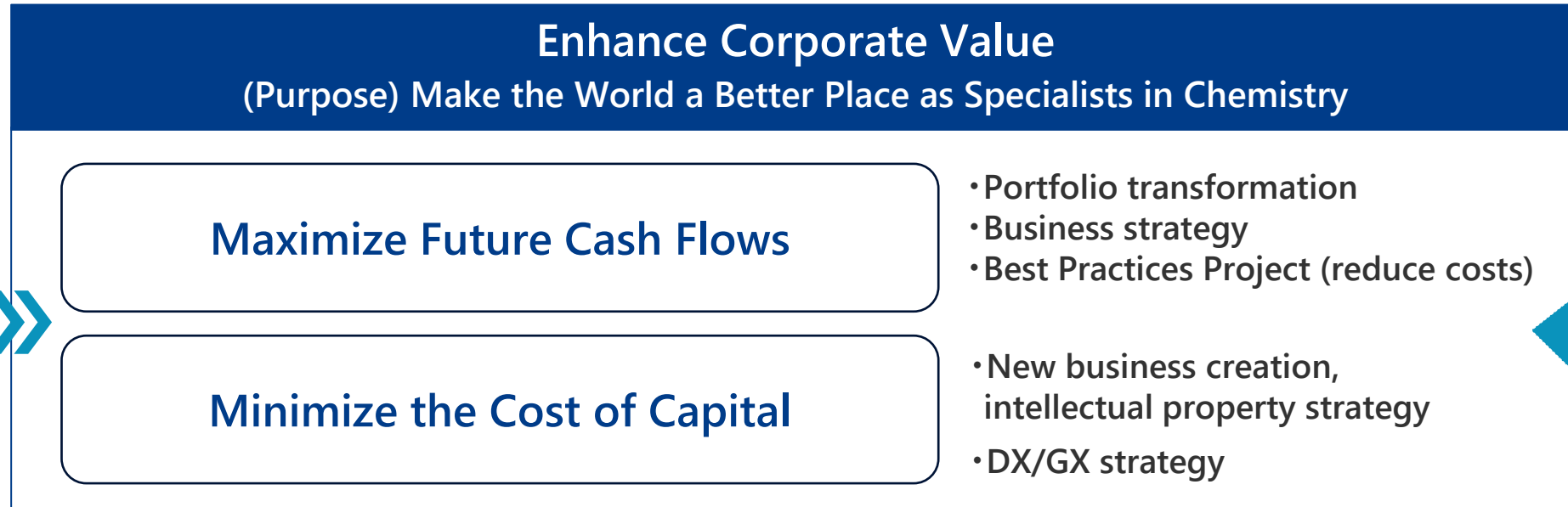


Initiative and Execution

Take on challenges with a sense of speed and without fear of failure
Act with determination and take responsibility for results

Career Highlights

- 1985 Joined Denka Co., Ltd.
- 1985-2007 Experienced in sales of chloroprene rubber and other products; served in posts overseas
- 2007-2022 Electronics & Innovative Products Division (appointed general manager in 2019)
- 2023-2024 Director, Managing Executive Officer, Corporate Planning and Chief Human Resources Officer (CHRO), other
- 2025- Representative Director, President, and Chief Executive Officer



Execution >>>



1 Review of the Mission 2030 Management Plan and Identification of Issues

(1) Direction of Revisions to Management Plan Mission 2030	06
(2) Target Figures for FY2026	07-08
(3) Shareholder Returns	09
(4) Identification of Issues at Denka	10

2 Measures to Enhance Corporate Value

(1) 3-Star Business Portfolio Analysis	13-15
(2) Business Strategy by Segment	16-28
(3) Best Practices Project Progress	29
(4) New Business Creation	31-33
(5) Intellectual Property Strategy	34
(6) DX Strategy	35-36
(7) GX Strategy	37-40

3 Building an Organization of Initiative

(1) The Need for Initiative	43-44
(2) Measures to Achieve Initiative	45-47

4 Financial Strategy and Governance

(1) ROIC, Cash Flow, D/E Ratio	50-51
(2) Action to Implement Management that is Conscious of Cost of Capital and Stock Price	52
(3) Capital Allocation	53
(4) Governance Structure	54-57

1 Review of the Mission 2030 Management Plan and Identification of Issues

2 Measures to Enhance Corporate Value

3 Building an Organization of Initiative

4 Financial Strategy and Governance

Plan under review due to changes in assumptions and recent performance downturn

Assumptions

		Indicator	Mission2030 (When Formulated)		Changes
(1)	GDP Growth Rate (2017-2030 CAGR)	Japan	1.2%		1.0%
		China	6.1%		3.9%
		Southeast Asia	6.9%		4.3%
		India	8.8%		5.8%
(2)	DX	DX Investments (Japan)	2019: ¥800 Bn 2030: ¥3 Tn		2030: ¥3.3 Tn
(3)	AI	AI Investments (Japan)	2018: ¥500 Bn 2030: ¥2 Tn		No change
(4)	Electronic Devices	Global 5G-Related Device Mkt	2020: ¥11 Tn 2030: ¥70 Tn		No changes (not comparable)
(5)	EV	EV sales as a percentage of globa new vehicle sales	2025: 31% 2030: 51%		2025: 13.9% 2030: 27.1% <small>*Based on battery production capacity</small>
(6)	Semiconductors	Semiconductor- related products	2020: Nearly ¥50 Tn 2030: ¥100 Tn		No changes (not comparable)
(7)	Petrochemicals	Ethylene demand (Japan)	-		2022: 5.5 Mn tons 2030: 5.1 Mn tons
(8)	Healthcare	Influenza vaccine mkt (Japan) IVD reagents	-		Decr. in vaccination rate due to COVID Decr. demand in the Chinese market

Explanation

FY2026
Target figures,
Measures to recover
performance, and
strengthen our
management base

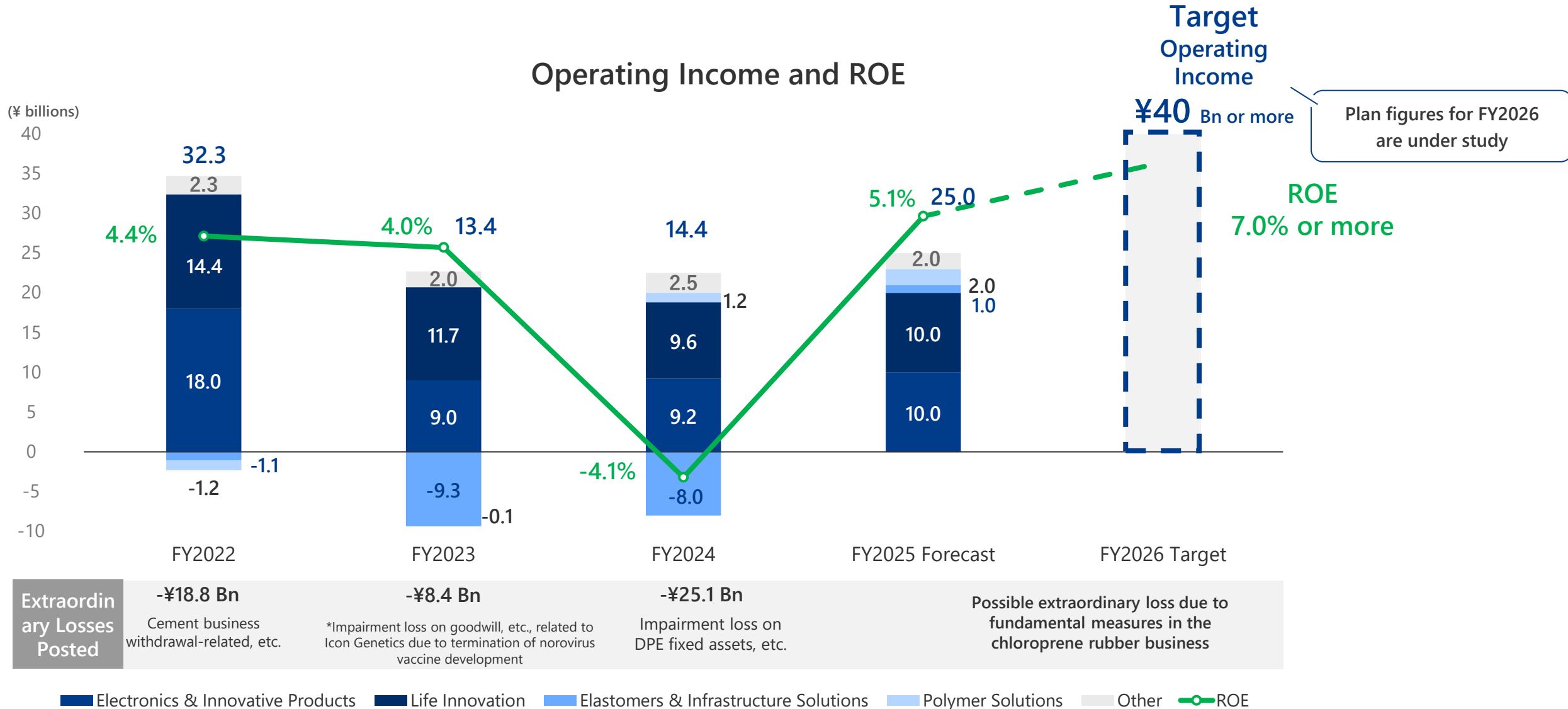
TBA During FY2025

FY2026-
Plan figures and
specific business
strategies are being
prepared currently

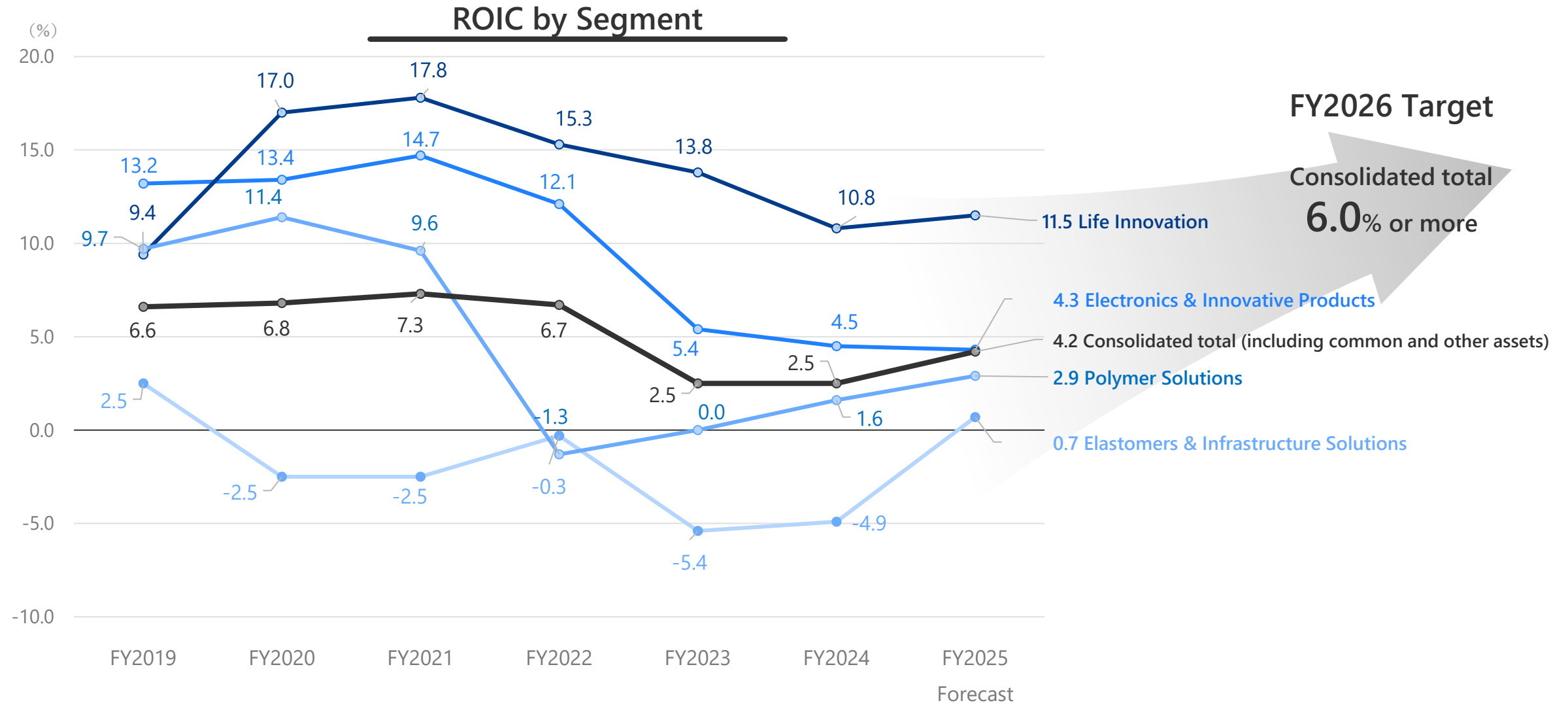
Performance
Downturn

• Variance from plan figures (FY2026 60 billion yen in operating income)

■ Aiming for record-high profits on an operating income basis through structural reforms and business strategies



ROIC improved with higher operating income



■ Maintain or increase dividend per share based on a total return ratio of 50% (cumulative total for the eight years of the management plan)

		FY2021	FY2022	FY2023	FY2024	FY2025 Forecast	FY2026 Target	FY2027-
Net Income	(¥ billions)	26.0	12.8	11.9	-12.3	15.0	21.0 or more	
Dividends per Share	(¥/share)	145.0	100.0	100.0	100.0	100.0		<div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>No change in shareholder return policy</p> </div>
					Mid-term 50.0 End 50.0	Mid-term 50.0 End 50.0		
Dividend	(¥ billions)	12.5	8.6	8.6	8.6	8.6		
Dividend Payout Ratio		48%	68%	72%	-	57%		
Stock Purchase	(¥ billions)	-	-	-	-	-		
Total Return	(¥ billions)	12.5	8.6	8.6	8.6	8.6		
Total Return Ratio		48%	68%	72%	-	57%		
Depreciation	(¥ billions)	23.9	27.0	26.9	27.9	30.0	30.0	<div style="border: 1px solid black; padding: 10px; text-align: center;"> <p>Preparing currently</p> </div>
Capital Investment and Financing	(¥ billions)	35.6	39.4	43.7	69.2	60.0	40.0	
Interest-Bearing Debt	(¥ billions)	137.0	169.7	174.4	217.7	215.0	200.0	
D/E Ratio		0.47	0.50	0.57	0.76	0.78	About 0.7	
ROIC		7.3%	6.7%	2.5%	2.3%	3.8%	6.0% or higher	
ROE		9.4%	4.4%	4.0%	-4.1%	5.1%	7.0% or higher	

■ Four Revenue Challenges and Initiative

Challenges

Sluggishness in the U.S. chloroprene rubber business

Delayed recovery of prior investment in Electronics & Innovative Products

Weakening performance in Polymer Solutions

Increased company-wide cost burden



Initiative

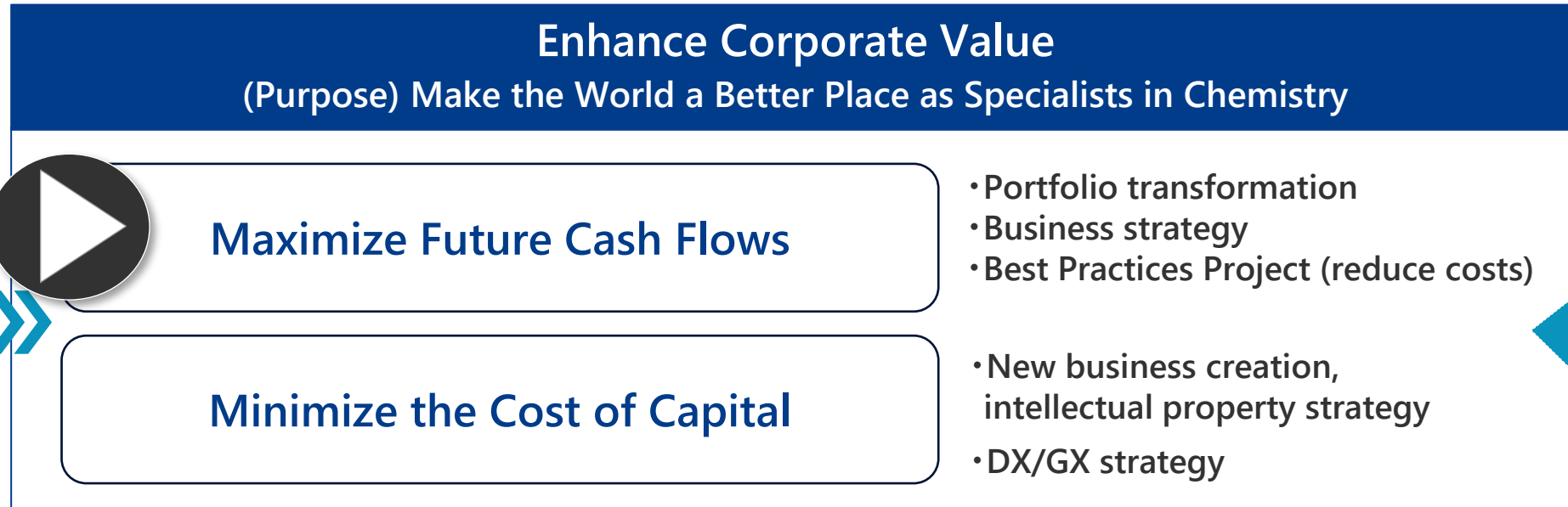
1 Review of the Mission 2030 Management Plan
and Identification of Issues

2

Measures to Enhance Corporate Value

3 Building an Organization of Initiative

4 Financial Strategy and Governance



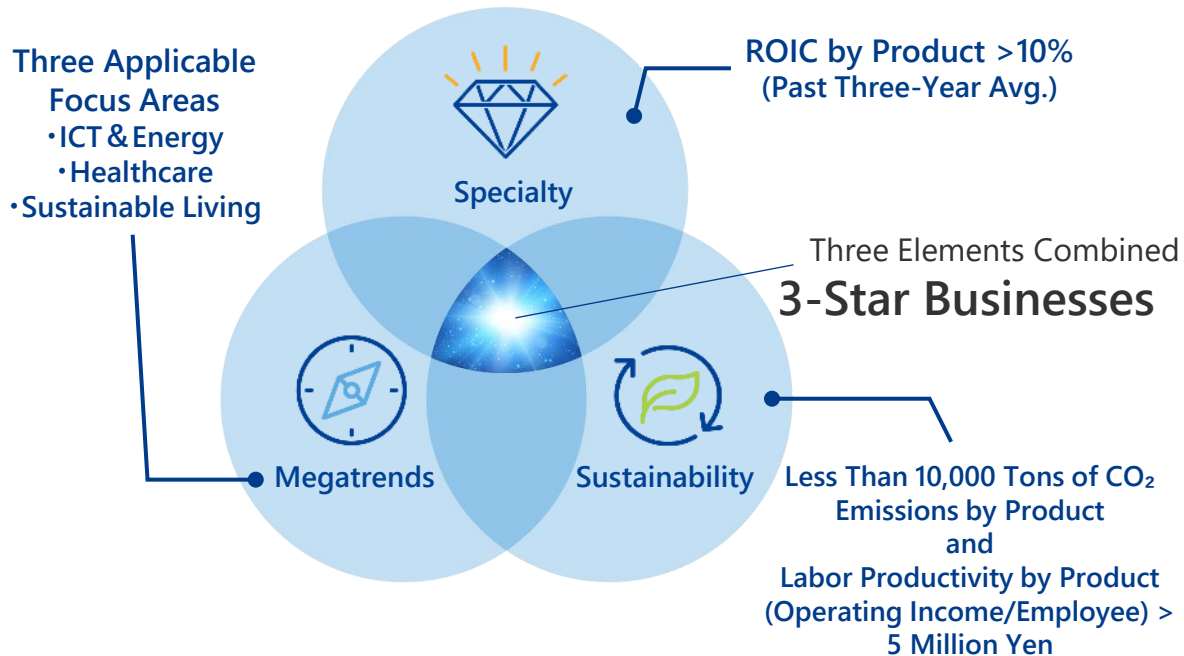
Execution >>>



■ Make business decisions based on 3-Star management standards

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.

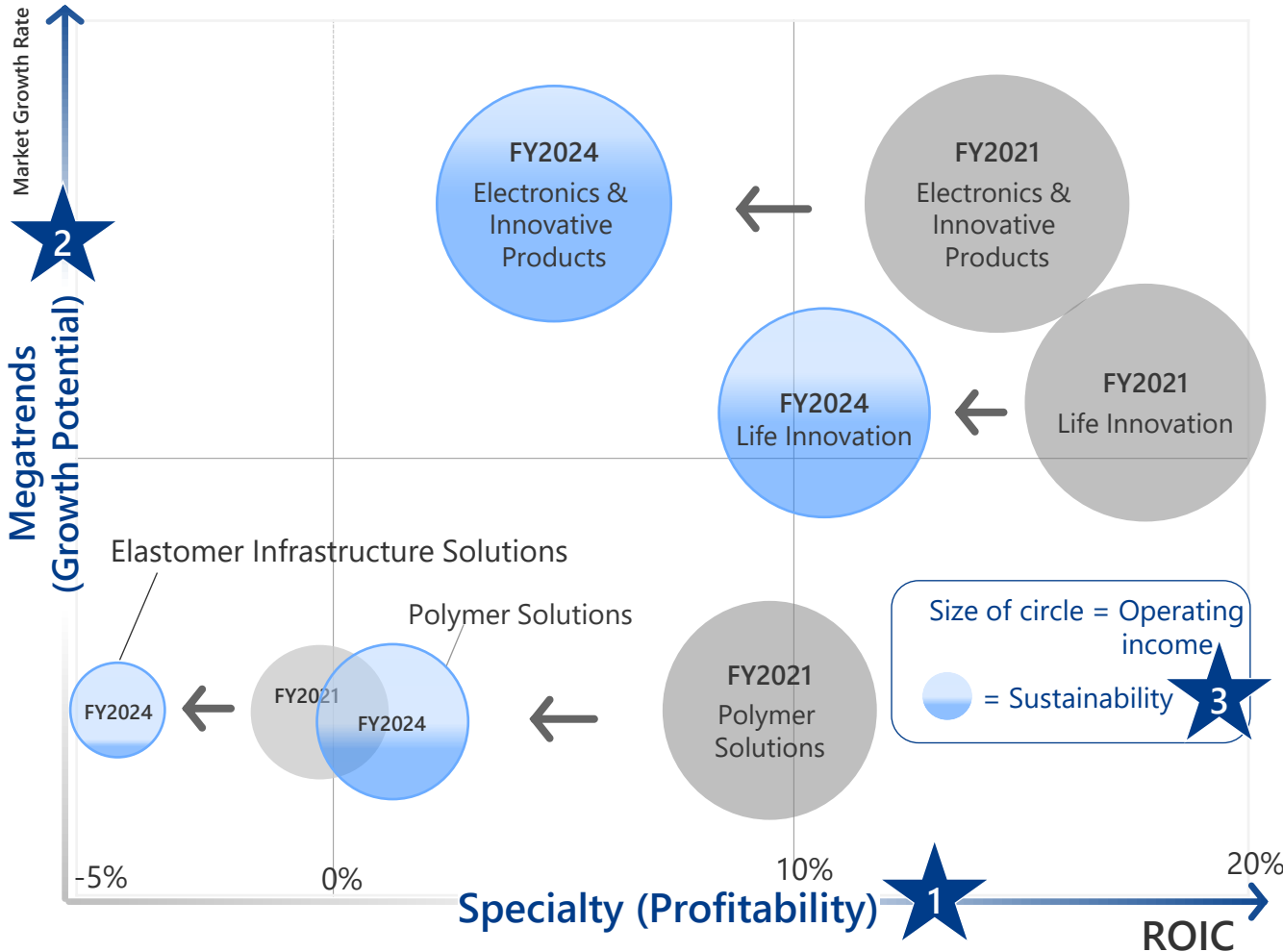


By FY2030, we will reorganize businesses that cannot become 3-Star through withdrawal or sale, pursuing a portfolio transformation



Profitability declining, despite portfolio transformation

3-Star Business Portfolio Analysis(FY2024 vs. FY2021)



✓ Weakening Profitability

- Every segment weaker vs. FY2021
- Delayed transition to 3-Star Businesses

✓ Portfolio Transformation Progress

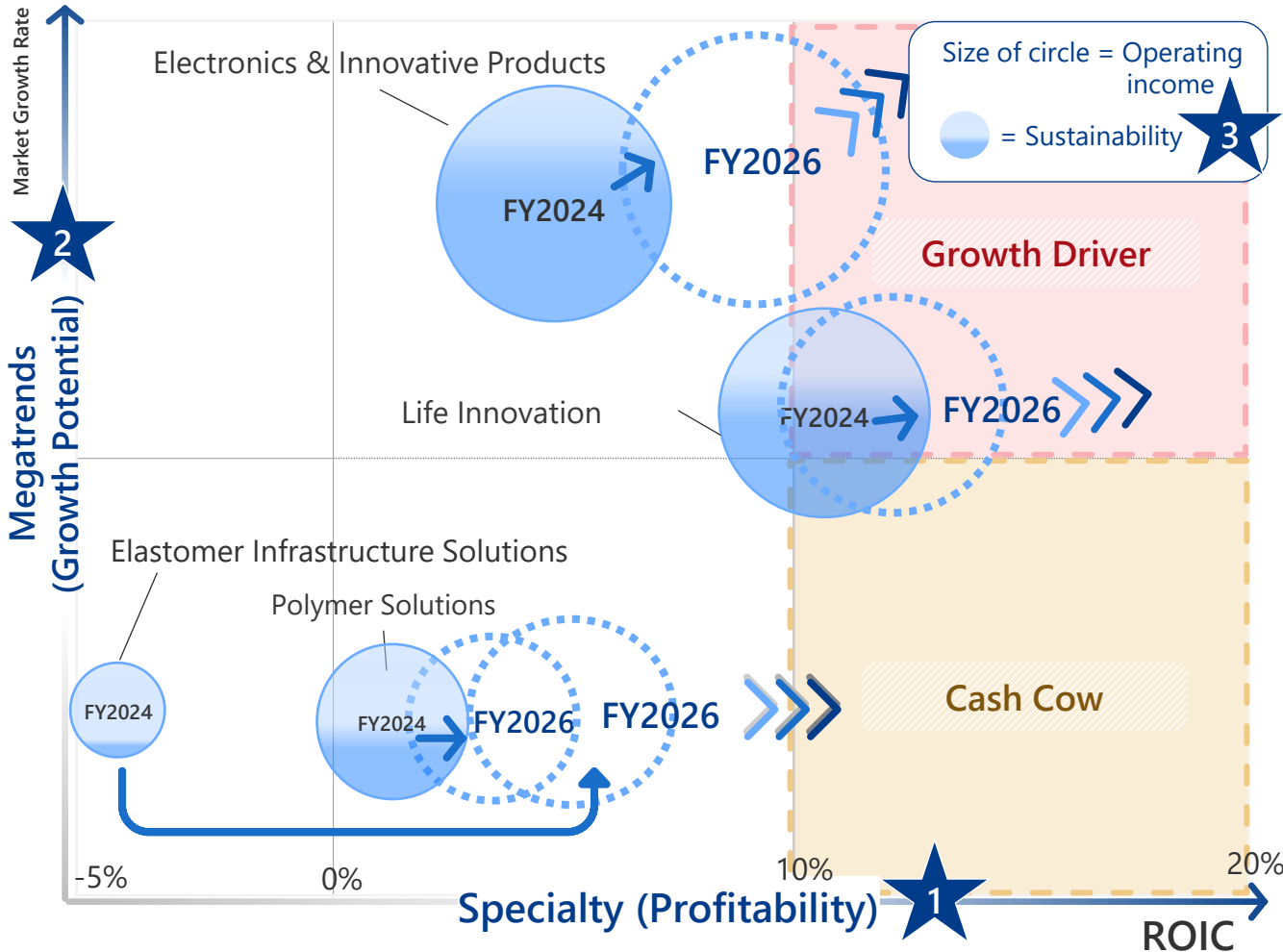
- Full contribution to profit expected in FY2025 onward
- ① Fundamental measures in the U.S. chloroprene rubber business
- ② Withdrawal from the cement business
- ③ Consolidation of manufacturing sites for Toyokalon businesses(closure of the Ofuna Plant)
- ④ Withdrawal from the Y-Film and Caralyan businesses

- Elastomers & Infrastructure Solutions
- Polymer Solutions

3-Star
Low level

- Expand growth businesses and quickly turn low-profit businesses into cash cows

3-Star Business Portfolio FY2026 Target

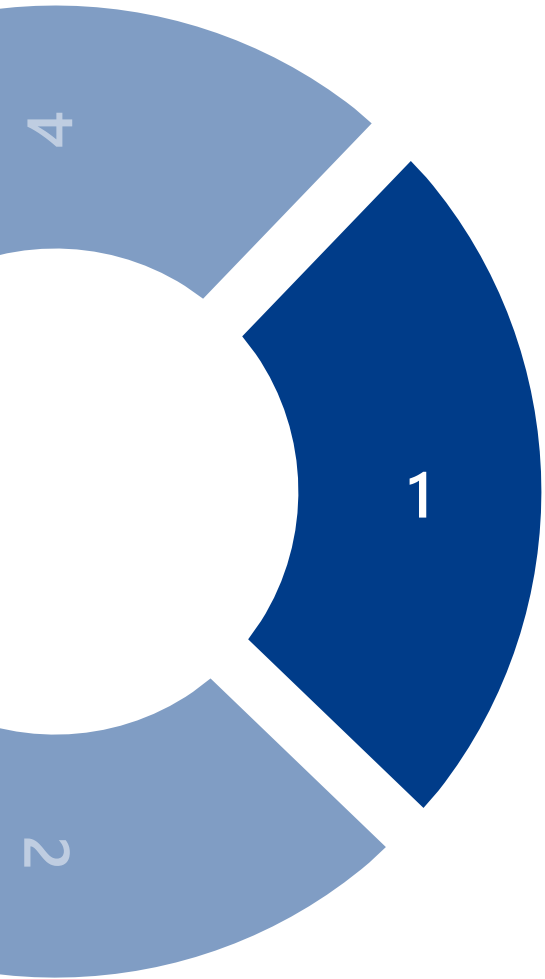


Portfolio Transformation Strategy

- Electronics & Innovative Products ➤ Growth Strategy
Reap the benefits of investment
- Life Innovation ➤ Stable Growth
- Elastomer Infrastructure ➤ Turn Into Cash Cow
- Polymer Solutions ➤ Turn Into Cash Cow

Portfolio Transformation Schedule

2023	2024	2025	2026	2027	2028	2029	2030
1-Star and loss-making (18 Products)							
		1-Star and profit-making (25 Products)					
				2-Star (13 Products)			



Electronics & Innovative Products

Growth Strategy and Reaping the Benefits of Investment

1. Technological Capabilities x Responsiveness to Customer Needs
⇒ Creation of Growth Strategies
2. De Facto Standard in Growth Areas and Reaping the Benefits of Investment Along With Growing Demand

- Creating growth strategies based on technological capabilities x responsiveness to customer needs to respond to changes in every market



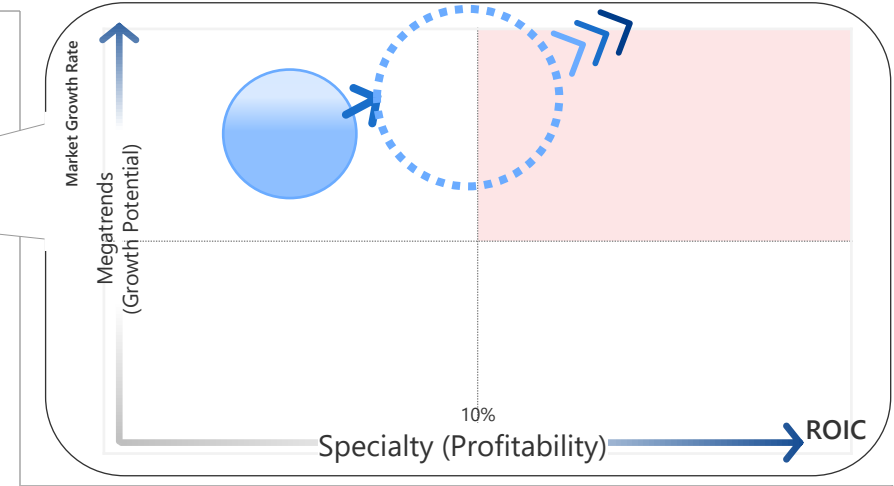
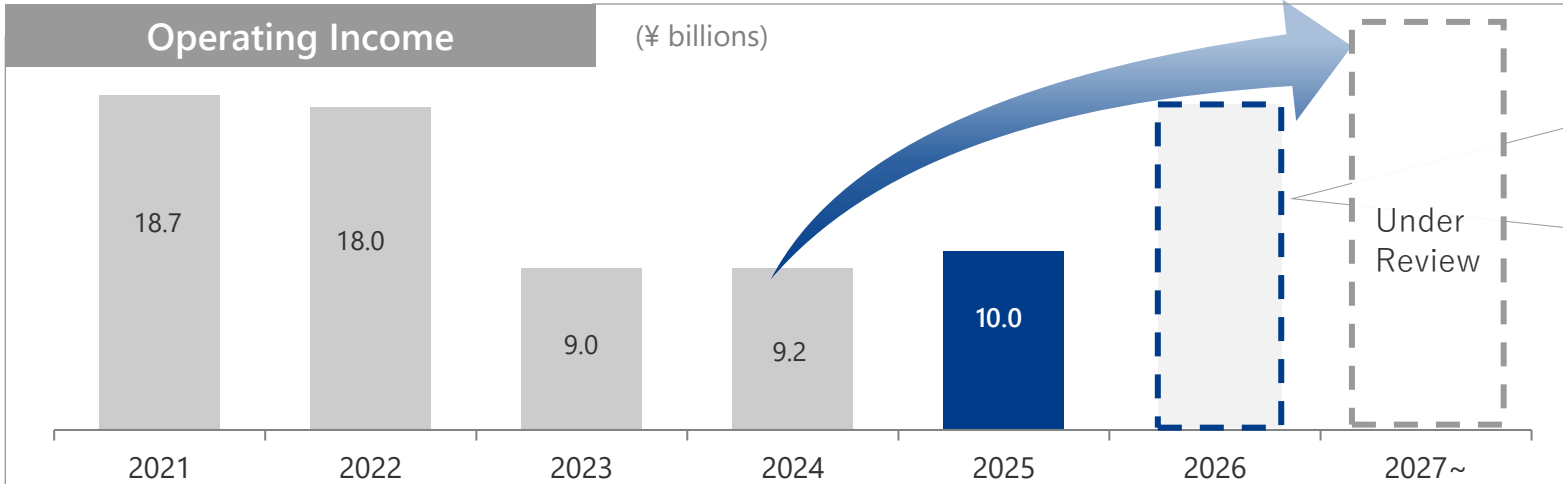
Responding to market trends by leveraging our strengths in **technological capabilities** and **responsiveness to customer needs**, supporting our growth strategy



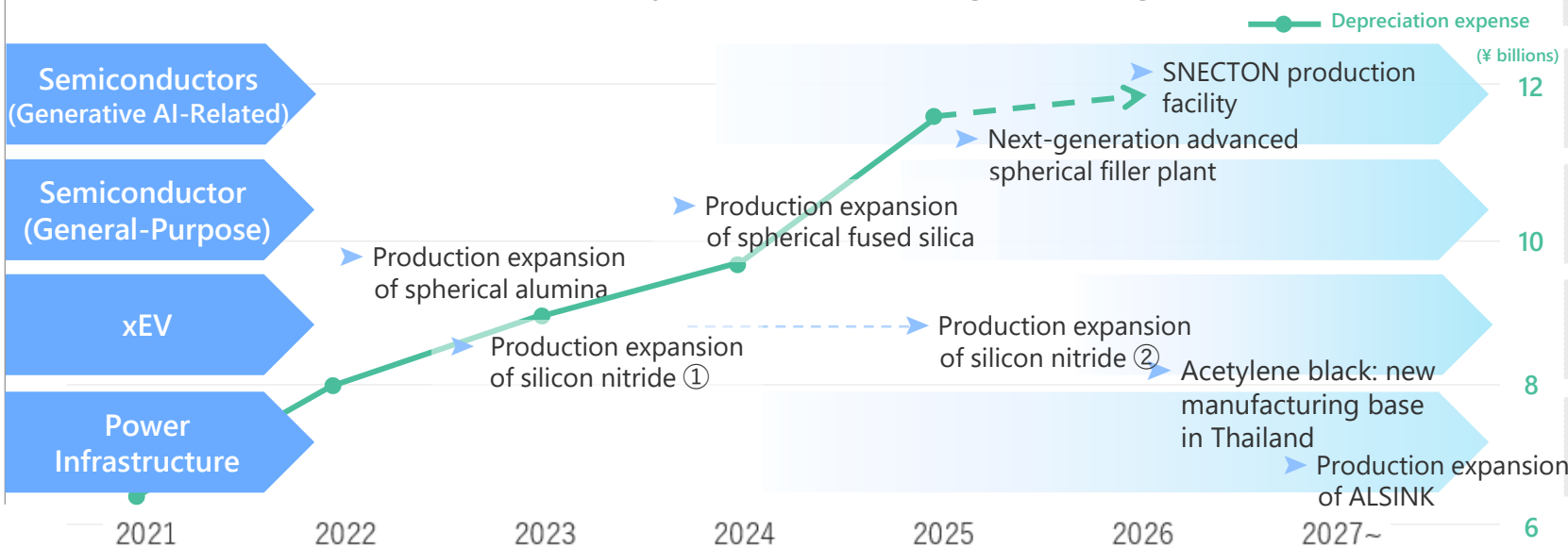
Examples of Applied Development in Response to Market Changes

<p>Spherical Fused Silica</p> <p>Semiconductor sealants → Semiconductor sealants + Resin substrates</p>	<p>SNECTON</p> <p>Automotive interior*1 → Copper clad laminates, interlayer insulating materials</p> <p><small>*1 Applied development for SE polymers</small></p>
<p>Spherical Alumina</p> <p>Heat-dissipating sealants → Heat-dissipating sealants + Semiconductor heat-dissipating sealants</p>	<p>Acetylene Black</p> <p>Manganese batteries → High-voltage cables, lithium-ion rechargeable batteries (LiB)</p>

- Maintain top share in current applications and become the de facto standard in growth markets to lead the company as growth drivers



- Outlook for Market Expansion/Recovery and Startup Timing of Strategic Investments -

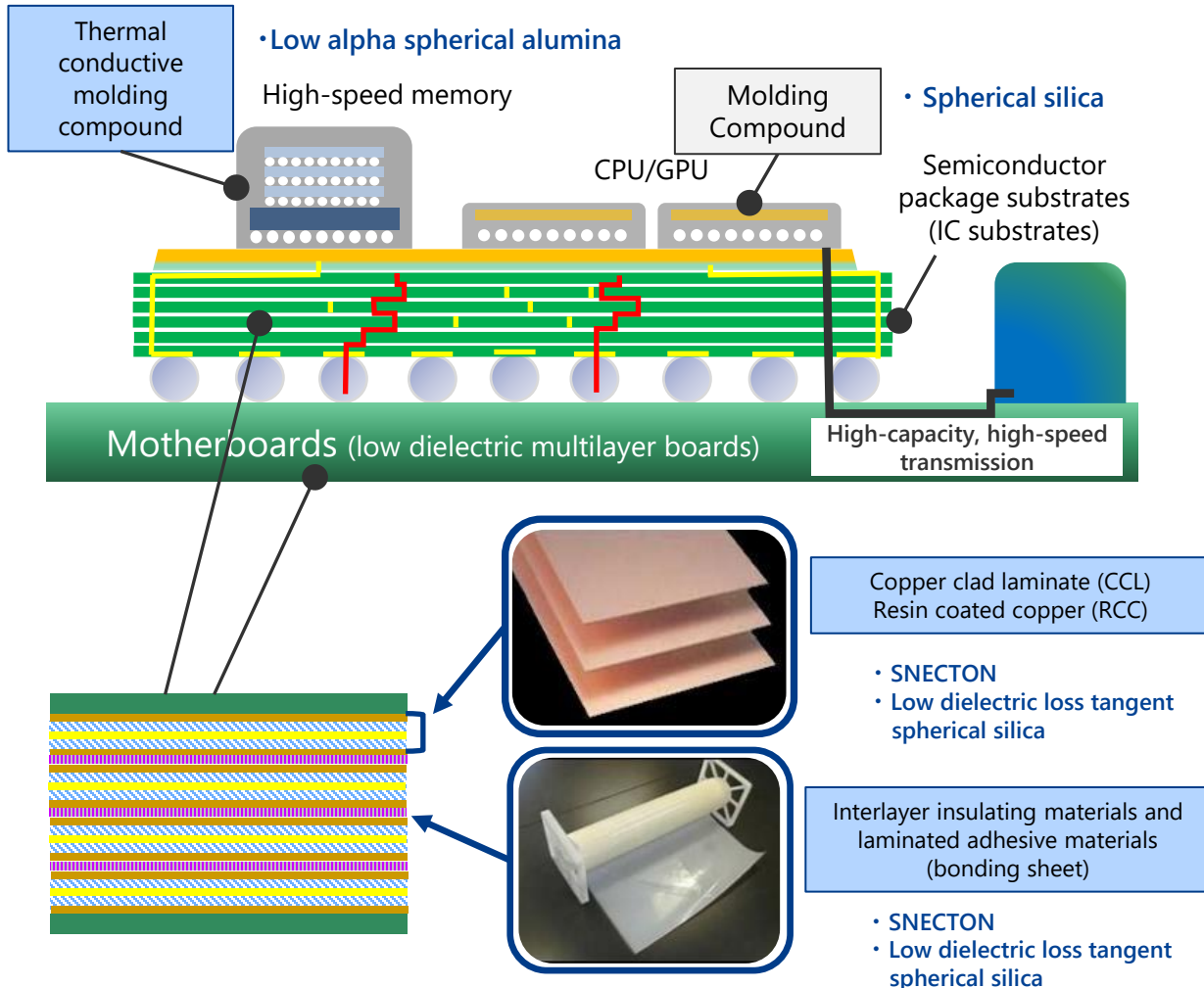


- Capacity Expansion and Investments -

Strategic investment	Capacity	Investment
▶ SNECTON production facility	–	¥7 Bn
▶ Advanced spherical filler plant	–	¥5 Bn
▶ Production expansion of spherical fused silica	1.3 x	–
▶ Production expansion of spherical alumina	5 x (vs. 2018)	–
▶ Production expansion of silicon nitride	① 1.3 x ② 1.5 x (vs. ①)	–
▶ Acetylene black: new manufacturing base in Thailand	11,000 tons/year (1.5 x)	\$0.4 Bn
▶ Production expansion of ALSINK	1.3 x	–

■ De facto standard in growth areas, including generative AI and high-speed communications

Denka Materials Used in High-Speed Communication Modules



Future Policies and Strategies by Product

Spherical fused silica

Maintain the top share in semiconductor sealant applications and **pursue de facto status for circuit board applications for next-generation and high-speed communications**

(Ratio of sales for circuit boards: **50%** target)

Spherical Alumina

Maintain top share in TIM applications and **establish de facto presence in advanced packaging and next-generation telecommunications base stations, focusing on thermal conductive molding compound applications**

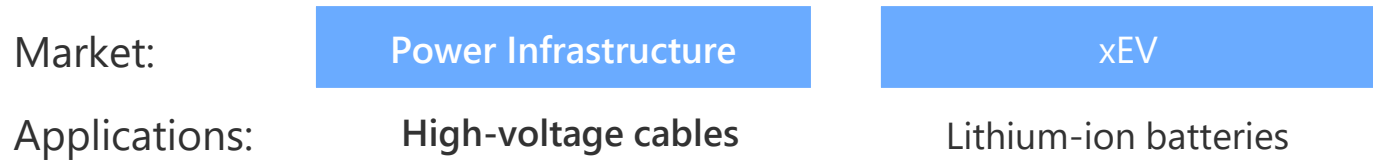
(Ratio of sales for thermal conductive molding compound: **30%** target)

SNECTON (low-dielectric organic insulating material) [New Product]

Expand adoption as a key material to respond to increasing communications-related; develop and launch next-generation grades

Sales target for low-dielectric-related materials:
¥20 Bn (FY2030 and beyond)

■ Acetylene black Using new manufacturing base in Thailand to meet growing demand

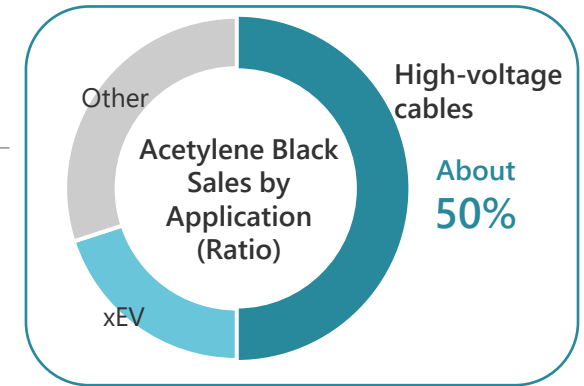


- Point**
- ✓ Established a stable supply system
 - ✓ Maintaining de facto status for high-voltage cables

Established a joint venture with SCGC*, and an acetylene black production plant is under construction

- (Capital: \$200 million) Investment ratio: Denka Group 60%, SCGC 40%
- Investment amount: \$400 million
- Production capacity: 11,000 tons/year
- Scheduled start of operations: FY2026

(* SCG Chemicals Public Company Limited, head office: Bangkok, Thailand)



Acetylene black: Validity of New Manufacturing Base in Thailand (4th Base)

Projected Scenario

For high-voltage cables:
Growing demand due to direct current and high-voltage trends

For xEVs:
FY2026
Full-scale expansion in demand for EV-related

Currently, **high-voltage cable application sales are strong** in connection with the increase in demand for electricity in connecting with the spread of generative AI and other factors

Produce at optimal locations and **Maintain top market share**

Worst-Case Scenario

For high-voltage cables:
Delayed plans for ground power transmission project

For xEVs:
Demand growth continues to stagnate

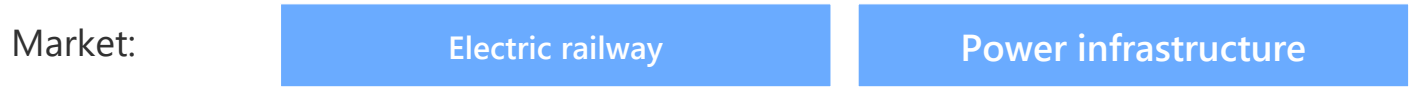
Response:
Optimize production in light of CO₂ emissions and production costs

Possible to plan for business growth (profit growth), even in worst-case scenarios

■ Expanded production facilities for ALSINK (high-reliability heat-dissipating base plates)

ALSINK ... Composite materials consisting of aluminum and ceramics

Characteristics: High pressure resistance, low thermal expansion, high thermal conductivity, high strength, light weight



Increase Capacity of Production Facilities



Meeting growing demand
Maintain high market share and maximize profits

Market Trends

Electric Railway Applications

Country/Region	Plan/Policy
China	Total railroad distance Currently: 150,000 km ▶ By 2035: 200,000 km
Europe, North America, Asia	Pursue the development of high-speed and urban rail systems as an efficient and environmentally friendly means of transportation



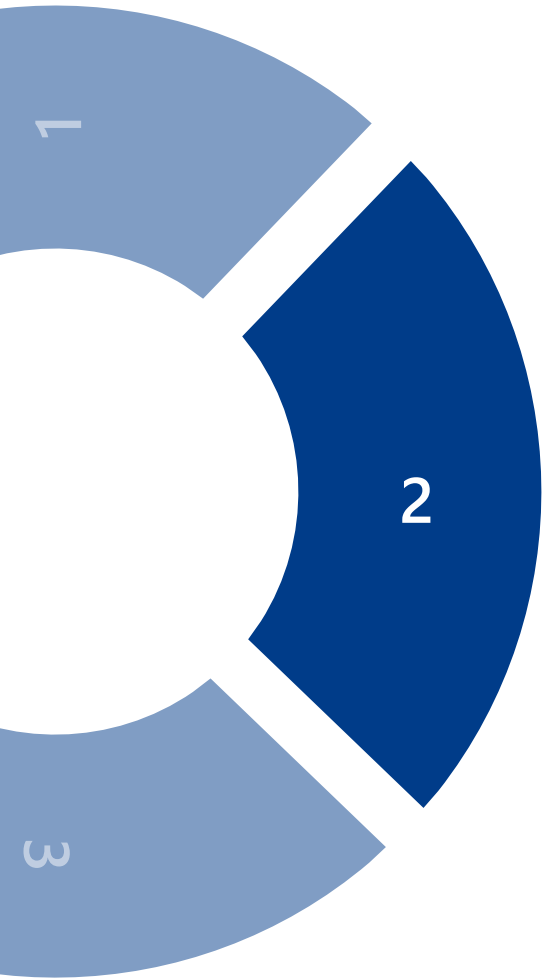
Growth in the Power Module Market Where ALSINK is Used

DC Power Transmission Applications

Increasing demand for electricity due to the spread of generative AI, etc.
 Shift from AC to DC power transmission to achieve higher voltage resistance and higher current during power transmission



Rapid Increase in Demand for ALSINK in AC⇔DC Conversion Equipment

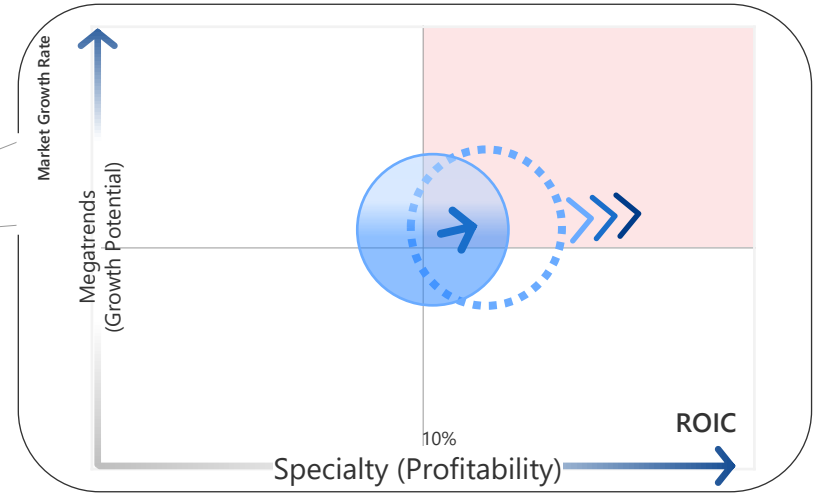
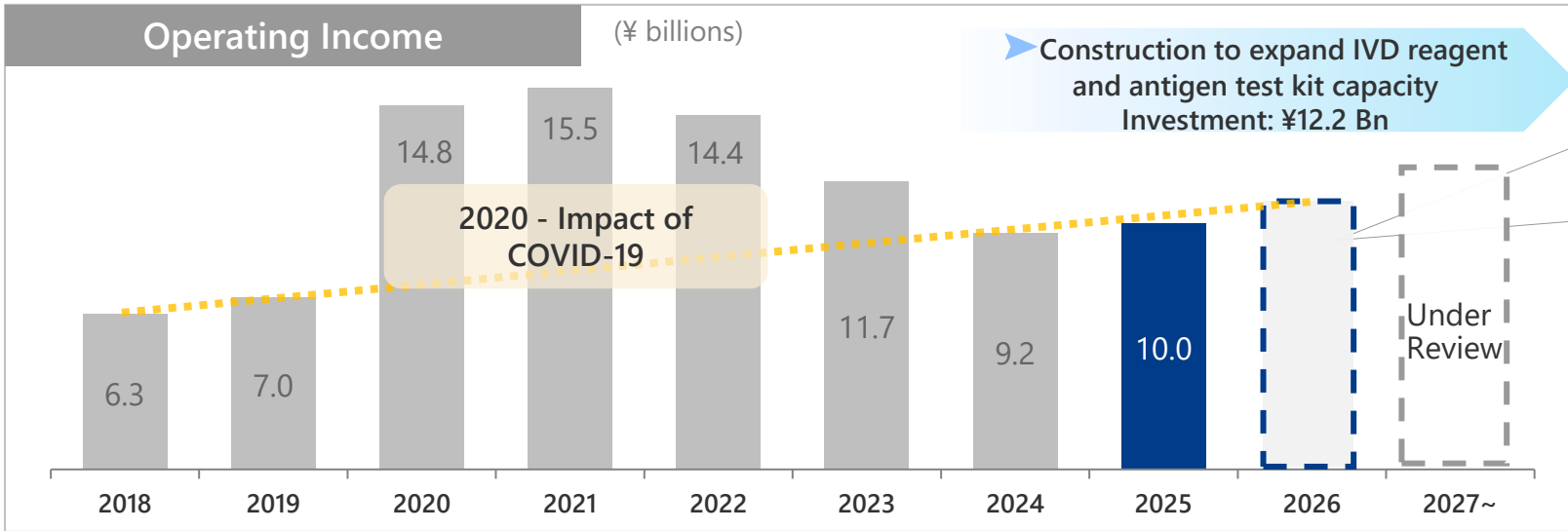


Life Innovation

Stable Growth

1. Cumulative bacteria/virus libraries and cultivation technology
2. Increased production and improved cost competitiveness via new production plants

■ Stable growth through ongoing product lineup expansion and stronger cost competitiveness



Cumulative bacteria/virus libraries and culture techniques

Antigen Test Kits

COVID-Related Tests
Japan Mkt Share **No.1**

Influenza Tests
Japan Mkt Share **Top Class**

Vaccines

Influenza Vaccines
Japan Mkt Share **Top Class**

IVD Reagents

CRP (Inflammation Markers)
Global Share **No.1**

Product Lineup More Than **2000** Types

■ Increased the capabilities of IVD reagents and antigen test kits to strengthen cost competitiveness

Antigen Test Kits

Increased production capacity
2.5 x

IVD Reagents

Increased production capacity
2.0 x

Investment
¥12.2 Bn

FY2025-
Full Operation

Selected for METI's Subsidy for Domestic Investment Promotion Projects for a Resilient Supply Chain.

Area Expansion and **Digitalization**
for Operational, Production, and Logistics
Process Reform and **Automation**

Expand Facility Capacity
to Create a Supply System Supporting
an Extensive Product Lineup

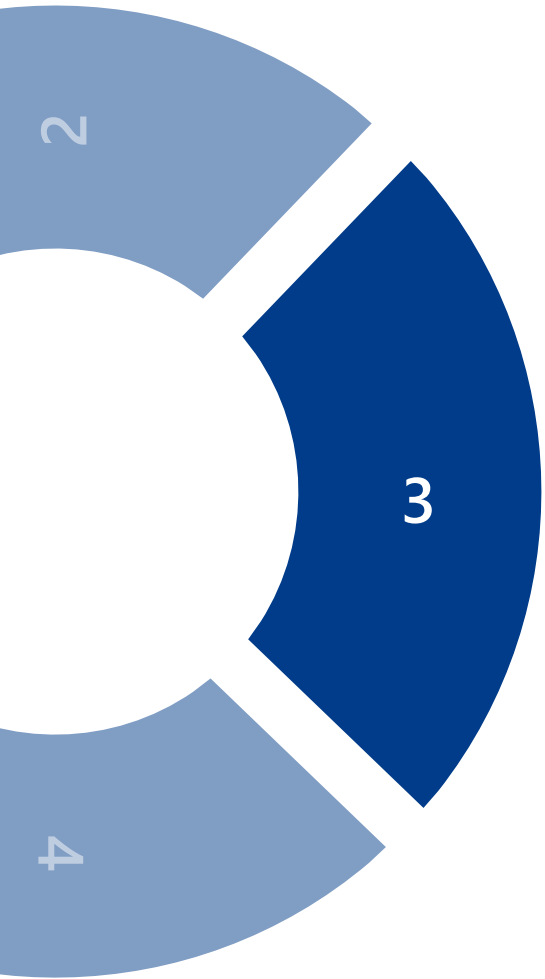
Strengthen Cost Competitiveness

- ✓ Increased capacity without increasing personnel
- ✓ Further efficiency improvements also underway

Production Capacity Cost

Strengthen Our Ability to Respond to Testing Demand Globally

- Increased in production capacity Respond to sudden increases in demand (pandemics, etc.)
- Extensive lineup Also respond to infectious diseases other than COVID-19 and influenza
- Antigen testing kits that do not require testing equipment Respond to potential overseas needs

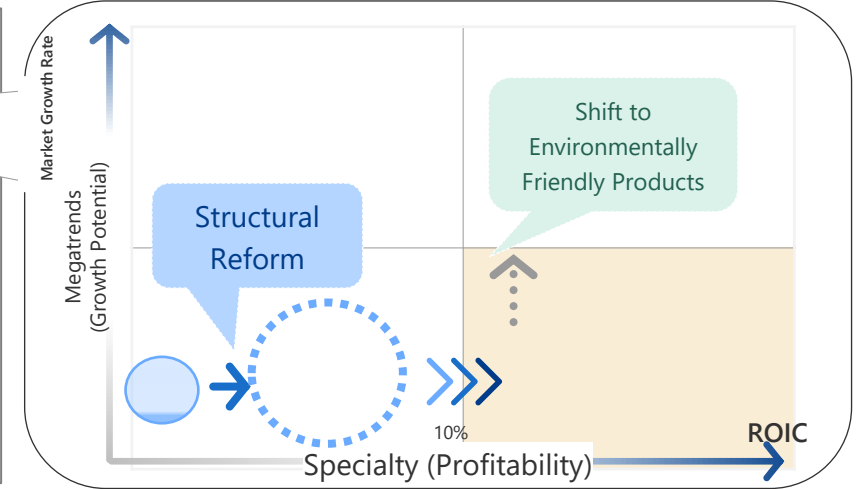
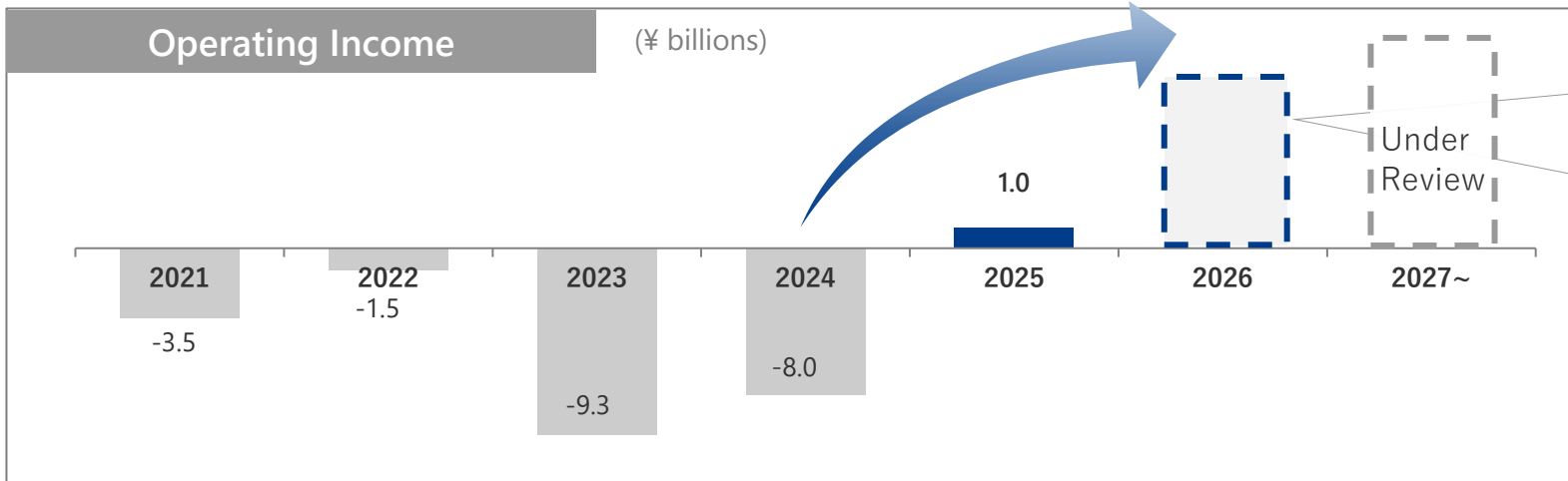


Elastomers & Infrastructure Solutions

Creating Cash Cows

1. Profit contribution from structural reforms
2. Low-cost production using hydroelectric power generation and popularizing environmentally friendly products

- Generate cash using the profit contribution of structural reforms and improved profitability from the chloroprene rubber business



Structural Reform

Impact of fundamental measures in the chloroprene rubber business (operating income)

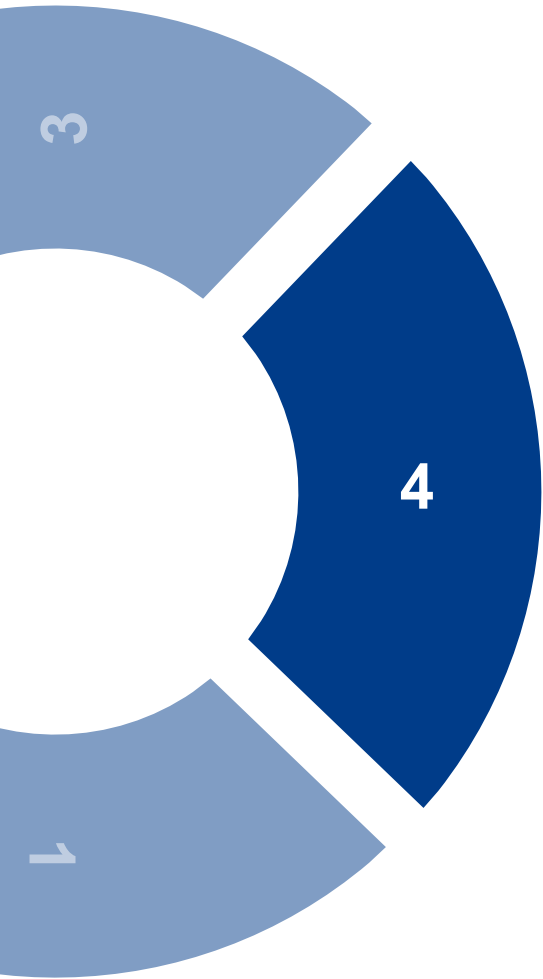
FY2025
+¥9.0 Bn
 (vs. FY2024)

FY2026
+¥15.0 Bn
 (vs. FY2024)

Future Direction of the Omi Plant

1. Maximize the benefits of hydroelectric power generation
Low-cost production and green energy
2. Add environmental value to improve competitiveness in new markets

Examples of Environmentally Friendly Products
 FASTRONG, biomass colgate, LEAF, CO₂-SUICOM®, etc.

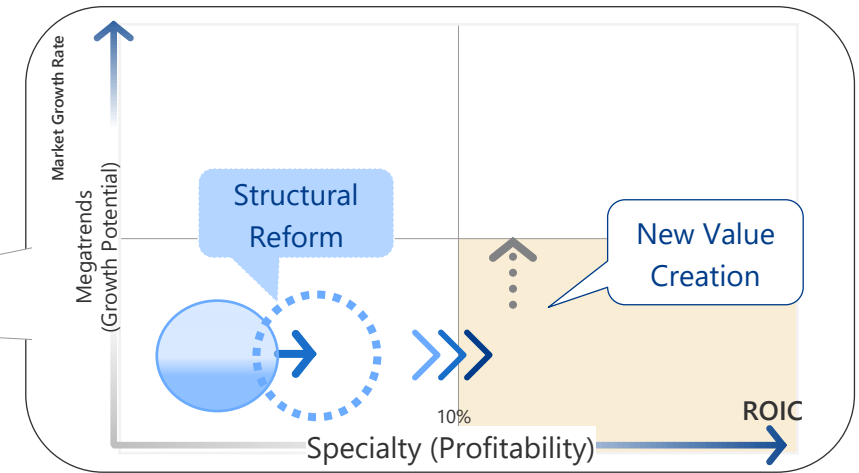
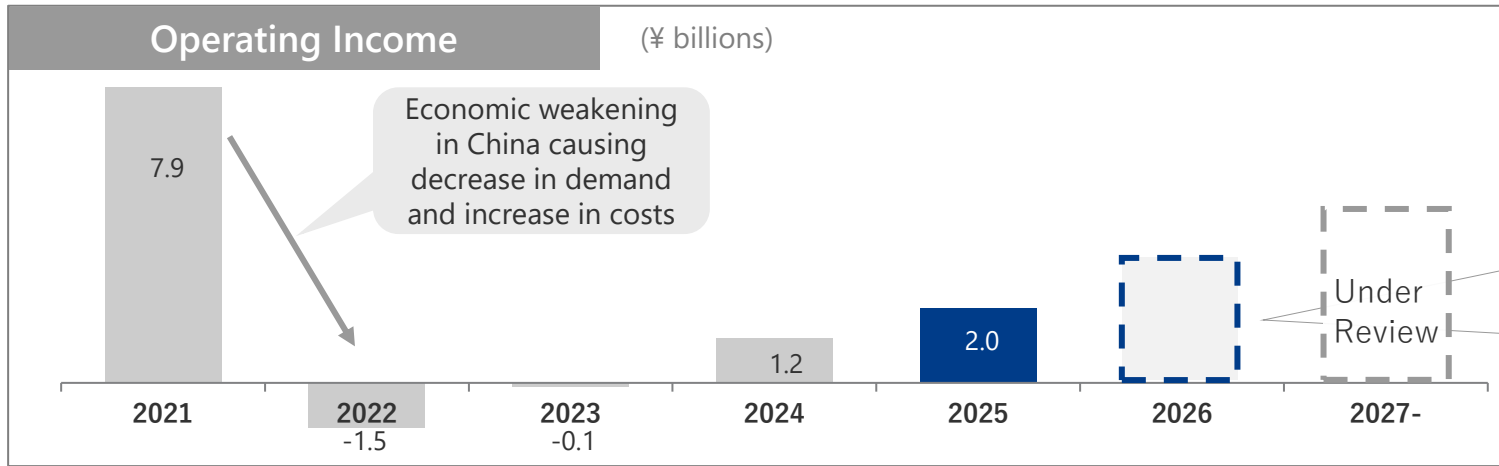


Polymer Solutions

Creating Cash Cows

1. Conducting Specific Reforms for Downsizing
2. Building a system to generate cash reliably using optimized assets

ROIC improvement through production optimization and other structural reforms



Structural Reform

Controlling Invested Capital
Confident of ROIC Improvement

Conducting Specific Reforms, Including Downsizing

▶ Stable cash cow business in the near future



Leveraging the characteristics of the wide positioning of the styrene chain to implement optimal reform in line with restructuring in the chemicals industry

New Value Creation



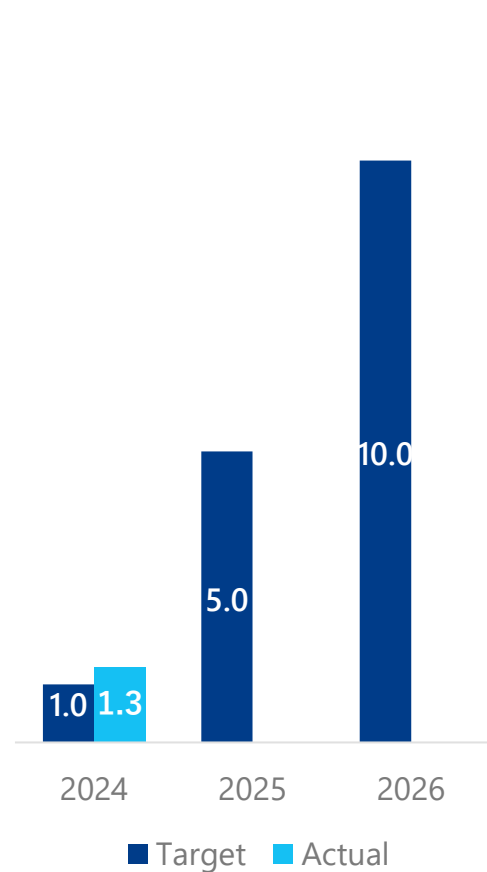
The unique Denka Group Resource Recycling System

Creating market penetration with new value in the circular economy through our styrene products

■ Best Practices Project (cost reductions)

- Best Practice Project currently underway to achieve 10 billion yen/year in cost reductions in FY2026
- We achieved cost reductions of 1.3 billion yen in FY2024 (+0.3 billion yen over target) by fostering a competitive environment, reviewing utility contracts, etc.

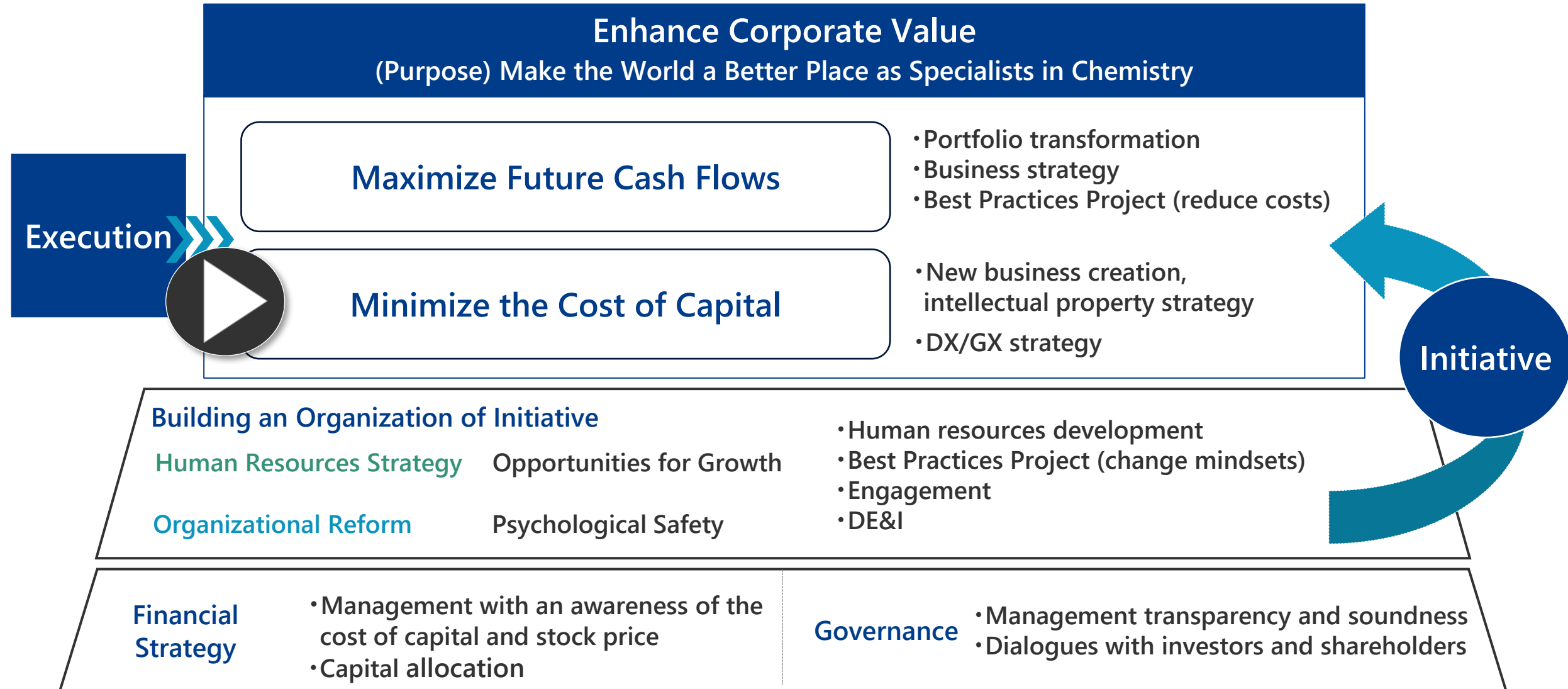
Target ¥10.0 Billion by FY2026



Measure	Summary	Target
Reduce costs	<ul style="list-style-type: none"> • Optimize raw material costs through design changes and parts standardization • Strengthen procurement system by reinforcing and digitizing purchasing organization • Take scientific approach to shift TBM maintenance operations to CBM¹ 	¥3.0 Bn
Reform supply chain	<ul style="list-style-type: none"> • Optimize logistics network (SP² integration, collaborations with other companies) • Optimize logistics service level 	¥2.0 Bn
Reduce selling expenses	<ul style="list-style-type: none"> • Reduce unit costs through consolidation and by fostering a competitive environment • Optimize volume and cost per unit through new/ revised company-wide rules 	¥1.5 Bn
Improve labor productivity	<ul style="list-style-type: none"> • Conduct zero-base reviews of operations, division of roles, internal and external production; optimize rank hierarchy • Reassign personnel freed above to reinforcement-designated areas 	¥1.5 Bn
Optimize investment costs	<ul style="list-style-type: none"> • Optimize costs based on a close examination of necessity, consolidation, fostering a competitive environment, etc. 	¥1.0 Bn
Extend to group companies	<ul style="list-style-type: none"> • Extend measures in parent company for full implementation at subsidiaries • Expand group-wide knowledge of cost reduction methods 	¥1.0 Bn

¥10.0 Bn

1. TBM: Time Based Maintenance; CBM: Condition Based Maintenance 2. SP: Stock point

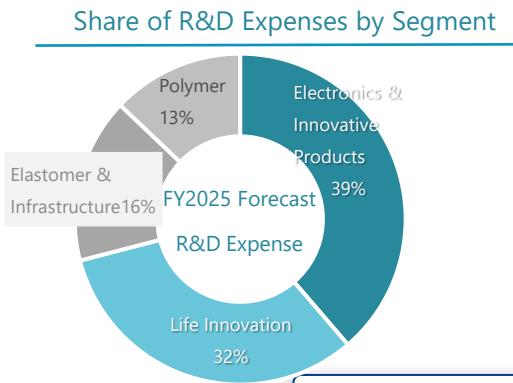


- Maximize the utilization of Denka Group assets with a greater orientation toward commercialization

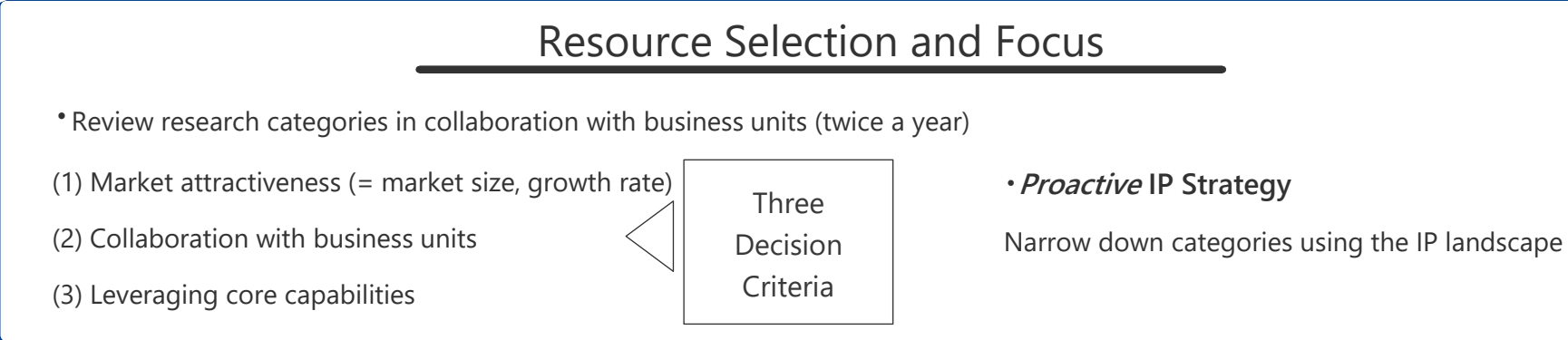
■ Creating new businesses by making the most of Denka Group assets

New Business Creation

Point
Policy
Maintain a strong awareness of the **time line to commercialization**, and establish systems to maximize collaborations among with business divisions



Optimal balance with an orientation toward commercialization



Early commercialization requires narrowing down from a wide range of technologies

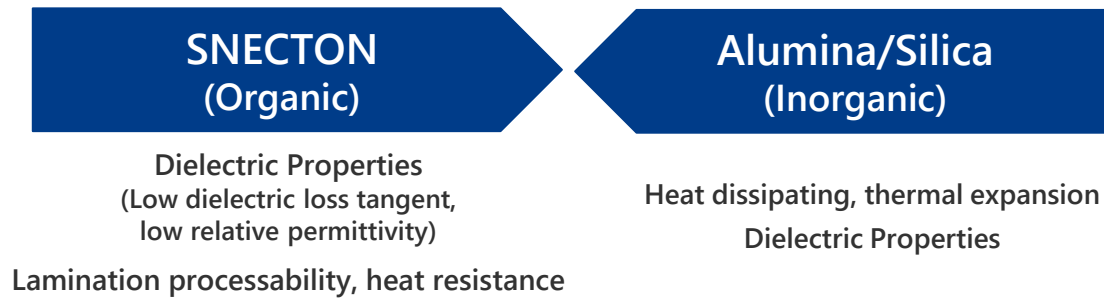
Denka's Strengths

Extensive Technological Expertise in Organic Chemistry × Inorganic Chemistry × Biotechnology

■ Specific initiatives toward new business creation

Solutions Proposals Through Materials Compositing

1. New Lateral Developments Based on SNECTON



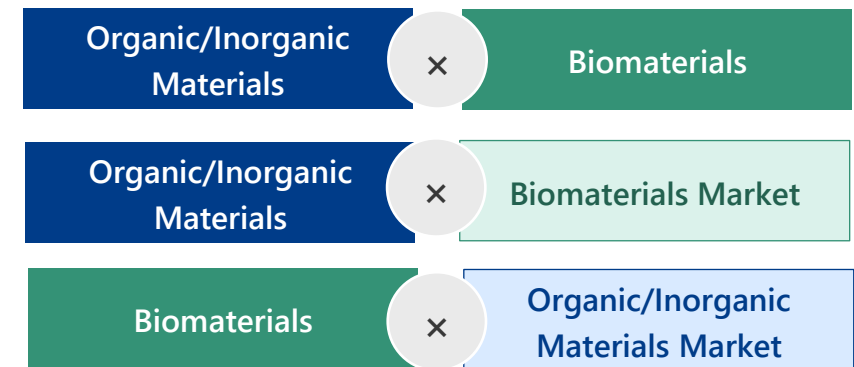
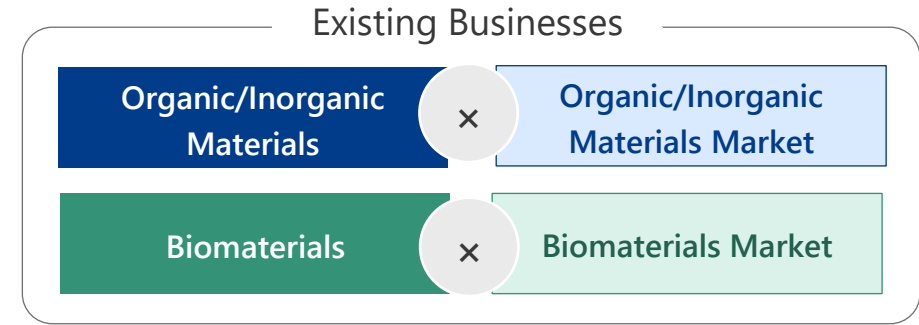
Expanding Lineup

Phased development of grades with different characteristics, including product formats, glass transition points, etc.

Propose Set Solutions to Meet Increasingly Sophisticated Demands

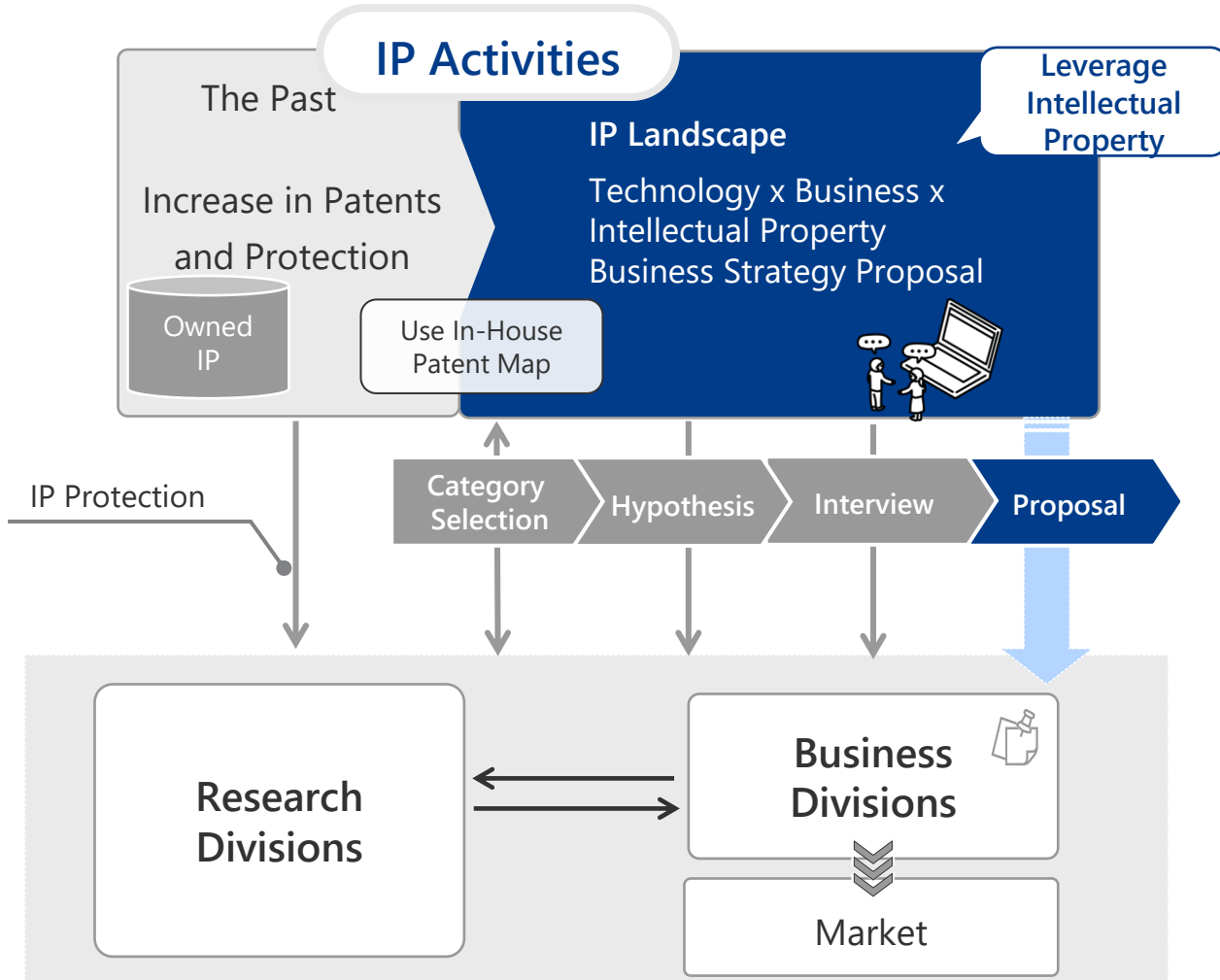
Demand: Next-generation package plates, organic interposers, etc.

2. New Value Through the Fusion of Inorganic/Organic and Biotechnology



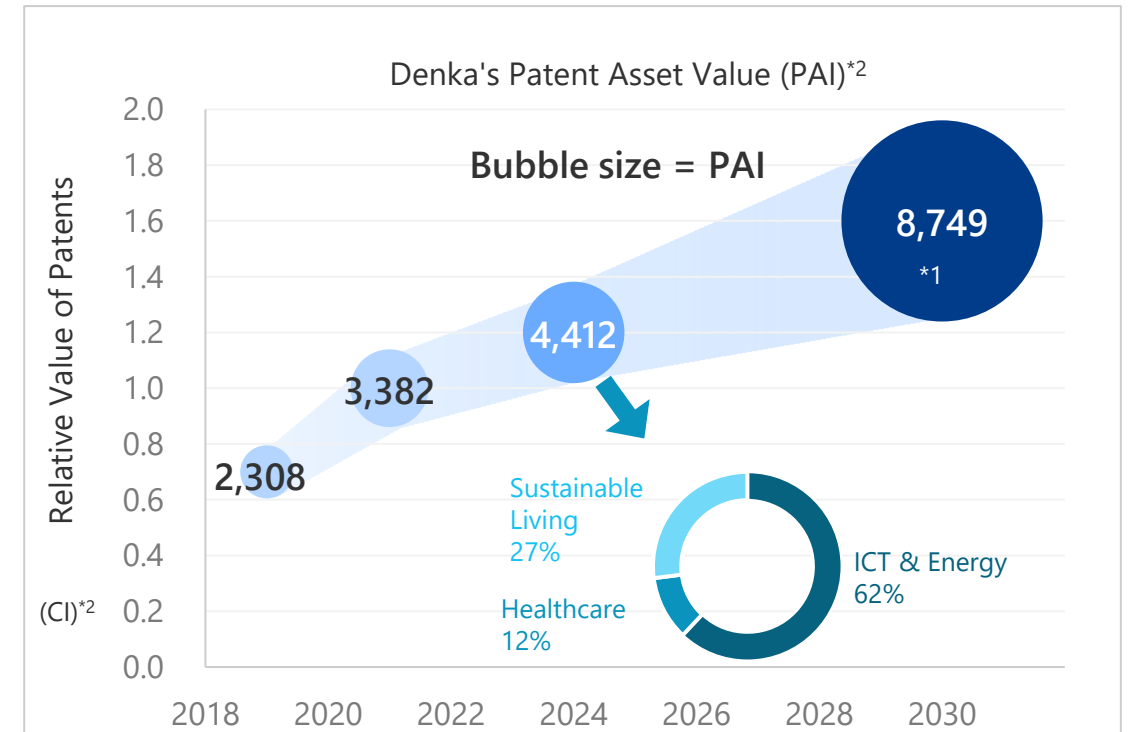
■ Protect and leverage intellectual property, and act as a bridge between sectors to drive sustained innovation creation

- Proactive IP - Integration With Business Strategy IP Landscape



KPI: Patent Asset Value Based on Operating Income

- Establishing KPIs to encourage IP strategies that are more business-conscious



*1 Calculated based on the correlation between operating income and PAI of 100 chemical companies.

*2 PAI (Patent Asset Index) is calculated using PatentSight® provided by LexisNexis

An indicator of the competitive advantage and total value of a patent portfolio. Competitive impact (CI) is an indicator of the technical value of a patent and how well said patent is valued in the marketplace.

- Strengthening our management foundation and achieving sustainable growth through DX

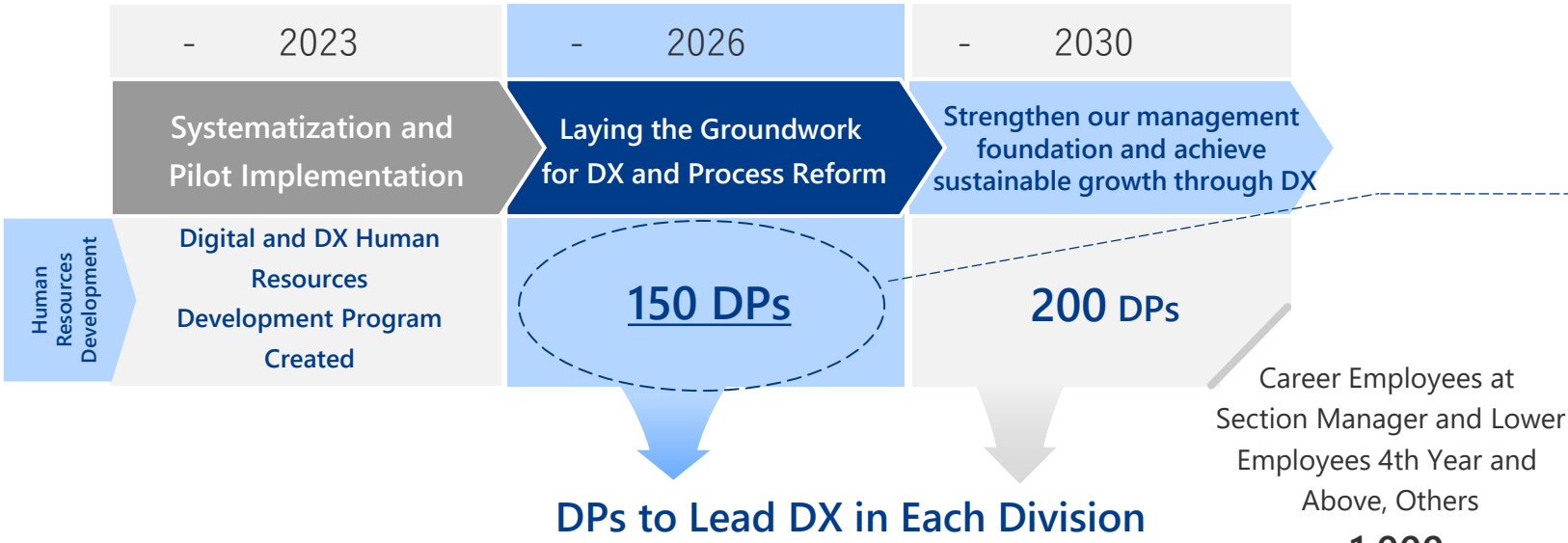
⇒ Cultivating **150** Digital Pilots (DPs) by FY2026 to lead DX implementation

■ Improve competitiveness leveraging DX ⇒ Cultivate **150 Digital Pilots (DPs)** by FY2026 to lead DX implementation

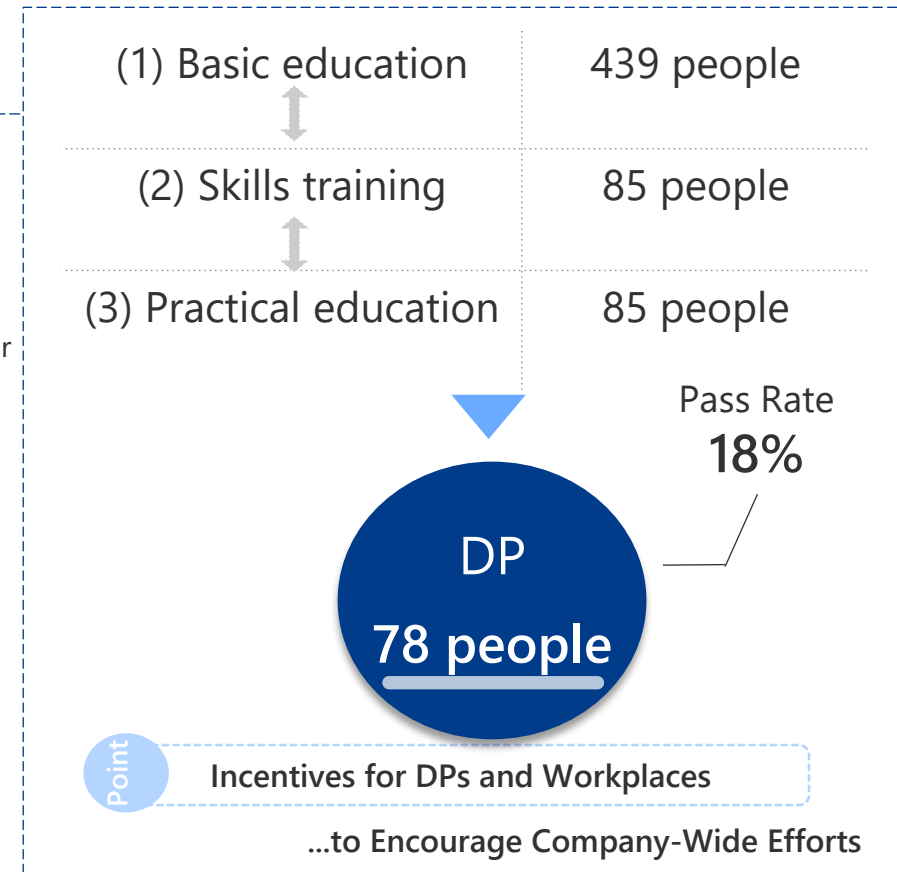
DX by DX Roadmap (Denka Transformation by Digital Transformation)

DPs are

business architects as defined under the Digital Skill Standards of the Ministry of Economy, Trade and Industry, etc.



FY2024 DP Training Results



Career Employees at Section Manager and Lower Employees 4th Year and Above, Others Roughly **1,000** people

84 Initiatives Rolled Out in Each Division

- (Examples)
- ✓ Establish a knowledge sharing system
 - ✓ Introduce product/development data proposal system
 - ✓ Conduct production planning, adopt logistics optimization system, etc.

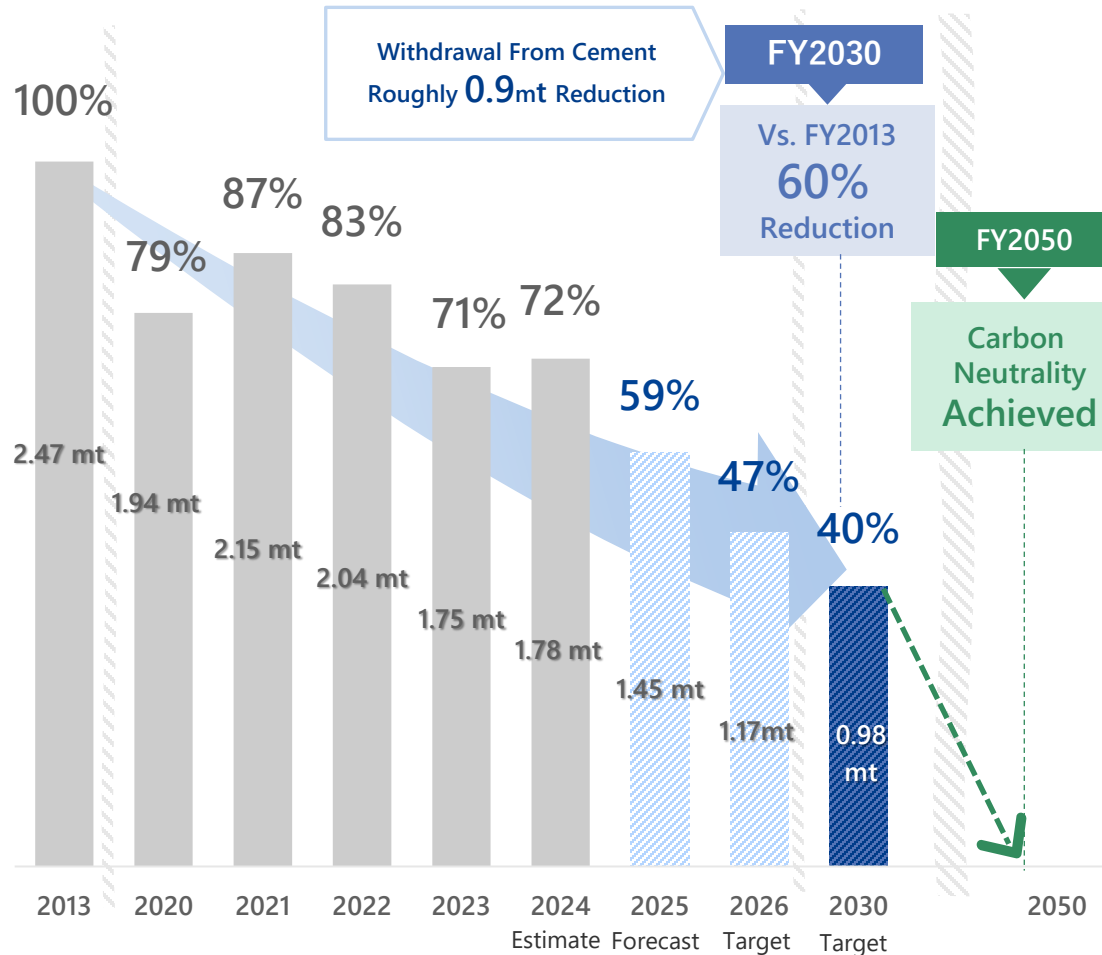
Systems Divisions Support company-wide reforms, including the wider use of generative AI and the consolidation of ICT assets, and implement reforms in each division

- **GX Vision: Leverage decarbonization as an opportunity for Denka**

■ GX Vision: Leverage decarbonization as an opportunity for Denka

Medium- and Long-Term Targets for Reducing GHGs

(Scope 1+2)



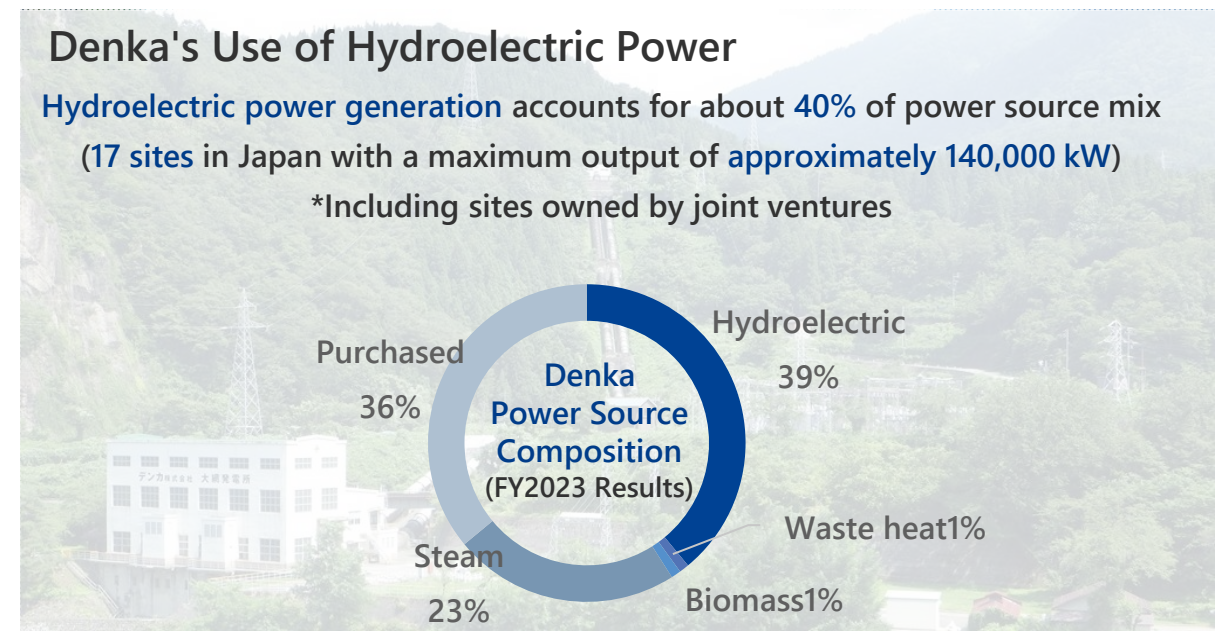
Main Efforts to Reduce Emissions

2030	2050
<ul style="list-style-type: none"> Portfolio transformation (withdrawal from cement, etc.) Expanded use of renewable energy (hydroelectric power, solar, etc.) Expanded use of exhaust heat GX human resources development 	<ul style="list-style-type: none"> Fuel conversion New renewable energy introduction (hydroelectric power) Renewable electricity wheeled for self-use Styrene production process conversion Acetylene production method conversion

Denka's Use of Hydroelectric Power

Hydroelectric power generation accounts for about 40% of power source mix (17 sites in Japan with a maximum output of approximately 140,000 kW)

*Including sites owned by joint ventures



■ GX Vision: Leverage decarbonization as an opportunity for Denka

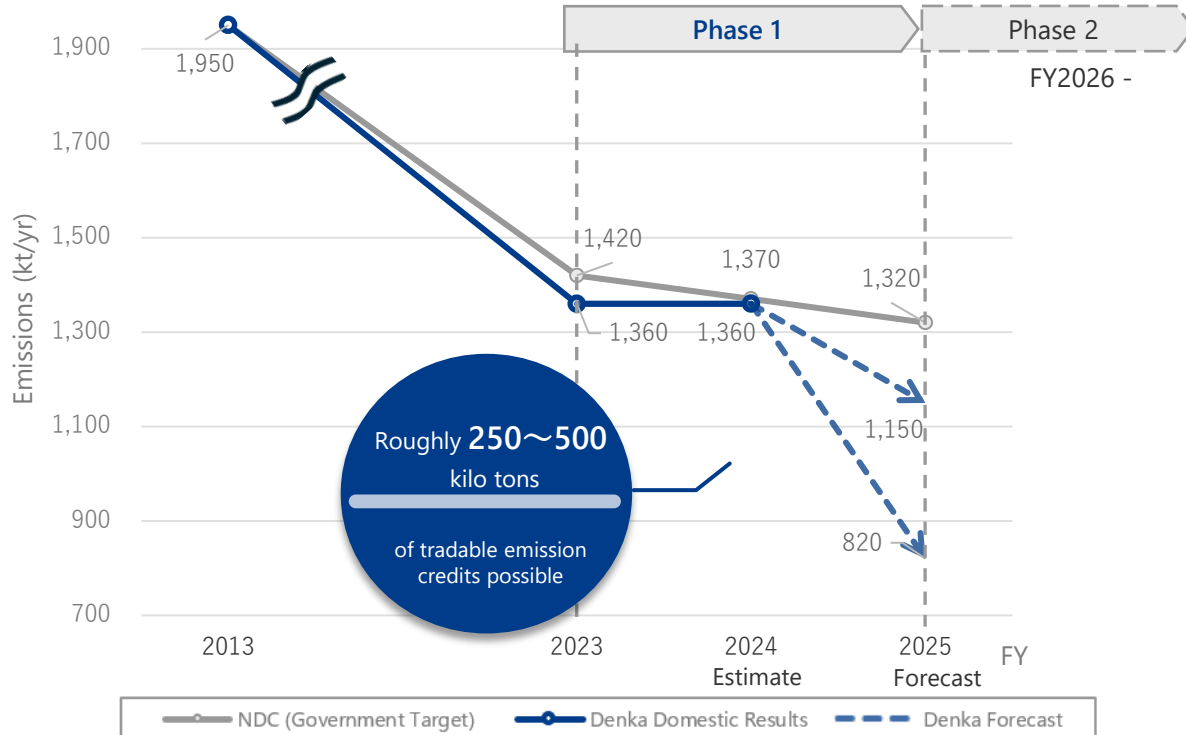


GX League

Efforts and preparations related to emissions trading system (GX-ETS)

Phase 1 (FY2023 - FY2025)

Phase 1 Denka CO₂ Emissions (Scope 1) and Emission Credits



Phase 2 (Beginning FY2026)

GX at the Denka Omi Plant

• Use of hydroelectric power

• Withdrawal from the cement business

Initiatives to Ensure Benefits are Used

- (1) Estimate the impact on Denka profits under the benchmark method* and grandfathering method*, and lobbying the GX League Secretariat and METI
- (2) Begin conducting third-party verification of reasonable assurance levels in FY2025
- (3) Establish an internal system to implement emissions trading
 - Internal audit system, CO₂ emissions calculation system, internal training, and staffing

*Benchmark method (intensity method)
Grandfathering method (total emissions method)

■ Examples of compliance with various frameworks

SBT Compliance

- Scope 1 and Scope 2 targets set in accordance with SBT
- Considering Scope 3 management methods and systematization
- Establish a policy to respond to product CO₂ reduction requests from users

SBT(Science-Based Target): a framework for companies to set greenhouse gas emissions reduction targets aligned with the goals of the Paris Agreement.

TNFD Compliance

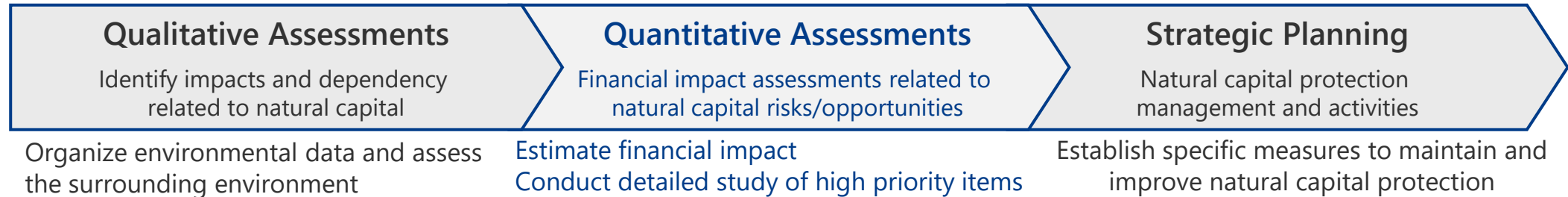
(1) Risk assessments

Assessments completed at each business location

Began in FY2024
In progress



TNFD(Taskforce on Nature-related Financial Disclosures) : a task force to visualize risks and opportunities related to natural capital and biodiversity to promote sustainable economic activities.



(2) Pursue opportunities: Currently analyzing the pursuit of opportunities in parallel with risk assessments

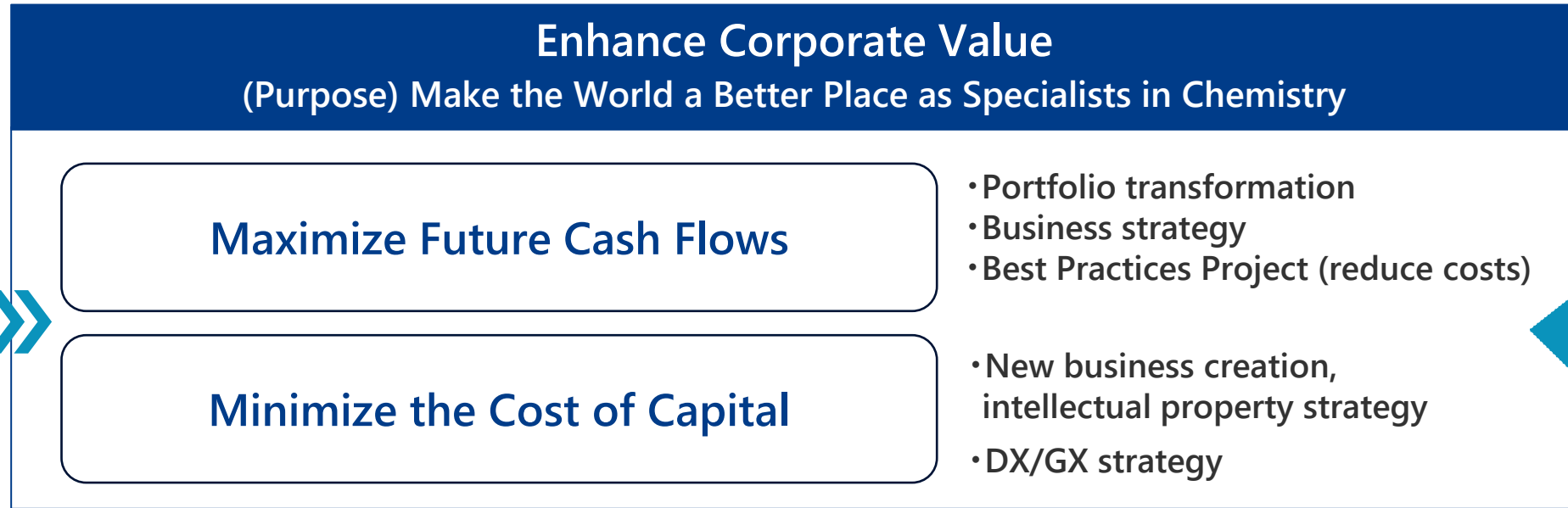
Denka

1 Review of the Mission 2030 Management Plan and Identification of Issues

2 Measures to Enhance Corporate Value

3 Building an Organization of Initiative

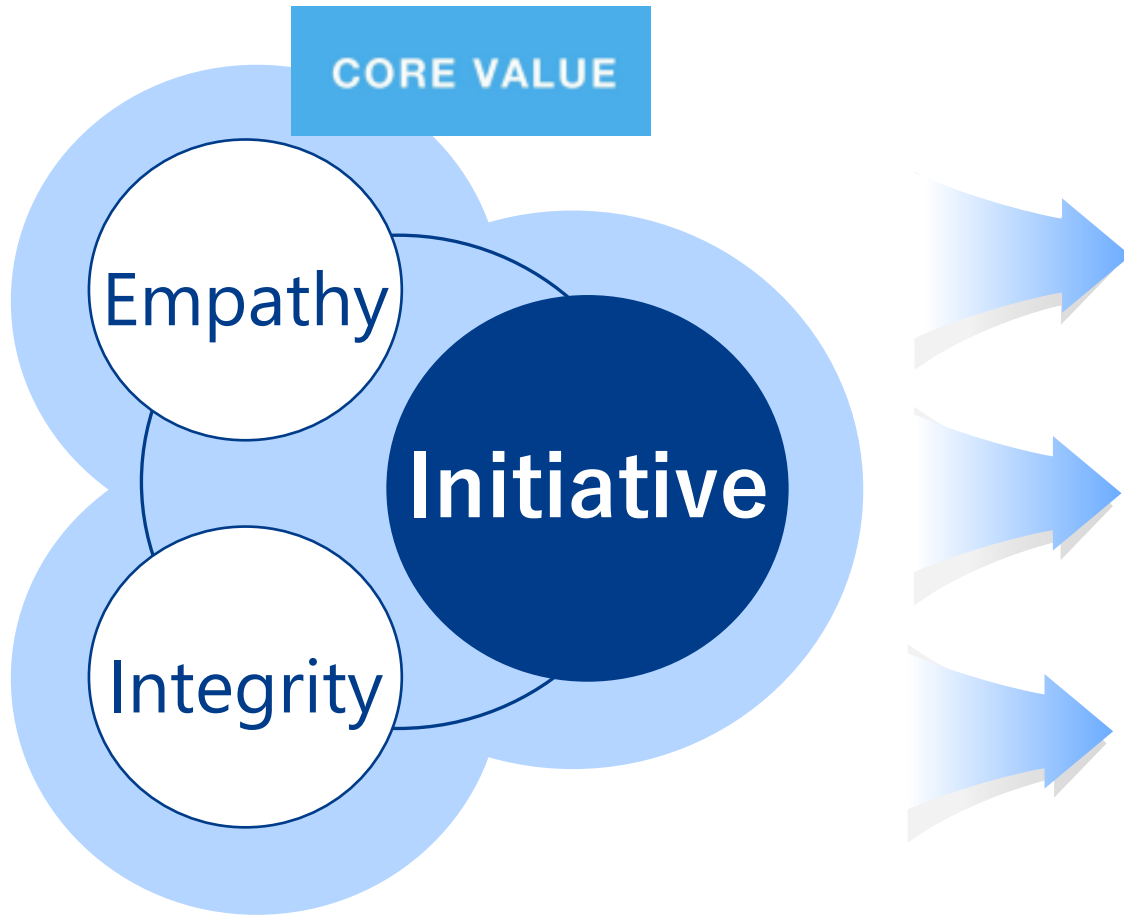
4 Financial Strategy and Governance



Execution >>>



- To return to a growth trajectory, change is essential for Denka today; therefore, initiative is the most important factor to ensure we get the job done



Return to a Growth Trajectory

Portfolio Transformation

- ✓ Build an optimized Three-Star portfolio

Business Strategy

- ✓ Become the de facto standard in growth areas
- ✓ Implement structural reforms, including downsizing

Best Practices

- ✓ 10 billion yen cost reduction compared with FY2023

Develop New Businesses and New Products

- ✓ New business development oriented to commercialization

- While *integrity* and *empathy* are generally well understood as part of our core values, *initiative* remains a challenge



○ Highest-Rated Categories

- ✓ Compliance
- ✓ Ease to take paid time off
- ✓ Good relationships in the workplace
- ✓ Safety awareness
- ✓ Promoting Diversity



○ Lowest-Rated Categories

- ✓ Vibrant and challenging workplace
- ✓ Outdated practices and obligations in the workplace
- ✓ Process, transparency and speed of decision-making
- ✓ Interdepartmental cooperation
- ✓ Chance to gain enough skills and abilities

Employee Awareness Survey:
Conducted March 27, 2023 to April 14, 2023. Total 5,276 employees surveyed, 4,821 responses (91.4% response rate)

(Purpose) Make the World a Better Place as Specialists in Chemistry

Organization We Want to Become

A Flat Organization Offering Psychological Safety and Encouraging Constant Initiative

(Core Values) Initiative Integrity Empathy

Human Resources Strategy

Organizational Reform

Opportunities for Growth

Psychological Safety

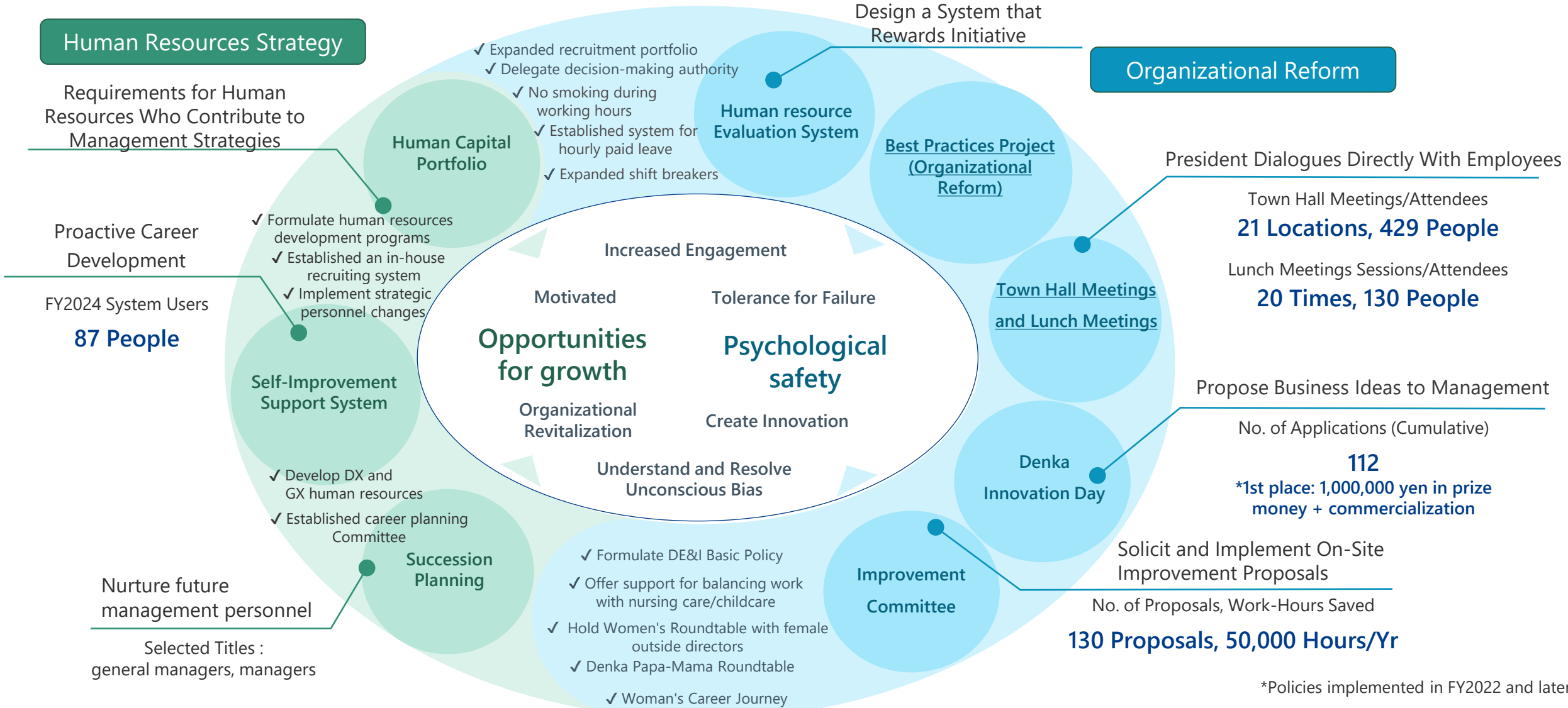
Organizational Revitalization

Motivated Increased Engagement

Creates Innovation Tolerance for Failure

Understands and Resolves Unconscious Bias

■ Implement all measures possible to create opportunities for growth and foster psychological safety



*Policies implemented in FY2022 and later

■ Changing Into an Organization of Initiative

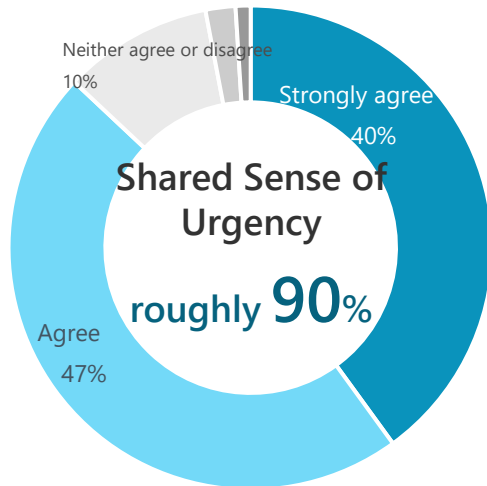
Organizational Reform

Best Practices Project (Organizational Reform)

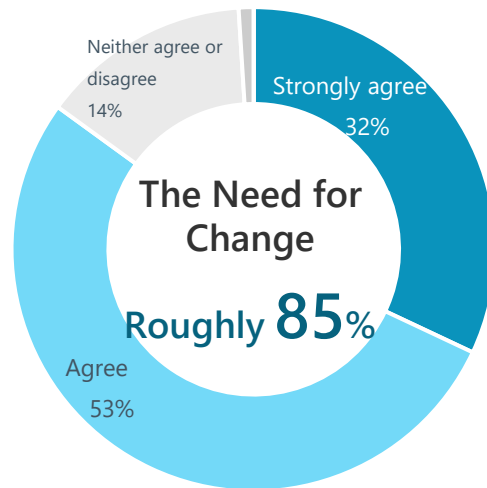
Change the way each employee approaches and perceives their work

Questionnaire Results

Q. The environment will become even more competitive over the next 5-10 years



Q. We must make major changes in our businesses and business processes



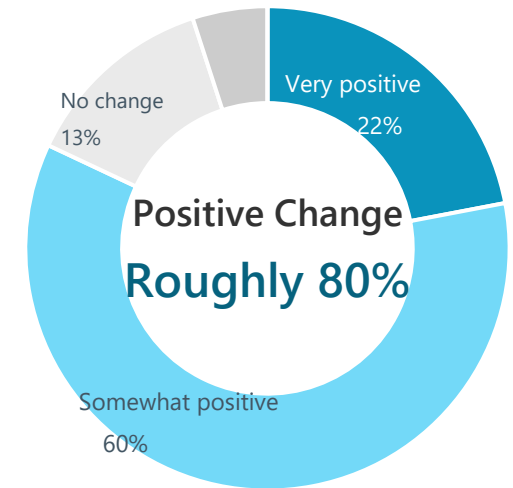
Town Hall Meetings and Lunch Meetings

Foster an internal culture that encourages people to speak up in any situation

Questionnaire Results

Q. Change in the psychological distance with management

Town Hall Meetings
Meetings/Attendees
21 Locations, 429 People
Lunch Meetings
Sessions/Attendees
20 Times, 130 People



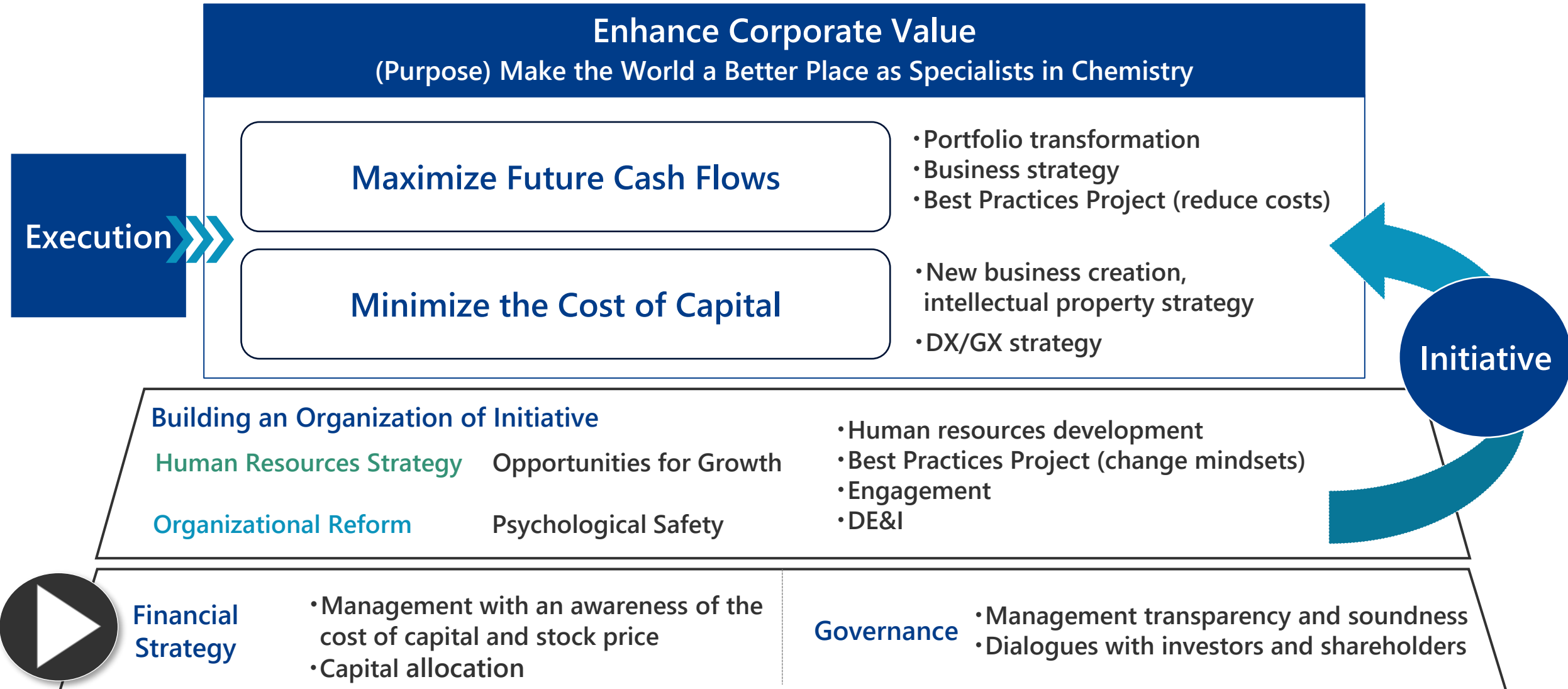
Denka

1 Review of the Mission 2030 Management Plan and Identification of Issues

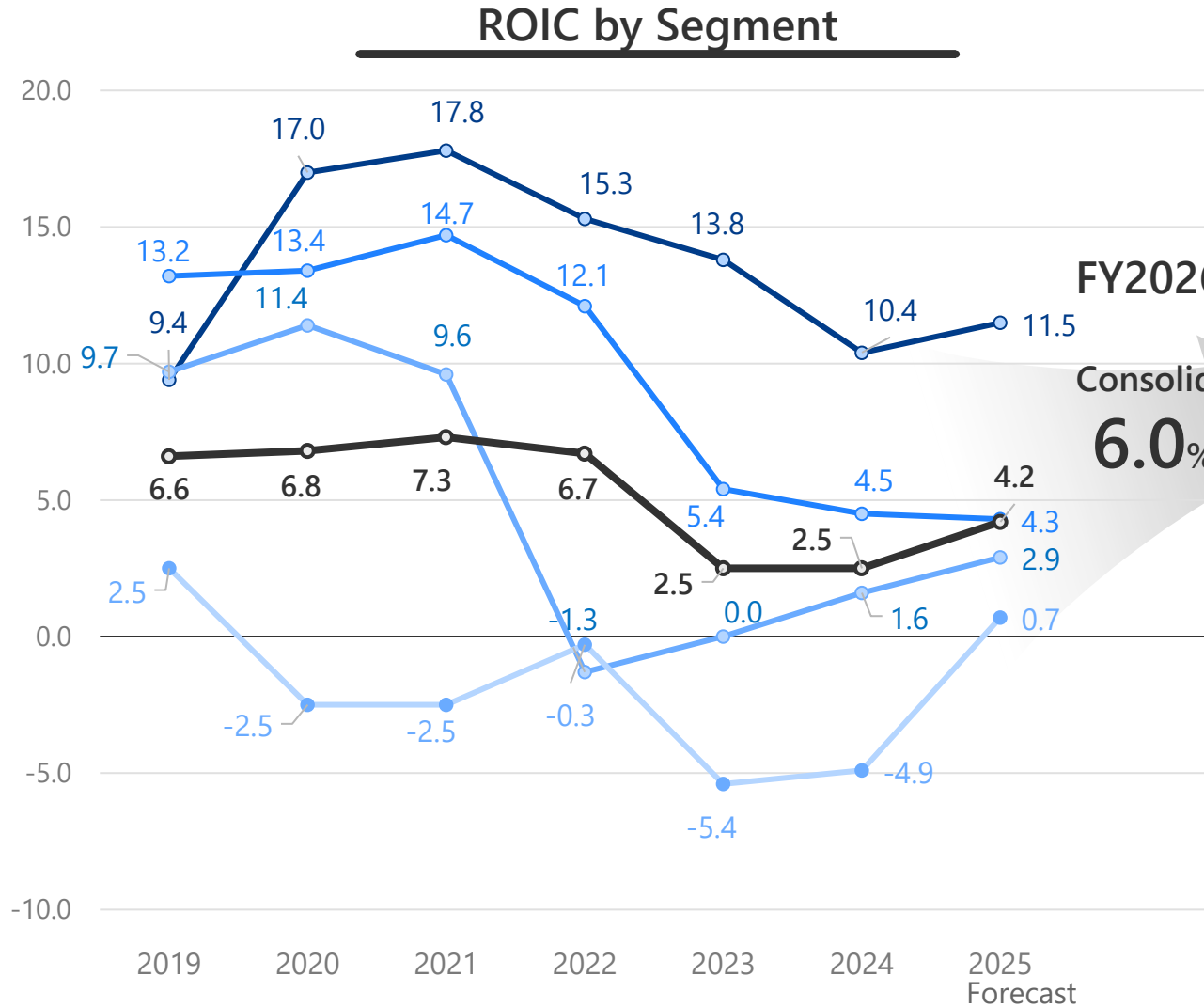
2 Measures to Enhance Corporate Value

3 Building an Organization of Initiative

4 Financial Strategy and Governance



Denka's Financial Challenges (1) Declining ROIC

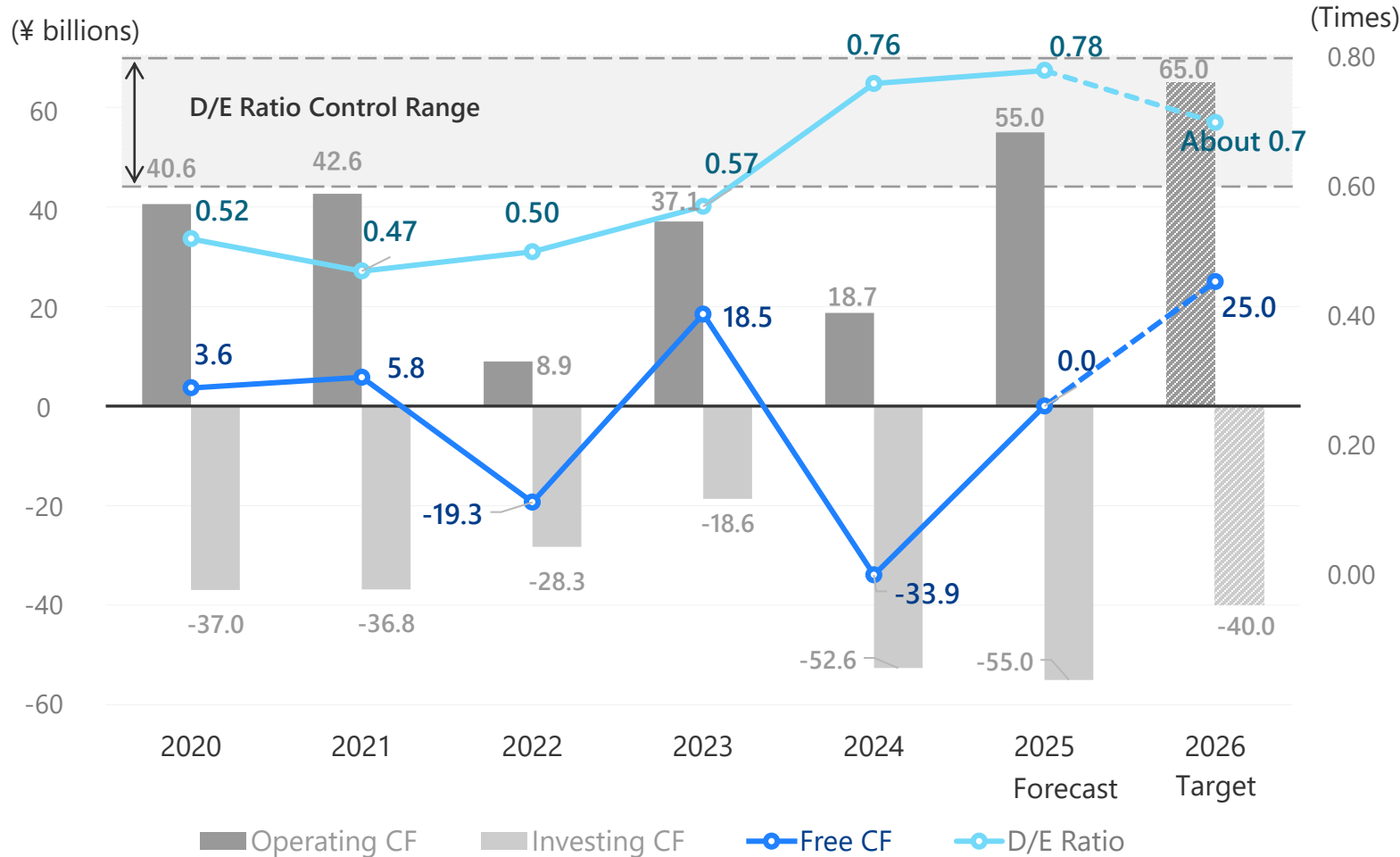


FY2026 Target
 Consolidated total
6.0% or more

- Life Innovation**
Stable growth, generally staying above 10%
- Electronics & Innovative Products**
Sluggish growth, as profit is not commensurate with investment
- Polymer Solutions**
Sluggish due to a drop in profit beginning in FY2022. Aiming for recovery through structural reforms
- Elastomers & Infrastructure Solutions**
Low, but began to recover in FY2025 in response to structural reforms
- Consolidated total (including common and other assets)**

Denka's Financial Challenges (2) Cash flow generated does not exceed investments

Cash Flow and D/E Ratio



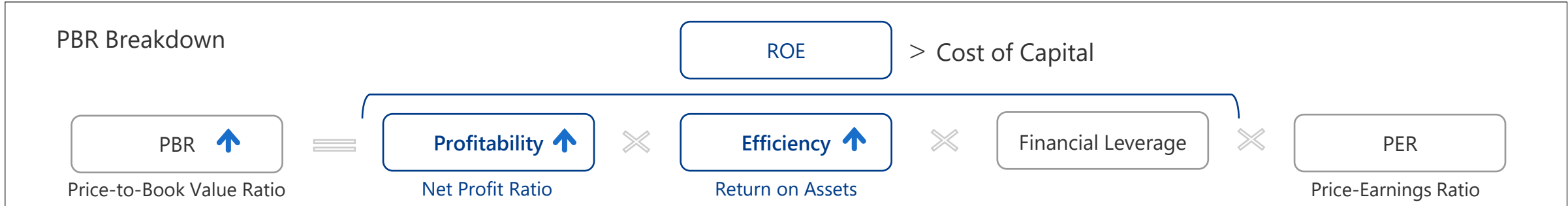
✓ Free CF

Free cash flow struggling to grow due to strategic investments focused on electrical materials falling short of expected returns.

✓ D/E Ratio

Utilizing interest-bearing debt to invest in growth strategy. In FY2024, we reached the control range of 0.6 x to 0.8 x during the period of Management Plan Mission 2030.

■ Action Toward Management That is Conscious of the Cost of Capital and Stock Price: ROE Improvement Requires *Profitability* and *Efficiency*



ROE Improvement is Profitability x Efficiency

	Financial Leverage	
	Mission 2030 Policy	FY2024 Actual
D/E Ratio	0.6 to 0.8	0.73
Total Return Ratio	50%	92%

Use interest-bearing debt is within the policy.

Shareholder returns = 50% average over eight years
Maintain/increase dividends

No Change in Policy

- Profitability ↑ × Efficiency ↑
- (1) Portfolio Transformation
⇒ Restructure unprofitable businesses and convert to cash cows
 - (2) Pursue business strategies for each division
 - (3) Engage in ROIC management (CCC (inventory control, etc.))
 - (4) Select investment projects carefully

Improve ROE

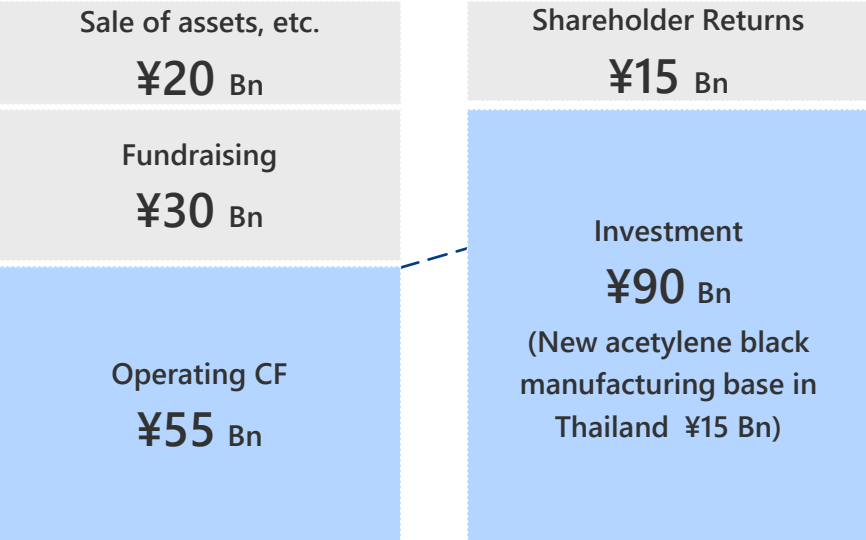
Generate Cash

■ Capital Allocation: Maintain D/E Ratio

Investment peaked in FY2025, focusing on the new acetylene black production facility in Thailand; however, we maintained our D/E ratio due to expanded operating cash flow

FY2023-FY2024

D/E Ratio 0.73



FY2025-FY2026 (Concept)

D/E Ratio Maintain at About 0.7



■ Foster greater transparency and soundness in business decision-making through ongoing governance enhancements

2019

Shifted from a company with Audit & Supervisory Board to a company with and Audit Committee

- > Strengthened the supervisory role of the Board of Directors further by enabling more rapid decision making and vesting Directors who are members of the Audit Committee with voting rights at Board of Directors meetings

2021

Abolished office of Counselor

- > Review of regulations regarding the appointment of retirees from the office of Chairman and President as Counselors and Advisors, and eliminated the office of Counselor

Reduced the number of Directors and Increased Board Independence

- > Reduce the number of Directors from 12 to 9, and raise the proportion of Outside Directors on the Board of Directors to over 44%
- > Clarified the roles of the Board of Directors and the executive structure, further enhanced the effectiveness of discussions at Board of Directors meetings, and further expedited the Board's decision-making process

2023

Appointed an Outside Director as chair of the Nomination & Remuneration Advisory Committee

- > Effective management of committees by strengthening independence and objectivity

Revised the executive remuneration system

- > Strengthened incentives for the Board of Directors to increase corporate value through a variety of remuneration systems
 - Revised compensation mix
 - Enhanced short-term incentives
 - Introduced an individual performance evaluation system
 - Introduced stock remuneration to Executive Officers

Established the Sustainability Committee

- > Established the Sustainability Committee with Outside Directors and Full-time Audit Committee Members as observers
- > Sustainability-related activities, progress with achievement of non-financial targets/KPIs and responses to risks and earning opportunities

- We selected our CFO as a candidate for director to strengthen financial oversight, including dealing with challenges and ensuring capital efficiency

New President: Ikuo Ishida

In addition to a wealth of practical experience, Mr. Ishida has overseen business strategies for the entire Denka Group. We believe his ability to execute and make decisions will meet our challenges and drive rapid growth.

Reappointment

Ikuo Ishida



Representative Director, President, and Chief Executive Officer

Director Candidate: CFO Rimiru Hayashida

In charge of financial strategy, Mr. Hayashida has shared with the Board of Directors his awareness of issues from the investor's perspective. He will lead company-wide strategies to improve the profitability of the Denka Group.

New Appointment

Rimiru Hayashida



Senior Managing Executive Officer
Chief Financial Officer (CFO), Chief Supply Chain Officer (CSCO)

New Appointment

Masanobu Kosaka

Chief Technology Officer (Production and Process Technology, Digital Strategy and Innovation, Engineering)

Retiring

Manabu Yamamoto

Retiring as Chairman of the Board, and appointed Senior Advisor to the Board

Retiring

Kazuo Takahashi

Retiring as Representative Director and Senior Managing Executive Officer, and appointed Executive Fellow

Initiatives to Facilitate Outside Directors in Their Respective Tasks

Nomination and Remuneration Advisory Committee

- ✓ Committee chaired by an Outside Director
- ✓ Strengthened involvement of outside directors in succession planning

Audit Committee

- ✓ Discussions on the progress of Mission 2030
 - Conducted an audit of the rationality and efficiency of business execution processes, including the progress in business portfolio reform and achieving KPI targets
 - Made recommendations on priority issues, including the assessment of the DPE business and new product development, as well as the creation of new businesses, based on diverse opinions from Outside Directors
- ✓ Conducted on-site visits to confirm work conditions
 - Investigated business activities and the condition of assets in Japan and overseas, emphasizing visits in person by outside directors to factories, research labs, etc., to not only provide an opportunity for meeting audit responsibilities, but also allow directors to develop a deeper understanding of the business

D&A Round Table

- ✓ Held as a forum to enhance cooperation between internal and external directors, facilitating more meaningful discussions of important management topics
- ✓ Discussions on high-impact measures for the chloroprene rubber business

Governance Structure for Improving Profitability and Strengthening Our Management Base **Denka**

- We reviewed the skill set of the Board of Directors in light of our challenges to recover performance and strengthen our management base

■ New Board Composition

	Independent Outside	Corporate Management Planning	Foster Human Capital	Global Business	Financial Strategy and Accounting	Legal and Compliance	ESG and Sustainability			Business Value Creation and Marketing	R&D and Intellectual Property	Engineering and Manufacturing	DX
							E (Environment)	S (Social)	G (Governance)				
Representative Director and Chairman	Toshio Imai	○	○	○			○		○	○			
Representative Director and President President and Chief Executive Officer	Ikuo Ishida	○	○	○		○			○	○			
New Director Senior Managing Executive Officer	Rimiru Hayashida	○			○				○				
New Director Managing Executive Officer	Masanobu Kosaka			○			○	○			○	○	○
Director	Rumiko Nakata	✓	○					○					
Director Full-time Audit Committee Member	Mizuhiro Uchida				○	○		○	○				○
Director Audit Committee Member	Toshio Kinoshita	✓		○	○				○				
Director Audit Committee Member	Akio Yamamoto	✓	○	○	○					○			
Director Audit Committee Member	Miyuki Matoba	✓				○		○	○		○		

■ Independence

Ratio of Independent Outside Directors

44%

■ Expertise

Financial Strategy and Accounting

Appointed CFO

DX

Appointed CTO

■ Gender

Female Directors

2 of 9 directors

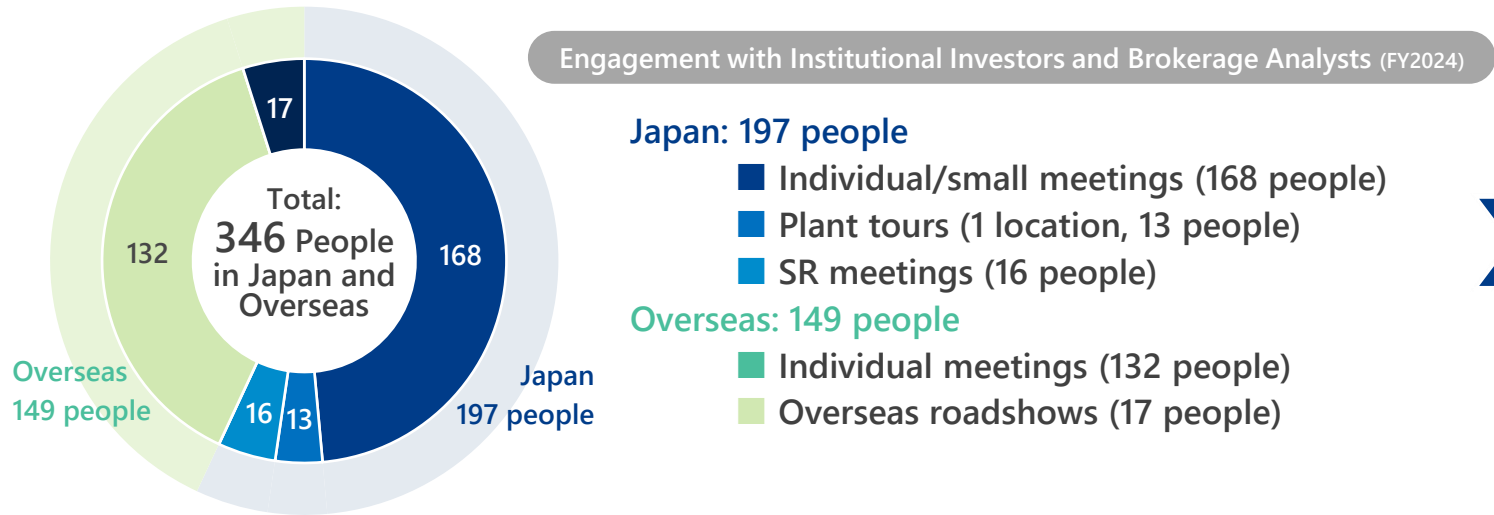
■ Nominating and Remuneration Advisory Committee

Committee Chair

Outside Director

- Strengthen relationships with investors and shareholders through IR/SR activities, and at the same time engage in ongoing dialogue to improve the quality of discussions within the Board of Directors toward enhancing corporate value

- Disclose financial and non-financial information proactively, effectively, and fairly
- Enhance the credibility of governance through constructive dialogue with investors and shareholders



Main Dialogue Topics

- Portfolio transformation policy and progress
- Management policies and measures that have been updated due to changing assumptions since the formulation of Mission 2030
- Cash allocation (shareholder returns, strategic investments, human resources investments, R&D, financial leverage, etc.)
- Future outlook of growth businesses and investment plans

Feedback to Management and Board of Directors



Four Times/Year + Case-by-Case

- Provided feedback of shareholder opinions obtained through dialogue to management, the Board of Directors, and relevant departments
- Provide feedback whenever there is a matter that attracts a notable increase in shareholder opinions
- Use as reference for the next and subsequent disclosure materials, as well as management strategy formulation and implementation measures

Cautionary statement regarding forward-looking information

Target figures in this material are not forecasts of business results.

In addition, any description relating to the future in this material is subject to known or unknown risks and uncertainties, although it is based on management's current assumptions and beliefs in light of the information currently available to it. Please be cautioned that a number of important factors could cause actual results to differ significantly from the description in the material.

Such risks and uncertainties include adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launch, pricing, and product initiatives of competitors, the inability of the Company to market existing and new products effectively, interruptions in production, infringements of the company's intellectual property rights and the adverse outcome of material litigation.

Note: This slide deck has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated slide and the Japanese original, the original shall prevail.

Possibility of chemistry

Denka

Inquiries regarding this material
Corporate Communications Dept,
Denka Co., Ltd.

TEL

03-5290-5511

URL

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