

Message from the President

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

Ikuo Ishida

Representative Director, President



Message from the President

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

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

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

Management Overview

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

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

Review of Management Plan “Mission2030”

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

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

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



Denka's Vision

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

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

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

We sincerely ask for your continued understanding and support.



Message from the President

Question and Answer Session with the New President ?

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

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

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

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

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

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

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

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

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

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

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

Message from the President

Question and Answer Session with the New President ?

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

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

Approach to Reviewing Targets

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

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

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

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

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

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

Q4 How will you utilize intangible assets to accelerate growth?

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

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



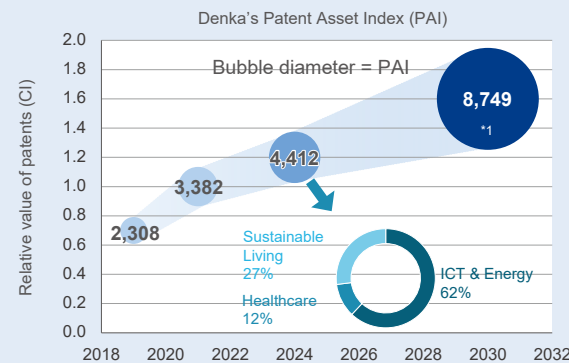
Message from the President

Question and Answer Session with the New President ?

● Intellectual Property and Business Strategy ▶ P61

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

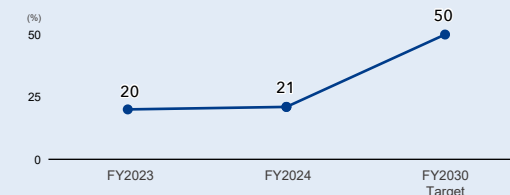
KPI: Patent Asset Index based on Operating Income



● Human Capital Management ▶ P61-64

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

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



● DDX (Denka Digital Transformation) ▶ P56-59

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

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

FY2030 Targets

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

● Sustainable Management ▶ P66-70

We are aware that the chemical industry that our company belongs to is a sector that generates high CO₂ emissions, making it extremely important to fulfill our responsibility for environmental issues and ensure the sustainability of our business. For this reason, our company set the goal of "achievement of carbon neutrality by 2050" from an early stage and has been actively working toward achieving this goal. Specifically, we have set clear reduction targets for our own CO₂ emissions and are promoting comprehensive reduction measures, while also focusing on the effective use of renewable energy through our 17 hydroelectric power plants (including joint ventures) and solar power generation facilities, which are a distinctive feature of our company. Our products in the ICT & Energy field are also a collection of technologies that reduce environmental impact and provide important solutions for achieving a low-carbon society. We believe that approaches capable of converting such environmental contribution technologies and environmental value into economic value are extremely important strategic initiatives for us as an operating company.

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

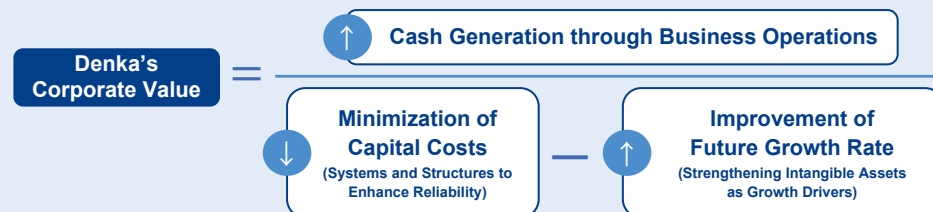
A. We take the evaluation of the stock market seriously and will work to increase “cash generation through business.”

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

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

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

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



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

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

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

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

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

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Q7. What message do you have for stakeholders?

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

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

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

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

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

Initiatives to Fulfill Our Purpose

