

Message from the Chairman

Enhancing Corporate Governance for Sustainable Management

In modern society, we are being continually exposed to rapid climate change, drastic geopolitical shifts, and the ever-evolving advancements in AI and other digital technologies. For companies facing these changes, sustainable management is required to enhance corporate value over the long term, which involves responding to global environmental and societal demands while balancing corporate value growth and contributing to the interests of various stakeholders. There is growing support for strengthening the role of the Board of Directors in pursuing ESG management—an essential non-financial objective—and in balancing achievements in medium-term SDGs with financial objectives such as performance and capital efficiency. In response to these trends, our Group has implemented various measures aimed at strengthening corporate governance, with the objective of steadily transitioning from a management board to a monitoring and advisory board.

In addition to enhancing the effectiveness of the Audit Committee system, we have streamlined the Board of Directors, increased the ratio of outside directors, utilized a skills matrix, and clarified accountability through the expansion of performance-linked ratio of the executive compensation system. This year, we have also strengthened diversity by increasing the number of female directors and enhanced supervisory functions by appointing a non-executive chairperson for the Board of Directors.

Currently, our company is implementing the management plan “Mission 2030”, targeting the fiscal year 2030. Under the leadership of the president, employees are working together to simultaneously respond to the deteriorating economic environment surrounding our business and to implement fundamental structural reforms with a long-term perspective. The Board of Directors will use our current measures to support appropriate and swift decision-making for execution aimed at achieving financial goals, while also keeping a close watch on progress towards non-financial objectives and fulfilling its supervisory and advisory roles. Going forward, we will continue to further revitalize the Board of Directors, contributing to the realization of sustainable management that balances the pursuit of non-financial goals aligned with societal demands and the long-term enhancement of corporate value.

Response to Key Management Priorities

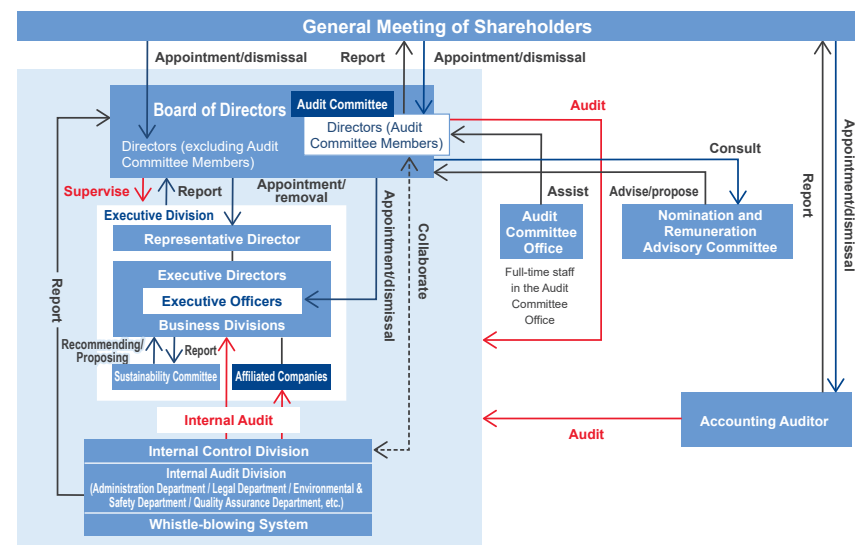
Regarding the major safety accident and quality incidents that occurred last year, we established an external investigation committee and confirmed the progress and results of the investigation. The issues and corrective measures raised by this committee were regarded as top priority management issues by the Board of Directors, and through supervision and advice in detailed discussions, we encouraged secure and timely execution. Furthermore, the Board of Directors will continue to strengthen its oversight to prevent recurrence.

With regard to the business portfolio reform that is central to the management plan, following our withdrawal from the cement business, the Board of Directors is striving to make appropriate and swift decisions through in-depth discussions with the executive team on the large-scale business reorganization that is being planned.



Manabu Yamamoto Chairman and Director

Corporate Governance System



Message from Outside Directors

Business Portfolio Reform and the Role of an Outside Director and Audit Committee Member

The environment surrounding our company is far from stable, and we recognize that business reorganization, including a review of our business portfolio, is necessary in our company's management. Under these circumstances, as an Outside Director and Audit Committee Member, as well as a certified public accountant with expertise in financial accounting, I intend to continue cooperating with the executive management team and carrying out the following actions.

1. Review and Support of Management Strategies

I will confirm the effectiveness of the strategies for reviewing the business portfolio and business reorganization formulated by our executive management team, while providing opinions as a financial and accounting expert.

2. Recognizing Risks and Challenges

The review of the business portfolio and business restructuring involves risks and challenges. I will share the executive management team's response measures to these risks and their future business outlook, providing advice as necessary.

3. Commitment to Sustainable Growth

To support the company's sustainable growth, I will assist the executive management team by analyzing financial aspects and management indicators as a certified public accountant.

4. Ensuring the Accuracy of Financial Information and Preventing Fraud and Illegal Actions

The enhancement of our company's internal control organization is essential for ensuring the accuracy and propriety of financial information and preventing fraud and illegal actions. As a certified public accountant, I will evaluate the internal control framework and risk management system.

By taking the above actions, I will continue to work with the executive management team to enhance the corporate value of our company, while improving its reliability and transparency, ensuring that we provide highly reliable information to shareholders and investors.



Toshio Kinoshita

Director, Audit Committee Member



Nakata Rumiko

Director

Monitoring for Enhancing Denka's Human Resources and Management Value

My name is Rumiko Nakata, and I assumed office as an outside director on June 20, 2024.

I hope to contribute to increasing Denka's corporate value by leveraging my experience in pharmaceutical and materials manufacturing companies. Last year, Denka developed a new vision as part of the management plan "Mission 2030". It was wonderful that young members were involved in creating their own new vision. The future of Denka will be built by its young members of today. If they take this new vision as their own, using it as a guide for actions and decisions, and create new achievements on the foundation of the traditions and numerous assets that have been built so far, we will create something unbeatable here at Denka.

In today's environment of increasing job mobility, the source of a company's competitiveness lies in its people, corporate culture, and organizational climate, and their importance continues to grow.

As a material manufacturer, Denka must simultaneously pursue both quality and safety, and consequently, Denka tends to adopt a more traditional communication style. However, it is crucial to create a corporate climate where diverse people can freely express their opinions, feel respected, and maximize their potential regardless of age, experience or background, while also making use of the positive aspects of traditional communication.

From the perspectives of human capital and organizational culture, I hope to contribute as an outside director by monitoring to help Denka evolve and enhance its human resources and management value.

Board of Directors



Photo taken on July 8, 2024

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)

Manabu Yamamoto
Chairman and Director

Toshio Imai
Representative Director,
President & Chief Executive Officer

Rumiko Nakata
Outside Director

Kazuo Takahashi
Representative Director

Ikuo Ishida
Director

• See here for Director profiles. <https://denka.disclosure.site/ja/themes/673>

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	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 Director	Manabu Yamamoto			11	M	○	○	○				○	○	○			
Representative Director, President	Toshio Imai	President and Chief Executive Officer		5	M	○	○	○			○		○	○			
Representative Director	Kazuo Takahashi	Senior Managing Executive Officers		3	M	○	○	○		○					○	○	○
Director	Ikuo Ishida	Managing Executive Officer		1	M	○	○	○		○				○			
Director	Rumiko Nakata		○	—	F		○					○					
Director	Mizuhiro Uchida	Full-time Audit Committee Member		1	M				○	○		○	○				○
Director	Toshio Kinoshita	Audit Committee Member	○	9	M			○	○				○				
Director	Akio Yamamoto	Audit Committee Member	○	9	M	○	○	○						○			
Director	Miyuki Matoba	Audit Committee Member	○	3	F					○		○	○		○		

* The matrix above shows the skills that the Board of Directors expects from them among the knowledge and experience they possess. * Years of service are shown as of June 20, 2024. * F: Female, M: Male

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

Kazuya Tokumoto	Managing Executive Officer			M	○		○			○	○			○	○	
Rimiru Hayashida	Managing Executive Officer			M	○			○				○				
Yukio Sasagawa	Managing Executive Officer			M						○	○			○	○	○
Hideki Toya	Managing Executive Officer			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 "making 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 (Social)

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 business."

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

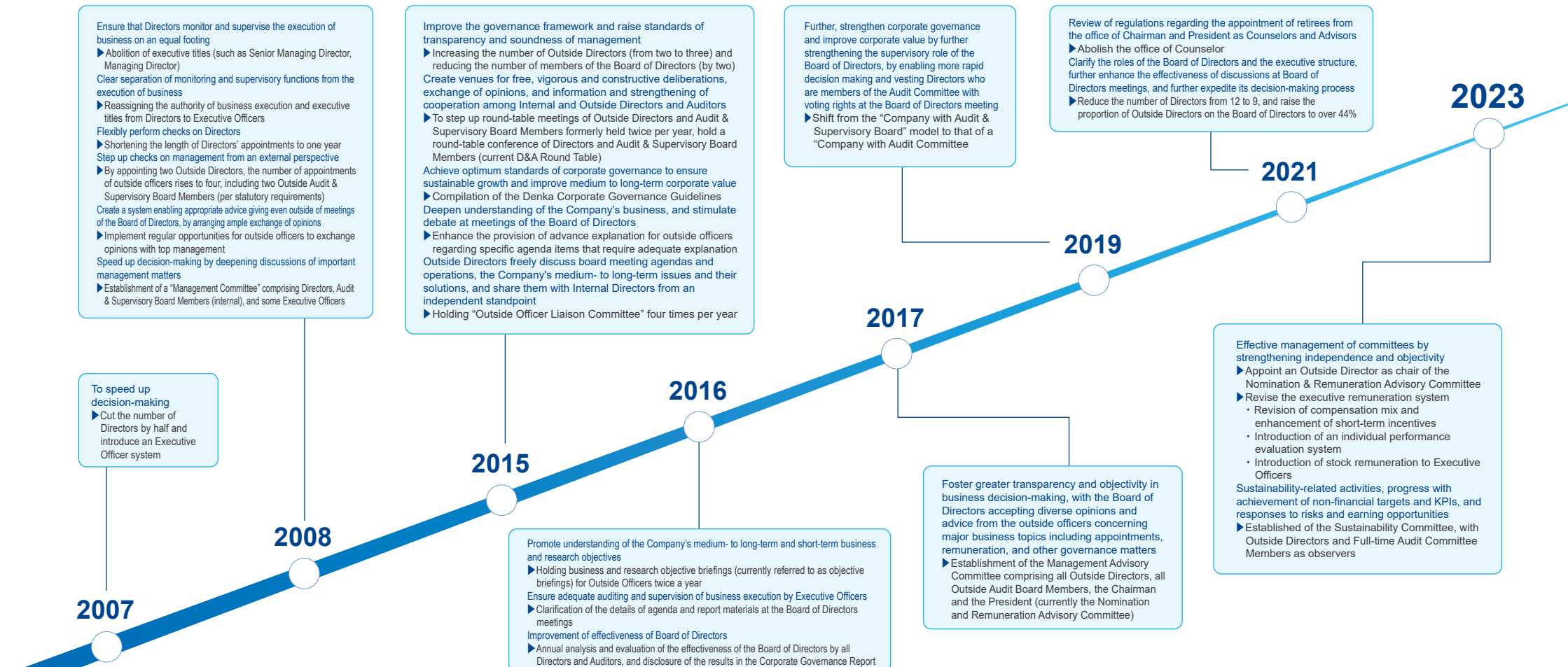
Directors are needed with profound knowledge and extensive experience related to digital technologies and data utilization, as well as the ability to understand and analyze the nature of the Group's business and use this insight to transform it are needed to promote the transformation of business model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

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

* 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.

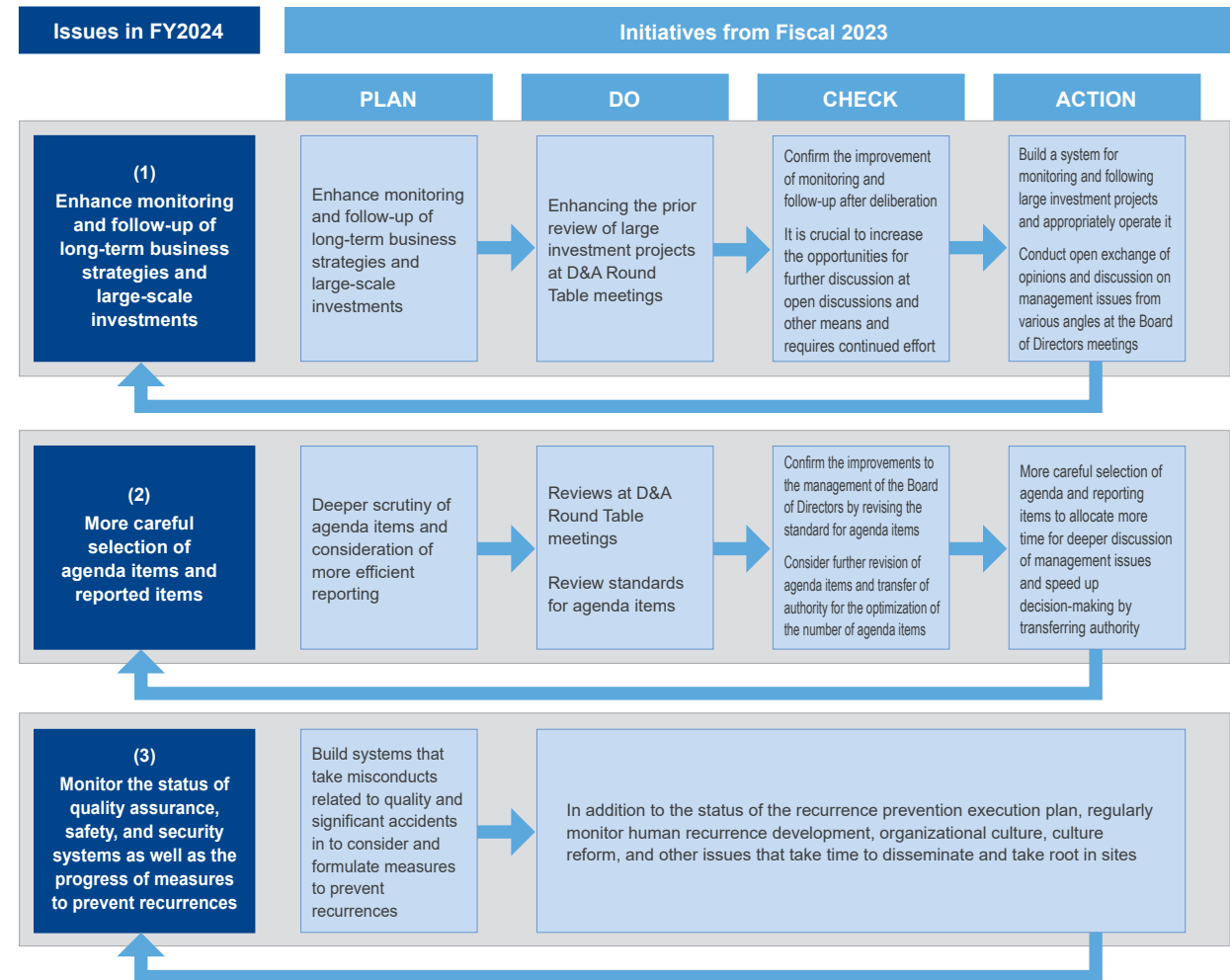
2 Summary of Evaluation Results and Future Efforts

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.

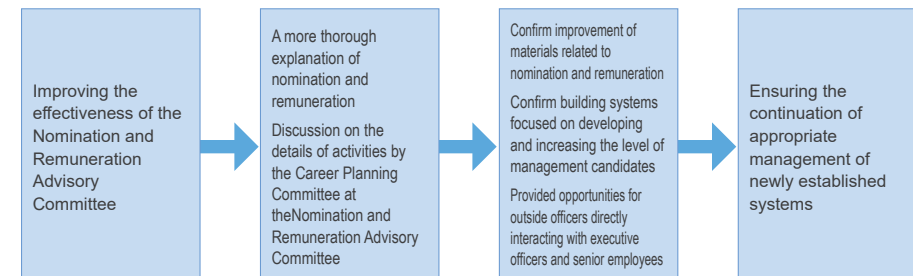
In terms of the previous year's task of further improving the effectiveness of the Nomination and Remuneration Advisory Committee, it was confirmed that explanation about the nomination and remuneration became more thorough have led to active discussions and the establishment of the Career Planning Committee 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.