

Message from the Chairman



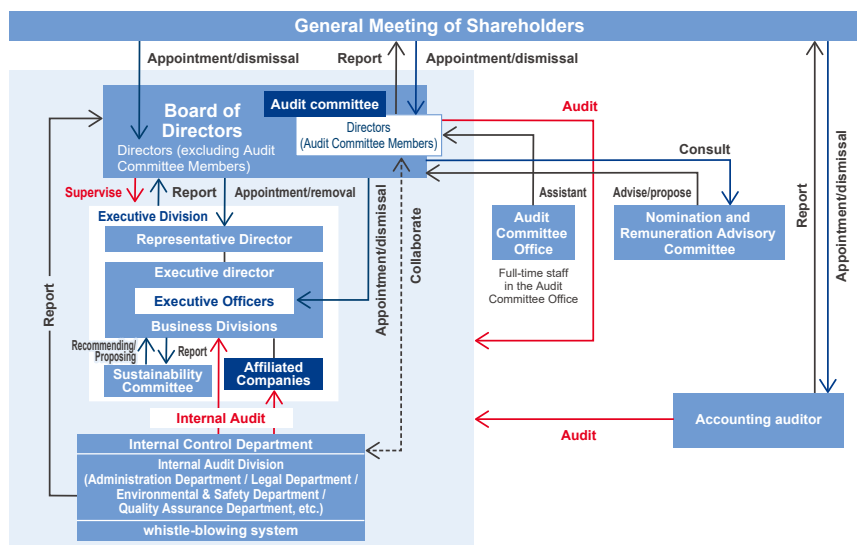
Toshio Imai Chairman and Representative Director

The modern world is experiencing accelerating climate change, ultra-rapid technological advancement centered on AI, global fragmentation due to the end of globalization, and dramatic demographic changes. The business environment surrounding our company is also changing rapidly. In this context, we are striving to sustainably enhance corporate value by fulfilling our purpose: “making the world a better place as specialists in chemistry.”

Our Board of Directors aims to fulfill its fiduciary and accountability responsibilities to shareholders by providing highly effective oversight of management to enhance corporate value. Since the establishment of the “Denka Corporate Governance Guidelines” in 2015 and the transition to a Company with Audit and Supervisory Board in 2019, we have continued to strengthen this system.

Last fiscal year, the Board of Directors held nine “Management Issues Roundtables” to discuss medium- to long-term management issues, five “Nomination and Remuneration Advisory Committees,” and five “Sustainability Committees” to monitor progress toward non-financial goals. This year, to further streamline discussions at the “Management Issues Roundtables” and “Nomination and Remuneration Advisory Committees,” we have organized discussion topics and annual schedules in advance. In addition to these measures, we are further enhancing prior explanations to outside directors regarding agenda items for the Board of Directors, and we plan to deepen discussions on “future Board structures” and “succession plans for management talent” to strengthen the effectiveness of the Nomination and Remuneration Advisory Committee. To fulfill our accountability to shareholders, we will also provide opportunities for outside directors to engage in dialogues directly with investors. Through these initiatives, we will further invigorate the Board of Directors and realize enhanced corporate value.

■ Corporate Governance Structure



Board of Directors



Photographed on July 14, 2025

Mizuhiro Uchida	Miyuki Matoba	Akio Yamamoto	Toshio Kinoshita	Toshio Imai	Ikuo Ishida	Rumiko Nakata	Rimiru Hayashida	Masanobu Kosaka
Director (Full-time Audit Committee Member)	Outside Director (Audit Committee Member)	Outside Director (Audit Committee Member)	Outside Director (Audit Committee Member)	Chairman and Representative Director	Representative Director, President	Outside Director	Director	Director

• Information on the Board of Directors and skill matrix <https://denka.disclosure.site/ja/themes/672> * For career history, please refer to the “Notice of Convocation of the Ordinary General Meeting of Shareholders.”

Institutional Investor Analyst × Outside Director Dialogue



Akio Yamamoto

Denka Company Limited
Director, Audit Committee
Members

Kazuya Uesako

Sumitomo Mitsui Trust Asset
Management Co., Ltd.
Head of Materials and Infrastructure Team,
Research Department

Miyuki Matoba

Denka Company Limited
Director, Audit Committee Members

Biography of Kazuya Uesako

2001 Joined Sumitomo Trust and Banking Co., Ltd.

* Currently "Sumitomo Mitsui Trust Asset Management" due to company integration and organizational changes.

2009 Equity analyst

2014 In charge of Chemical Sector

Takahiro Okabe [Facilitator] Sinc Inc. Director

Denka Company Limited is committed to engaging in dialogue with stakeholders, including shareholders and institutional investors. As part of this year's Denka Report Integrated Report, we invited analyst Kazuya Uesako, who supports our management from the perspective of institutional investors, to have a direct exchange of opinions with two of our Outside Directors. Here, we cover the topics of discussions on the effectiveness of the Board of Directors, management issues, and future expectations.

(1) Main Roles of Outside Directors

Okabe: First, I would like to ask Mr. Uesako. From the perspective of institutional investors, how do you view the role of Outside Directors?

Uesako: We institutional investors do not seek short-term stock price increases in our investee companies, but instead place an importance on enhancing corporate value over the long term. Therefore, we expect Outside Directors to contribute to enhancing corporate value from an external perspective.

Matoba: I make it a point to hold the perspective of shareholders. At the same time, I also value the attitude of working together with internal Directors and employees to aim for the enhancement of corporate value.

Yamamoto: The Executive Division is required to make quick decisions today and tomorrow, along with medium- to long-term business strategies. On the other hand, we Outside Directors need to indicate the company's direction with a more medium- to long-term perspective and awareness of the times. I always try to supervise and advise with sincerity and integrity, constantly questioning whether my own thinking is correct. Rather than taking a confrontational stance with the Executive Division, I am conscious of sharing issues for value creation and aiming to solve them together.

(2) Initiatives to Improve the Effectiveness of the Board of Directors

Okabe: What kind of efforts are being made to make discussions at the Board of Directors more meaningful?

Yamamoto: Compared to when I was appointed as a Director, the operation of our Board of Directors and the system and effectiveness of corporate governance have improved significantly. For example, once every three months, only Outside Officers hold a liaison meeting to discuss the operation of the Board of Directors and company issues, and share the content and recommendations with the Executive Division, and the executive side also responds in a sincere manner. For important matters to

Dialogue between Institutional Investor Analyst and Outside Directors

be submitted to the Board of Directors, the Executive Division holds advance briefings on business and R&D strategy policies and individual agenda items, providing opportunities for discussion before the Board meeting. Since it is sometimes impossible to engage in discussions without understanding the medium- to long-term business strategies, the introduction of this process has been very meaningful.

Matoba: As Mr. Yamamoto mentioned, various improvements had already been made before I took office, but at that time, the Board of Directors still engaged in detailed discussions on individual matters. As a result of requesting that more time be devoted to discussions on core management issues, the content of reports was improved according to approval authority, and I feel that the quality of discussions has improved.

(3) Reflecting Stock Market Opinions in Management

Okabe: How are opinions from shareholders and investors shared with the Board of Directors?

Yamamoto: Opinions and information obtained by the Corporate Communications Department through IR activities are also shared with the Board of Directors. Since FY2024, opinions received from institutional investors after each quarterly financial results announcement has been reported to the Board. These opinions are candid and unfiltered. Since FY2025, outside directors have also been



participating in SR meetings and communicating directly with investors. I believe this provides a meaningful opportunity to reflect the voice of the stock market in management.

Uesako: Opinions from the stock market can sometimes be short-term in perspective. While not all opinions align with value creation, I think it is wonderful that you are exposed to diverse views and constantly reflecting on your own thinking.

(4) Advice and Discussions as Outside Directors

Uesako: I would like to ask about the advice and discussions you have provided as outside directors so far.

Matoba: I believe each of us speaks based on our respective backgrounds. As a lawyer, I am often expected to provide input from a risk and compliance perspective, focusing on protective measures, and in fact, I may make such comments frequently. However, as an outside director, I try to avoid delving into detailed legal matters and instead aim to make statements that encourage the executive team from a broader risk-taking perspective.

Yamamoto: Ms. Matoba is a lawyer, Mr. Kinoshita is an internationally certified public accountant, Ms. Nakata specializes in human resource strategy and human capital management, and I bring experience in domestic and international corporate management. While it is natural for each of us to offer opinions based on our expertise, we also speak about the company's direction from the perspective of seasoned management professionals. Internal directors, too, go beyond their backgrounds in technology and finance to share views on management approaches and talent development, resulting in lively discussions.

Okabe: What about the Nomination and Remuneration Advisory Committee?

Yamamoto: When the committee was established in 2017 (formerly the Management Advisory Committee), its role was to discuss and advise on proposals from the executive side. Now, in addition to dialogue with the president and director candidates and discussions within the committee, we also conduct training and informal meetings for department and section manager-level candidates who are expected to lead future management, and accumulate experience in positions required for succession planning as selection criteria. The committee now plays a more directly effective role.

Uesako: From the perspective of institutional investors, there is great interest in the fundamental measures for the chloroprene rubber business at the U.S. subsidiary DPE (Denka Performance Elastomer LLC), announced in May 2025. As an outside director, what opinions have you expressed at board meetings?

Dialogue between Institutional Investor Analyst and Outside Directors

Matoba: As this is an ongoing matter, I cannot discuss details beyond what has been publicly announced. However, since my appointment as an outside director, I have consistently spoken from various perspectives about the risks involved and whether the proposed responses and measures are appropriate, to ensure the company moves in the right direction.

Yamamoto: This issue involves many factors that need to be considered from various angles, and there are many stakeholders to address. At board meetings, while keeping in mind the need for prompt progress, we gather information from multiple sources and engage in repeated discussions to ensure appropriate management decisions are made.

Uesako: This is a difficult issue, and I think it is inevitable that it will take time to resolve. In this context, I appreciate the decision made in May this year to temporarily suspend production at DPE and announce a policy to reduce losses. I believe that companies able to adapt their management to changes in the external environment are those that properly incorporate external opinions.

(5) What Are Denka's Management Challenges?

Uesako: As of now, what management challenges do you recognize as outside directors?

Yamamoto: I believe there are three management challenges our company must face now. The first is reforming our business portfolio. We have already withdrawn from several businesses, including cement, and have made capital investments in strategic business areas. I expect continued, focused efforts toward the ideal future we envision for the company.

The second is strengthening the profitability of existing businesses. It is urgent to improve ROE through the expansion of best practice initiatives and further enhancement of profitability in growth areas. The third is the creation of new businesses. Our management plan "Mission 2030" includes various mechanisms and initiatives to generate new businesses, and we are beginning to see results, such as the launch of "SNECTON," which is expected to become a core product. However, I believe we need to focus even more on creating large-scale businesses that will drive our company's future. Matoba: I agree. Regarding the first point, portfolio reform, I think we need not only business restructuring but also organizational reform, such as organically connecting talent across divisions. This also relates to the third point, new business creation, but discussions tend to be siloed within business units, and those within divisions may not be aware of the potential for cross-functional themes.

Uesako: I also believe portfolio reform is the most important issue. In addition to measures for the chloroprene business and responses to petrochemical industry restructuring in the Polymer Solutions, we should also reconsider our investment approach for growth businesses. I think we need to re-examine whether we are truly making appropriate investments in businesses expected to grow.



The time frame and scope of investments, and how we pursue development toward those goals—especially in the electronics and advanced fields—require an urgent review of strategy. Furthermore, for new businesses in the Life Innovation Division, where Denka is making significant investments, I would like us to reconsider whether these are businesses we should continue to pursue as a company.

Matoba: I think we need to be able to concretely envision what kind of company we want to become, rather than just discussing it abstractly. Unless every employee can picture this, we won't be able to prioritize investments in growth areas.

Yamamoto: Recently, I visited the Gosen Site, where vaccines, test reagents, and POCT are produced, and I felt that the long-standing efforts to ensure safety and quality have led to significant achievements. I believe our company's earnest corporate culture is being fully utilized in this field. To further leverage this strong business area for future development, as Ms. Matoba pointed out, I think we need to shift to a method of concentrating resources and personnel under a large company vision. Furthermore, electronic materials and components are Denka's strengths, and they are also Japan's strengths. We should consider strategies not only for our company but also from the perspective of strengthening Japan's overall competitiveness. While Japan is falling behind in several industrial sectors globally, the field of electronic materials and components will continue to be a major battleground where we maintain an advantage.

Dialogue between Institutional Investor Analyst and Outside Directors



Uesako: I also believe there is still room for growth in chemical materials. Considering medium- to long-term growth potential, I think this is an area where we should discuss initiatives not just as Denka alone, but as part of Japan's chemical industry as a whole.

(6) Expectations for Denka toward the Future

Okabe: Lastly, as an investor, please share your expectations for Denka looking toward the future.

Uesako: I hope to see continued profit growth through contributions to society and the environment. I believe it is necessary to generate profits in order to provide the resources for contributing to society and the environment.

Matoba: I completely agree. As a company, it is important to generate profits and return those profits to society. I believe it is necessary to identify what is needed in the world, set a clear direction, and aim to provide what society requires. Rather than thinking only within the company, I would like to contribute as an outside director by working with an eye on connections to the outside world.

Uesako: I have heard that some chemical companies are achieving results by having business divisions collaborate across divisions to conduct activities to provide solutions to customers and

generate new business ideas. I hope Denka can achieve similar results as this as well.

Yamamoto: Our company has made considerable efforts in corporate governance, and its effectiveness has improved. At the same time, as a company, it is necessary to contribute to society through the development of profitable businesses, and given that everyone's time is limited, I think it is also necessary to review priorities as appropriate.

Uesako: So, you mean to address materiality by prioritizing them.

Yamamoto: Our company is facing tough times right now. I hope we can become a company where employees feel glad to work, and shareholders want to support us, not just aiming to improve profitability and corporate value. As an outside director, I am once again determined to contribute to the company's growth.

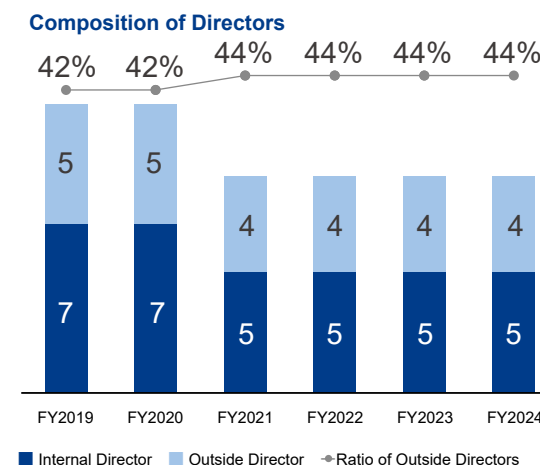
Uesako: I started covering the chemical sector more than 10 years ago, and the first time I learned about the workings of a petrochemical complex thanks to a thorough explanation from your company's IR director at the time. I have continued to cover your company ever since, partly out of gratitude. I hope that more people will come to support Denka in this way.



Date: July 10, 2025, Location: Denka Company Limited Head Office

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	Age	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 Representative Director	Toshio Imai			66	6	M	○	○	○			○		○	○			
Representative Director, President	Ikuo Ishida	President and Chief Executive Officer		63	2	M	○	○	○		○			○	○			
Director	Rimiru Hayashida	Senior Managing Executive Officer		63	—	M	○			○				○				
Director	Masanobu Kosaka	Managing Executive Officer		62	—	M			○			○	○			○	○	○
Director	Rumiko Nakata		○	69	1	F		○					○					
Director	Mizuhiro Uchida	Full-time Audit Committee Member		63	2	M				○	○		○	○				○
Director	Toshio Kinoshita	Audit Committee Member	○	76	10	M			○	○				○				
Director	Akio Yamamoto	Audit Committee Member	○	73	10	M	○	○	○						○			
Director	Miyuki Matoba	Audit Committee Member	○	51	4	F					○		○	○		○		

* The matrix above shows the skills that the Board of Directors expects from them among the knowledge and experience they possess. * Age and years in office are as of June 20, 2025. *F: Female, M: Male

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

Yukio Sasagawa	Managing Executive Officer		64		M							○	○			○	○	○
Kei Hara	Managing Executive Officer		59		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 "make 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 (Society)

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 businesses."

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.

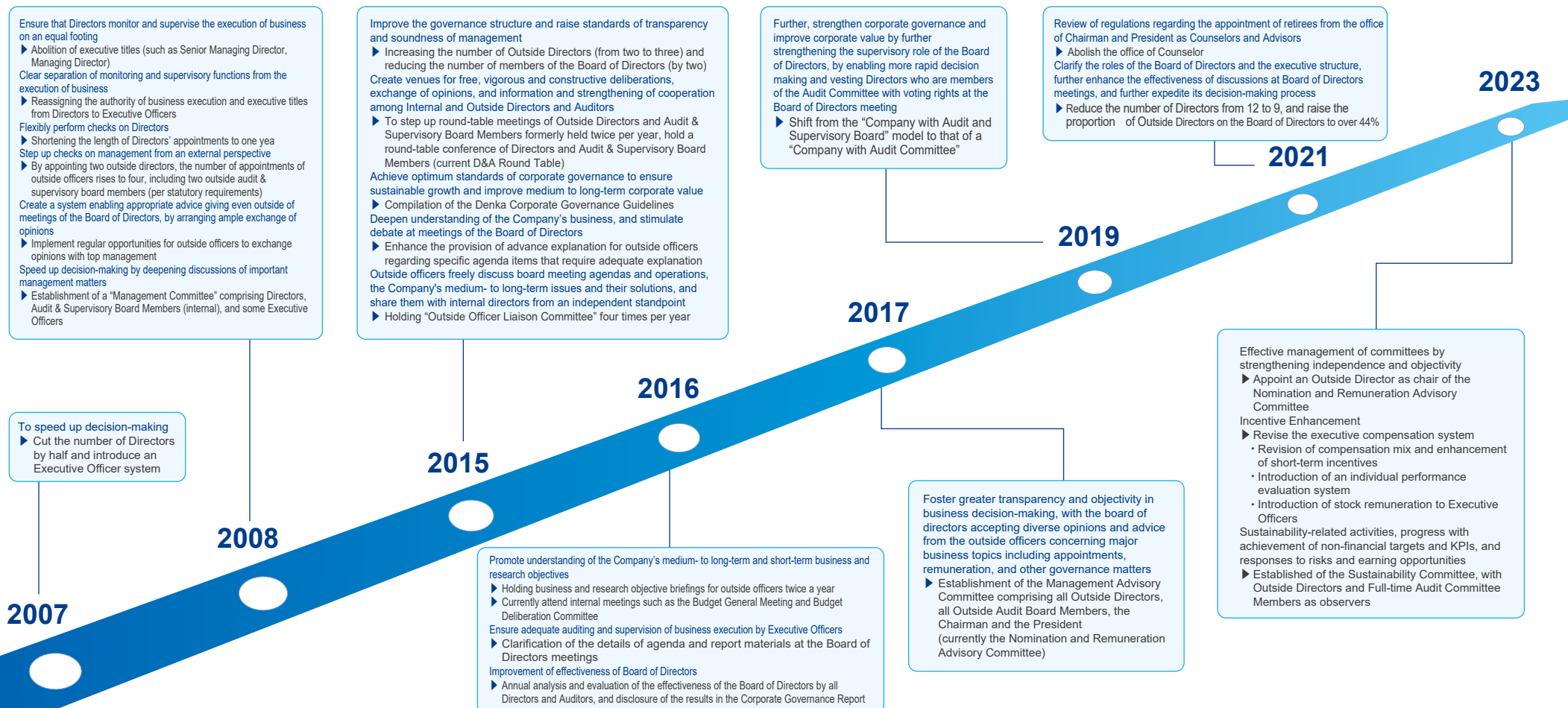
Basic Approach to Corporate Governance

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)



* The above chart shows the approximate ratio when operating income is achieved based on the management plan and the evaluation for individual performance-linked remuneration (linked to individual evaluation of achievement of financial and non-financial targets, etc.) 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

FY2024 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 (2)	203 million yen (12)	6 (2)	181 million yen (12)	— (—)	— (—)	3 (—)	21 million yen (—)
Director (Audit Committee Member) (Of which Outside Directors)	4 (3)	77 (38)	4 (3)	77 (38)	— (—)	— (—)	— (—)	— (—)
Total (Of which Outside Directors)	10 (5)	280 (51)	10 (5)	258 (51)	— (—)	— (—)	3 (—)	21 (—)

* Currently, there are nine directors (including four outside directors), but the above remuneration includes the remuneration for one director who retired at the conclusion of the 165th Annual General Meeting of Shareholders held on June 20, 2024.

* Performance-linked remuneration for this fiscal year was not paid for either company-wide or individual performance-linked remuneration, based on the results for the period.

director according to their roles and responsibilities immediately 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 Evaluation Items and Evaluation Period

[Evaluation Items]

1. Purpose and Role of the Board of Directors
2. Effectiveness of the Board of Directors
3. Relationship with Stakeholders
4. Support System for Outside Officers (such as information provision)
5. Other Free Comments

[Evaluation Period] July 2024 – March 2025

3 Summary of Evaluation Results and Future Efforts

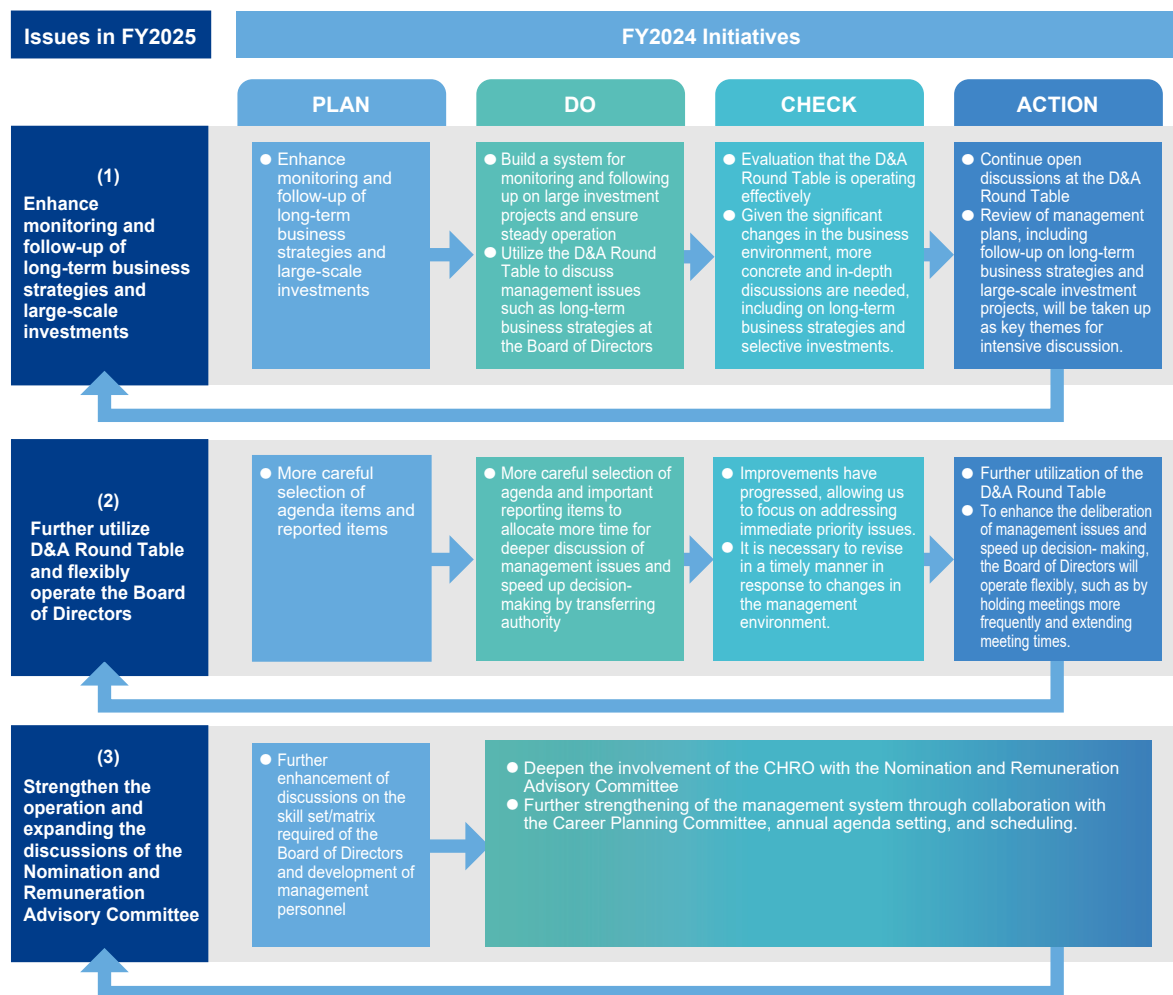
The results of fiscal 2024 confirmed that the frequency and time of meetings of the Board of Directors and its composition (balance and diversity of knowledge, experience, and abilities) are appropriate and management oversight and supervision are being properly implemented by the Board of Directors, of which 44% are Independent Outside Directors.

Regarding strengthening of monitoring and follow-up on last year's management issues like long-term business strategies and large-scale investment projects, while there was improvement in follow-up on some large-scale investment projects, it was agreed that, in light of significant changes in the business environment and the review of the management plan "Mission 2030," more concrete and in-depth discussions are needed, including on long-term business strategies and selection of investments.

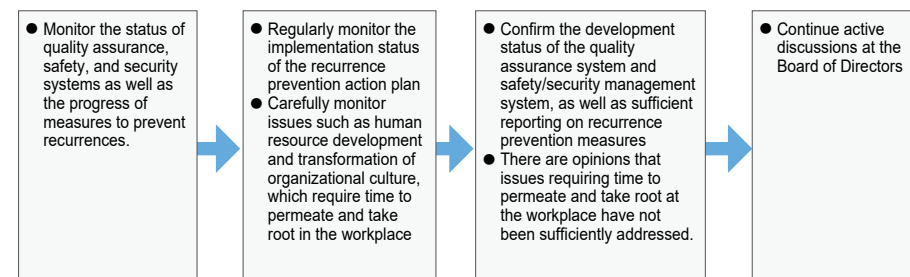
In addition, improvements have been made in further selection of agenda items and streamlining of reporting, and it was noted that this allowed a greater focus on addressing immediate priority issues.

Furthermore, while appropriate responses and reporting have been made regarding the reliable monitoring of the status of the quality assurance system, safety and security management system, and progress of recurrence prevention measures, there were opinions that continuity and efforts from a group management perspective are important for recurrence prevention. In addition, the need for monitoring and discussion by the Board of Directors regarding human resource development and organizational culture transformation was also shared. Additionally, in order to further enhance discussions on the skill set/skill matrix required of the Board of Directors and the development of management personnel to achieve the management plan "Mission 2030," the need to strengthen the operation system of the Nomination and Remuneration Advisory Committee was confirmed.

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 FY2024 (excluding above (1) and (2))



Management Status of Each Committee

Board of Directors and Optional Committees, etc.

■ Board of Directors (Met 15 Times in FY2024)

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, to ensure that all directors on the Board can focus on monitoring and supervising business execution on an equal footing, positions such as Senior Managing Director and Managing Director have, in principle, been abolished. Furthermore, to enable shareholders to promptly check directors (excluding Audit Committee members) at the General Meeting of Shareholders, the term of office is set at one year. Furthermore, to strengthen the functions of the Board of Directors and enhance objectivity and transparency, we have established the "Nomination and Remuneration Advisory Committee" as an advisory body to the Board, and hold the "D&A Round Table" to deepen discussions on particularly important management matters.

- [Key topics in FY2024]
- (1) Fundamental measures for the chloroprene rubber business, etc.

(2) Suspension of operations at the Ofuna Plant due to portfolio transformation

(3) Acetylene Black: Follow-up on the investment effects of the new manufacturing site (4th site) in Thailand

(4) Rapid Antigen Test Kits: Follow-up on the investment effects of increased production capacity

(5) Best Practice Project (Promotion of cost reduction)

Audit Committee (Met 13 Times in FY2024)

In accordance with their fiduciary responsibilities to shareholders, Audit Committee Members and the Audit Committee, with the support of the full-time staff of the Audit Committee Dept., whose independence from management is ensured, conduct audits of the legality and appropriateness of the execution of duties by the Directors, while paying attention to efficiency through close cooperation with the Internal Control Department and other relevant departments. Additionally, the Committee visits the Company's divisions, departments, branches, business sites, and subsidiaries and engages in activities such as confirmation by hearing and the exchange of opinions on the status of business execution. They also work on enhancing the effectiveness of the audit by reporting their opinions to the Board of Directors after the necessary discussions concerning the results of these activities at the Audit Committee. In addition, the Audit Committee forms views on matters related to the election and compensation of Directors (excluding Directors who are Audit Committee Members), as well as the election, dismissal, or non-reappointment of accounting auditors, in accordance with the Companies Act. Furthermore, the Company appoints candidates for Directors who are Audit Committee Members based on its judgment that, in order 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.

■ D&A Round Table (Met 9 Times in FY2024)

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.

■ Nomination and Remuneration Advisory Committee (Met 6 Times in FY2024)

For major management matters such as nomination, remuneration, and other elements of governance, the Board of Directors has set up the Nomination and 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 2024 this Committee received inquiries from the Board of Directors regarding the executive and governance structure, the formulation of a skills matrix, appointment of a CFO, 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 since fiscal 2023.

■ Outside Officer Liaison Committee (Met 4 Times in FY2024)

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.

The Audit Committee conducted an effectiveness evaluation for FY2024, with the aim of reflecting on audit activities, incorporating findings into the next year's audit plan, and improving audit quality. Referring to effectiveness evaluation methods already implemented by other companies, we set five perspectives—committee size and composition, operations (frequency and duration of meetings, independence, staff functions), audit activities (frequency and depth of legality/appropriateness audits and group-wide internal control system audits), and cooperation with the Internal Control Department and accounting auditors—and evaluated 20 items. As a result, almost all items were rated generally favorable, and we determined that the Committee's effectiveness for FY2024 is ensured. As an area for further improvement, cooperation with auditors of subsidiaries and affiliates was identified. Since FY2023, we have held the "Denka Group Auditors Liaison Meeting" to share issues and topics in audits at each company and exchange opinions to resolve challenges in fulfilling auditors' missions. However, to further accelerate solutions to issues such as lack of expertise and audit time, and to strengthen group governance by improving the effectiveness of audits by each company's auditors, it was suggested that the Committee should take the lead in these efforts. The Audit Committee will continue to work closely with auditors of group companies and the Internal Control Department to enhance the effectiveness of group-wide audits.