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Message from CHRO

One year has passed since the start of our management plan “Mission 2030”. We are making steady progress on the various KPIs we have set. To continue this progress and achieve the targets of the management plan “Mission 2030”, we recognize the importance of accelerating transformation of our business portfolio by integrating our management and human resources strategies, and boldly investing in and reallocating human capital. We will also strive to create an environment where diverse human resources mutually respect each other, sharpen each other’s skills, and bring out the potential of each individual to the fullest. In this way, we will produce a consistent stream of human resources capable

of contributing to the creation of business value in a sustainable fashion. We want to focus on creating a corporate culture where each employee considers career building and their life story, and energetically tackles challenges in every area. To make the management plan “Mission 2030” more well-grounded, we will create more opportunities to visit each site of the Denka Group and engage in dialogue directly with employees. We will deploy additional necessary measures while seeing first-hand the situation on the front lines. I believe my mission is to create a favorable environment where each employee can sense their own growth, and the company can grow together through those measures.



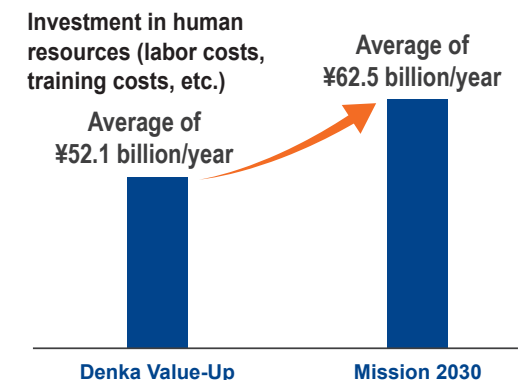
Human resources value creation

Denka’s core values of “initiative”, “integrity”, and “empathy” make it a company where each individual can realize personal growth

In our management plan “Mission 2030”, we established three policies—strengthening our human resources development system, promotion of diversity, equity and inclusion, and health and productivity management and work style reform—and set strategies and 2030 targets based on those policies. For investment in human resources, we plan to invest 500 billion yen over eight years, with the objective of being a company where each person can feel a

sense of their own growth through Denka’s core values of “initiative,” “integrity,” and “empathy.” In addition to our active efforts to effect system reform, we periodically conduct employee awareness surveys and identify issues. Then we formulate and implement improvement measures.

Policy	Strategy	KPIs (2030 target)
Strengthening of human resources development system	Cultivation of future executive manager candidates, building of company-wide, integrated education framework, and fostering of a selfdirected learning culture	Average training costs 2 times that of FY2021
Promotion of diversity, equity & inclusion	Fostering of workplace environments, systems, and culture that empowers individuals with diverse ways of thinking to demonstrate their capabilities	Ratio of women, foreign nationals, and mid-career hires in managerial positions 50%
Health and productivity management and work style reform	Promotion of system reforms to create workplaces that employees will “want to come to work again tomorrow”	Visualization and ongoing improvement of engagement



Previous Human Resources Initiatives and KPIs

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

Policy	Measures	2020	2021	2022	2023	2024
Strengthening of human resources development system	Improve personnel systems and evaluations	<ul style="list-style-type: none"> Abolished qualification levels Integrated into job levels Established new job allowance 			<ul style="list-style-type: none"> Launched strategic personnel changes Reviewed human resource development programs 	<ul style="list-style-type: none"> Introduced system to support self-improvement
	Improve employee treatment	<ul style="list-style-type: none"> Revised wages for M-category employees Established conversion system from S-category to M-category employees 				
	Improve management	<ul style="list-style-type: none"> Launched succession plan Established Career Planning Committee 				
Promotion of diversity, equity & inclusion (DE&I)	Active employment and promotion of female managers	<ul style="list-style-type: none"> Started providing support to balance work and nursing care commitments, developed seminars and video viewing programs 		<ul style="list-style-type: none"> Launched project to facilitate the hiring and promotion of females for managerial positions Established new investment limits to improve the workplace environment Acquired Kurumin certification 	<ul style="list-style-type: none"> Expanded recruitment portfolio Held seminars to provide support for balancing work and childcare commitments 	<ul style="list-style-type: none"> Established company-wide policy for promoting DE&I Acquired Kurumin certification (2nd time)
	Support for balancing work and childcare commitments					
Work style reform	System	<ul style="list-style-type: none"> Introduced telework system Introduced staggered working hours system (revised) 	<ul style="list-style-type: none"> Establishment investment limits to improving the workplace environment 	<ul style="list-style-type: none"> Relaxed requirements for employees to take childcare and nursing care leave Introduced Shinkansen commuter passes Hourly paid leave trials began at all production sites 	<ul style="list-style-type: none"> Systemized innovative working styles (telework, etc.) Expanded shift breakers Started in-house recruiting system 	<ul style="list-style-type: none"> Initiated wellness leave (leave for menstruation, infertility treatments, and donor activities) Established system for hourly paid leave
	Employee engagement	<ul style="list-style-type: none"> Conducted 2nd Employee Awareness Survey Conducted 3rd Employee Awareness Survey 				
Promotion of health and productivity management	Systems and initiatives	<ul style="list-style-type: none"> Established Health Promoting Section Announced Declaration of Health and Productivity Management Introduced Health Support App (&well) <ul style="list-style-type: none"> Recognized as a Certified Health & Productivity Management Organization 2022 The 1st labor and management jointly sponsored walking contest Recognized as a Certified Health & Productivity Management Organization 2023 and part of the White 500 Held Denka's Health Week (seminars) Held gait measurement sessions to prevent falls (all production sites) Decided on future policies aimed at a workplace free of passive smoking Began offering support to quit smoking The 2nd labor and management jointly sponsored walking contest 				

Policy	KPI	FY2022 results	FY2023 results	2030 KPI progress and target
Strengthening of human resources development system	Average training costs (per person) *Head Office	¥66,000	¥69,000	Average training costs 2 times that of FY2021 ¥53,000
Promotion of diversity, equity & inclusion	Ratio of female/foreign/experienced hires in management positions	19%	20%	50%
	Percentage of male employees to take childcare leave	44%	53%	85%
	Percentage of mid-career hires	47%	47%	50%
Promotion of work style reform and health and productivity management	Improve employee engagement	Created action plan for issues identified based on results of analyzing 3rd Employee Awareness Survey		
	Overtime hours (person/year)	157 hours	147 hours	30 hours or less
	Rate of taking annual paid leave	80%	81%	100%



Strengthening of Human Resources Development System

Strategy

Cultivation of future executive manager candidates, building of company-wide, integrated education framework, and fostering of a selfdirected learning culture

● Cultivation of future executive manager candidates

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

● Building of company-wide, integrated education framework, and fostering of a selfdirected learning culture

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

FY2023 initiatives

● Cultivation of future executive manager candidates

At the FY2023 CPC, a reassignment plan dated April 1, 2024 was decided for a total of 16 of the selected department and section managers.

While periodically reviewing the selected staff, we will strive to expand and improve our human capital through continuing efforts every year.

● Building of company-wide, integrated education framework, and fostering of a selfdirected learning culture

While building our development system, we have made efforts focusing on three priority measures: (1) Establishing new megatrend education, (2) Strengthening and expanding level-based education, and (3) Expanding and improving measures to support independent career building.

Promotion of diversity, equity & inclusion

Strategy

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

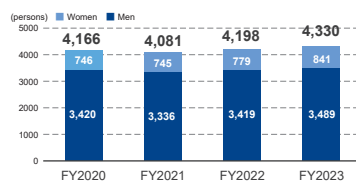
At Denka, our slogan for promoting diversity, equity, and inclusion is "a company where everyone can aim to be the best they can be." We will create business value that makes the world a better place, and become a company that is continually chosen by society.

FY2023 initiatives

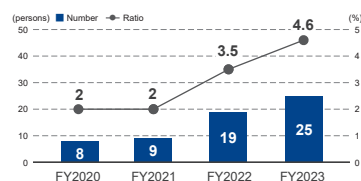
As efforts toward equity promotion in FY2023, we continued measures to support balancing work with nursing care or childcare commitments, and in January 2024, we acquired Kurumin certification (for the second consecutive time) from the Ministry of Health, Labour and Welfare as a company supporting childcare.

To rise to a new stage of diversity, equity, and inclusion promotion, we will incorporate outside viewpoints, sort out issues, and formulate and steadily deploy company-wide policies and measures for the future.

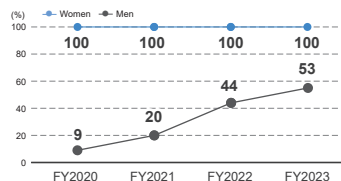
Number of men and women employed (main offices)



Current ratio and number of women in managerial positions (main offices)



Percentage of employees taking childcare leave (main offices)



Health and productivity management and workstyle reform

Strategy

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

To create workplace environments where employees can work actively and in good physical and mental health, and be a company where employees realize their own growth and want to come to work again tomorrow, we have established the improvement targets of "reduction of employees with high stress levels" on the psychological side, and "increased number of employees within appropriate weight limits" on the physical side. In particular, will deploy measures with a focus on exercise habits and smoking as priority issues.

In light of the results of our health issues analysis, we have added worsening lifestyle disease risks and aging employees as priority issues. We have adopted the goals of "enhancing approaches for Prediabetes" and "reducing fall accidents", and we have also strengthened related measures.

FY2023 initiatives

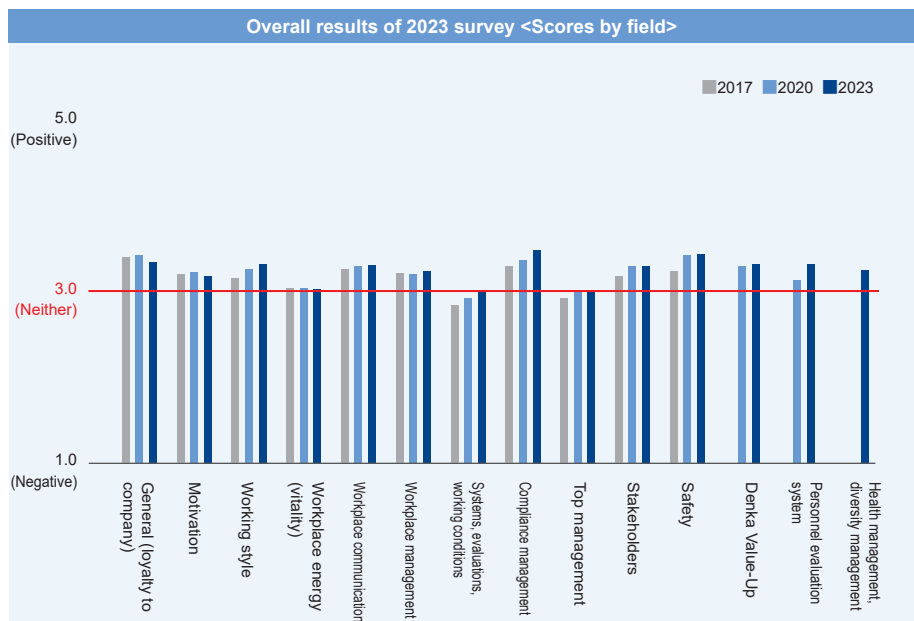
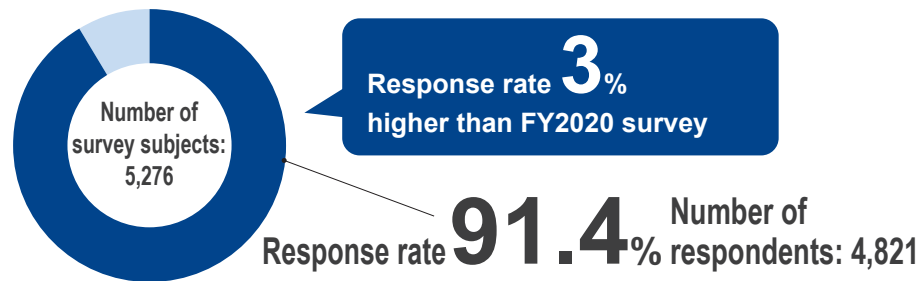
To further advance employee understanding of health management, we have designated the final week of May each year as "Denka's Health Week," and by holding daily health seminars during this period as well as labor and management jointly sponsored walking contests, we have worked to not only establish good exercise habits, but also to promote in-house communication.

To shift toward workplaces free of passive smoking, we have mandated no smoking during some working hours, and introduced purchasing assistance for remote smoking cessation guidance, smoking cessation clinics, and smoking cessation aids (patches, gum), so smokers can choose an approach that suits their circumstances.

In addition, to reduce falling accidents, we have held gait measurement sessions at each work site and provided practical exercise guidance based on measurement results, thereby helping participants to take responsibility for themselves, and raising their awareness of activities they should practice.

Conducted Employee Awareness Survey

At Denka, we introduced an Employee Awareness Survey in 2017 with the objective of understanding how employees think about the company and their jobs, and their awareness of problems, and creating workplace environments with greater job satisfaction. We conducted this survey for the third time in the spring of 2023. This time, we measured the effectiveness of measures taken based on the results of the previous two times. We are considering steps to address new issues, and moving to implementation.



As a result of the three employee awareness surveys conducted, points improved in multiple fields. Of note, "Safety" scored relatively high in the Company, where we place the utmost priority on safety. This shows that the thorough safety education and guidance system has succeeded in increasing awareness regarding employee safety even higher. Furthermore, we believe that the opportunities for learning improved in "Compliance Management" and the promotion of acquiring leaves, dissemination of hybrid work, and other initiatives related to work style reform in "Work style" have led to the improved evaluation. In "Systems, evaluations, and treatment," we believe that our efforts to build a workplace environment, revision of various human resources such as the evaluation system, and other initiatives being positively received have led to this result.

Issues and Measures to be Addressed in the Future

Issue (1) Work Style

Leveling and streamlining of work

Issues

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

Measures

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

Issue (2) Management

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

Issues

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

Measures

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

Issue (3) Workplace climate and culture

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

Issues

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

Measures

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

Issue (4) Systems

Introduction and use of strategic personnel system

Issues

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

Measures

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