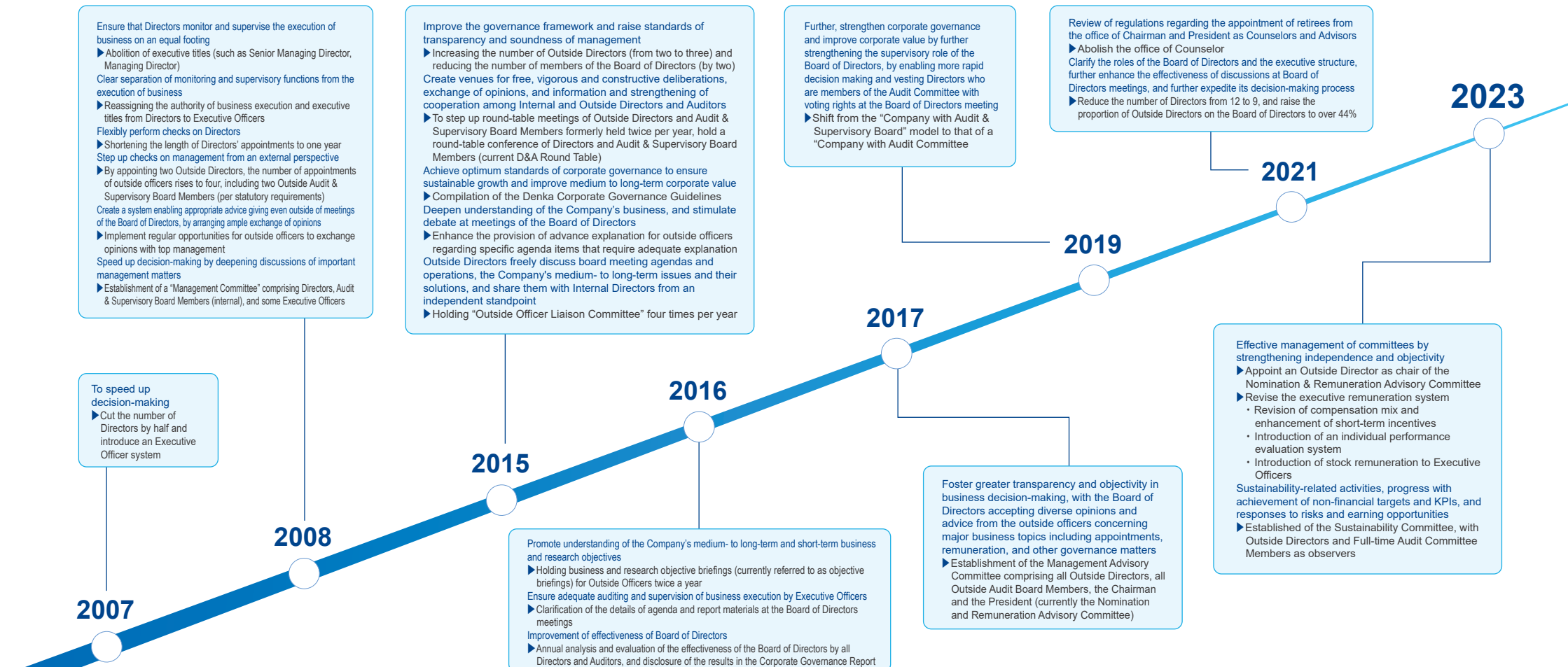


Basic Approach to Corporate Governance

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)

Performance-linked remuneration (cash, fixed)	Performance-linked compensation (cash, variable)	Stock remuneration
6	3	1

* The above chart shows the approximate ratio when operating profit is achieved based on the management plan and the evaluation for individual performance-linked remuneration 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 director according to their roles and responsibilities immediately

FY2023 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	205 million yen	6	162 million yen	2	14 million yen	5	27 million yen
	(1)	(12)	(1)	(12)	(—)	(—)	(—)	(—)
Director (Audit Committee Members) (Of which Outside Directors)	5	74	5	74	—	—	—	—
	(3)	(36)	(3)	(36)	(—)	(—)	(—)	(—)
Total (Of which Outside Directors)	11	279	11	237	2	14	5	27
	(4)	(48)	(4)	(48)	(—)	(—)	(—)	(—)

* There are currently nine directors (of which four are outside directors), but remunerations for two directors who retired as of the conclusion of the 164th shareholders' meetings held on June 22, 2023, are included.

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.

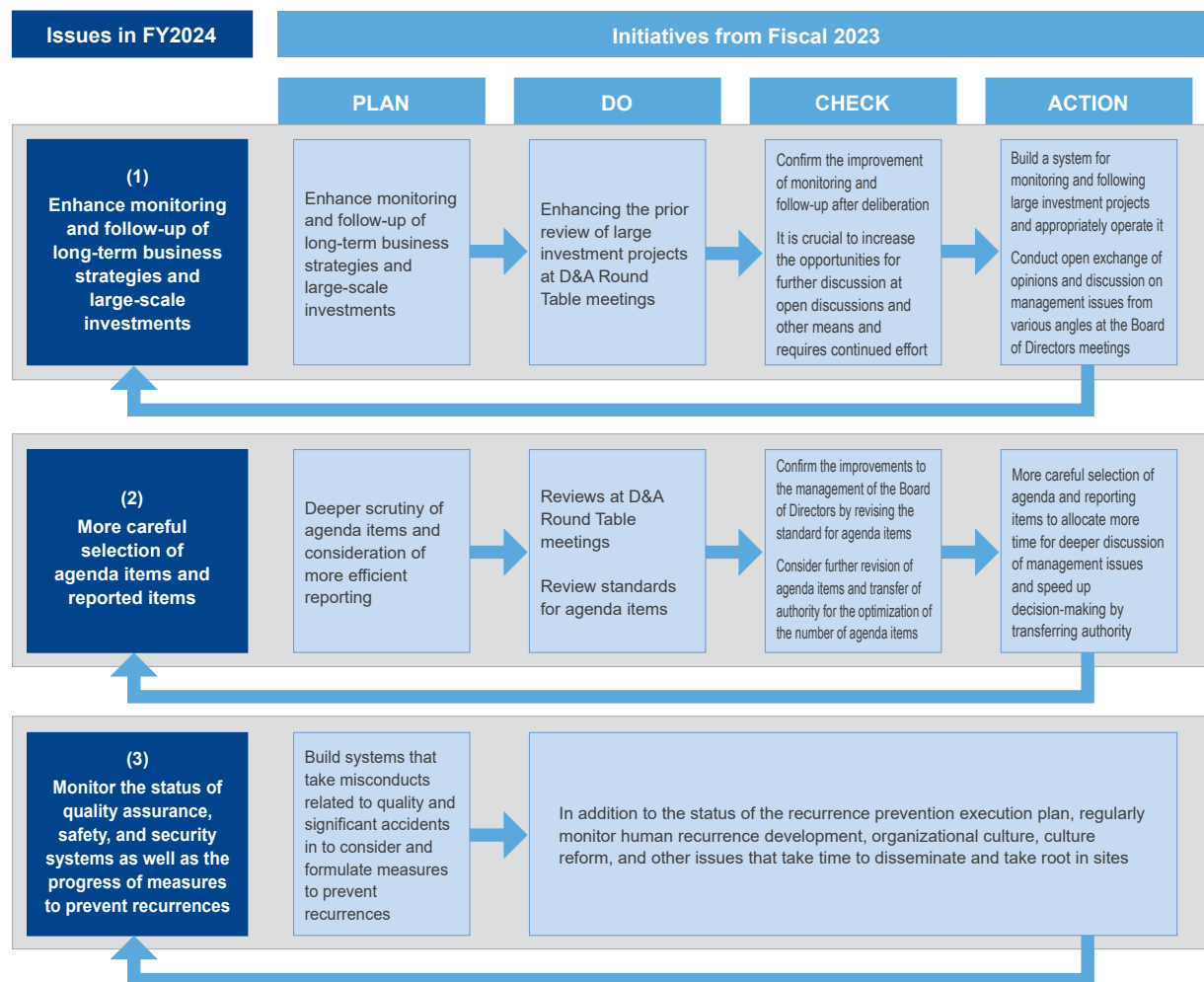
2 Summary of Evaluation Results and Future Efforts

The results of fiscal 2023 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.

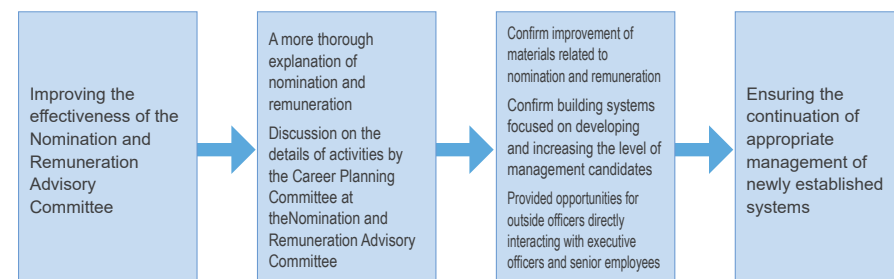
In terms of the previous year's task of further improving the effectiveness of the Nomination and Remuneration Advisory Committee, it was confirmed that explanation about the nomination and remuneration became more thorough have led to active discussions and the establishment of the Career Planning Committee enabled a system that focus on the developing and raising the level of candidates for management.

In addition, for the deepening discussions at the Board of Directors meetings, decision-making process became more deeper by being already thoroughly discussed at the D&A Round Table for large investment projects. Monitoring and follow-ups after deliberation were also improved but it was pointed out that there are issues that need to be continuously improved for these systems. Furthermore, in terms of more careful consideration and improvement of the effectiveness of the reporting of agenda items for the Board of Directors, revision of standards for agenda items showed signs of improvement. However, the need for an even more careful selection of agenda items and important items to report to allocate more time for discussions on long-term business strategies, large investment projects, and other management issues as well as increasing the speed of decision-making was shared among the participants.

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 FY2023 (excluding above (1) and (2))





Management Status of Each Committee

Board of Directors and optional committees, etc.

■ Board of Directors (Met 14 times in fiscal 2023)

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, in principle, the Company has discontinued the use of executive titles, (such as Senior Managing Director, Managing Director) for Directors, such that all Directors may focus on monitoring and supervising the execution of business duties from an equal standpoint. Also, the Company has set the length of Directors' (excluding Audit Committee Members) terms to one year to facilitate flexible checks on them at the General Meeting of Shareholders.

[Key topics in FY2023]

- (1) Build systems that take improprieties regarding quality and serious accidents in to consider and formulate measures to prevent recurrences
- (2) Established a joint venture company for the construction of acetylene black manufacturing plant No.4 in Thailand
- (3) Focusing management resources on other fields at overseas consolidated subsidiaries in response to the termination of Norovirus vaccine development
- (4) Best Practice Project (promotion of cost reductions)  P32
- (5) Sales of strategic shareholdings  P75

■ Sustainability Committee (Met 3 times in FY2023)

 P15

 P26

■ Outside Officer Liaison Committee (Met 4 times in FY2023)

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.

■ Nomination and Remuneration Advisory Committee (Met 4 times in FY2023)

For major management matters such as nomination, remuneration, and other elements of governance, the Board of Directors has set up the Nomination & 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 2023 this Committee received inquiries from the Board of Directors regarding the executive and governance structure, the formulation of a skills matrix, 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 as of fiscal 2023.

Furthermore, an Outside Director has served as chairperson of the Committee since FY2023 to increase its independence and objectivity and achieve more effective operation. In regard to succession plans, we are strategically developing candidates eligible for future management teams. During the current fiscal year, we plan to hold sessions with outside directors who are members of the Committee as lecturers to offer opportunities to directly engage with said candidates as well as conduct 360° analysis and feedback from their superiors, colleagues, and subordinates for all executive officers.

■ D&A Round Table (Met 12 times in FY2023)

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.

In fiscal 2023, lengthy, active discussions on the core measures for the chloroprene rubber business and the risks, opportunities, and business strategies related to the construction of the acetylene black production facility were conducted.

■ Objective briefings (Met 2 times in FY 2023)

Briefings are held in order to have Outside Directors understand the Company's medium- to long-term and short-term business and research policies.

Audit Committee (Met 14 times in FY2023)

In accordance with their fiduciary responsibilities to shareholders, Audit Committee Members and the Audit Committee work with the support of the full-time staff of the Audit Committee Office, whose independence from management is ensured, to conduct audits of the legality and validity of execution of Directors' duties by conducting hearings on the state of business duties fulfilled for each department, office, and subsidiaries as well as other investigations in close cooperation with the Internal Control Division. In addition, the Audit Committee forms views on matters related to the selection and remuneration of Directors (excluding Directors who are Audit

Committee Members) and agenda items for the selection, removal, and refusal of reappointment of accounting auditors following the Companies Act.

Furthermore, the Company appoints candidates for Directors who are Audit Committee Members based on its judgment that, 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.

Our View on the 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.

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.



•The Denka Group Human Rights Policy <https://denka.disclosure.site/ja/themes/727>

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.



Target and road map of the response process in the Management Plan “Mission 2030”

We are promoting activities to 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.



Initiatives in FY2023 and FY2024

• Implementation of internal briefings on human rights

We held briefings for all Denka Group employees (on November 30 and December 6, 2023). In these briefings, we explained the Denka Group Human Rights Policy and our future human rights initiatives.

• Evaluation of impact on human rights (human rights risk assessment)

Denka Group identified 10 risks that take priority being addressed by conducting hearings (target: business and management divisions of the Head Office and labor union) to identify important human rights risks in the second half of fiscal 2023. We will conduct hearings with a wider scope from fiscal 2024 and beyond to promote preventative and mitigation measures with the aim of establishing a human rights due diligence process.

Category	Risk items
Occupational health and safety	Human rights in work environment (health and safety)
Power Harassment	Risks of Power Harassment occurring among employees
	Risks of Power Harassment on employees of suppliers (including their business partners)
	Risks of Power Harassment on our employees by a customer
Long working hours	Risks of long working hours and overwork
Freedom to relocate residence	Risks of violating freedom of relocating residence by forced transfer of work location or job
Rights of indigenous people and local residents	Risks of negatively impacting the daily lives of local residents due to manufacturing and disposal of products, etc.
Consumer safety and the right to know	Risks of violating the right to know of purchasers and consumers due to misinformation related to products
Occupational health and safety	Human rights risks related to health and safety in supplier's work environment
Forced and child labor	Risks of serious incidents of forced and child labor occurring in the production sites of raw materials, etc., and purchasers (and plants)

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, 2024, decreased by 16 from the end of the previous fiscal year to 54, and the ratio to consolidated net assets decreased by 2.76 percentage points to 7.21% from the end of the previous fiscal year.

Trends in strategic shareholdings

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

Number of issues of strategic shareholdings at the end of March 2024 and the amount on the balance sheet

	Number of issues	Amount on balance sheet
Unlisted issues	52 issues	3,460 million yen
Listed issues	2 issues	19,388 million yen

Issues with declining number of shares held in FY2023

	Number of issues	Total amount of gains related to the decrease in the number of shares
Unlisted issues	6 issues	222 million yen
Listed issues	12 issues	19,740 million yen

Regarding Litigation Against US Subsidiary

Since 2018, multiple lawsuits (20 cases as of the end of March, 2024) 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, 2024) 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 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. In addition, DPE saw a lawsuit filed against it by the United States Department of Justice ("DOJ") on behalf of the U.S. Environmental Protection Agency ("EPA") in the United States District Court Eastern District of Louisiana on February 28, 2023, and the lawsuits currently pending. In the lawsuit, the DOJ is seeking DPE to implement measures to remove hazards arising from emission of chloroprene monomer. This was followed by a motion for a preliminary injunction for the implementation of such measures on the same matter filed on March 20, 2023. DPE will closely examine the details of these claims and take appropriate response action.

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.