

Message from the President

**We are committed to
“Rebuilding Earning Power”
and taking a step
“Toward a New Growth Stage.”**

Ikuo Ishida

Representative Director, President



Message from the President

With my own principles of “Initiative and Execution” at the core, I will drive transformation with a commitment to deliver on what we promise.

I am Ikuo Ishida, and I assumed the position of Representative Director and President in April 2025. I would like to express my sincere gratitude to our shareholders and stakeholders for your continued exceptional support. As I take on the responsibility of leading the Denka Group, a company with a long history, toward new growth and transformation, I am keenly aware of both the weight of that responsibility and the magnitude of the mission entrusted to me. During my first year as President, I devoted my full efforts to developing and implementing various initiatives aimed at returning Denka to a growth trajectory and achieving further growth.

Denka Group Vision

Our Group upholds the core values of “Initiative,” “Integrity,” and “Empathy,” and seeks to achieve our purpose: “Make the world a better place as specialists in chemistry.” Since our founding in 1915, we have viewed solving social issues as the starting point of our business, and have continued to take on the challenge of creating new value while responding to changing times and evolving social needs. Our broad range of businesses, including electronic materials, synthetic rubber, synthetic resins, vaccines, and diagnostic reagents, is a testament to our ongoing commitment to developing products and technologies that society demands. I believe this history of taking on challenges constitutes the very DNA of the Denka Group.

We aspire to be a company that maximizes the potential of chemistry and continues contributing to achieving a sustainable society. As society undergoes major changes driven by advances in AI and digitalization, environmental and energy issues, and the increasing sophistication of healthcare and medical technologies, expectations for the creation of new value continue to grow. By integrating and advancing our three technology platforms, organic chemistry, inorganic chemistry, and biotechnology, the Denka Group will deliver optimal solutions to the challenges facing society and our customers, while continuing to

take on the challenge of creating new markets and social value through innovation driven by the integration of diverse technologies.

Going forward, we will further strengthen the corporate culture that supports taking initiatives and enhance our execution capabilities, while continuing to engage in dialogue with customers, shareholders and investors, local communities, employees, and all other stakeholders to achieve sustainable growth and enhance corporate value over the medium- to long-term. We sincerely ask for your continued understanding and support.

Management Overview

The business environment surrounding our Group is becoming increasingly uncertain due to factors including heightened geopolitical risks, ongoing inflation, and the progression of climate change. To respond to these changes, in FY2025 we positioned “growth strategies” and “acceleration of portfolio transformation” as our highest priorities and worked on restoring our earning power toward achieving the Management Plan “Mission 2030.” Under our growth strategy, we focused on thermal management by capturing expanding demand related to AI and power infrastructure in the electronic materials field. We also welcomed KAINOS Laboratories, Inc., a manufacturer of clinical diagnostic reagents, into the Group and are working to expand growth opportunities in the Healthcare field.

With regard to optimizing our business portfolio, we steadily advanced business structure reforms and reviews of unprofitable businesses, including our U.S. chloroprene rubber business, while also beginning to consider the spin-off of our styrene-related businesses. Meanwhile, our company-wide profitability improvement activities and efforts to strengthen cost competitiveness resulted in operating income of 26.2 billion yen in FY2025. Going forward, our Group will continue evolving its business portfolio and strengthening its earnings base while responding to changes in the business environment in a flexible manner, with the aim of achieving sustainable enhancement of corporate value.

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Revising our Management Plan "Mission 2030"

We recently revised our Management Plan "Mission 2030." We have positioned FY2023–FY2025 as Phase 1, during which we streamlined unprofitable businesses, implemented business structure reforms, and made strategic investments in growth areas, and consider the three-year period from FY2026–FY2028 as Phase 2. During Phase 2, we will focus on "rebuilding earning power" and "strengthening the foundation for a new growth stage" to achieve further growth, with the aim of achieving a record-high operating income and an ROE of 8.0% during this period.

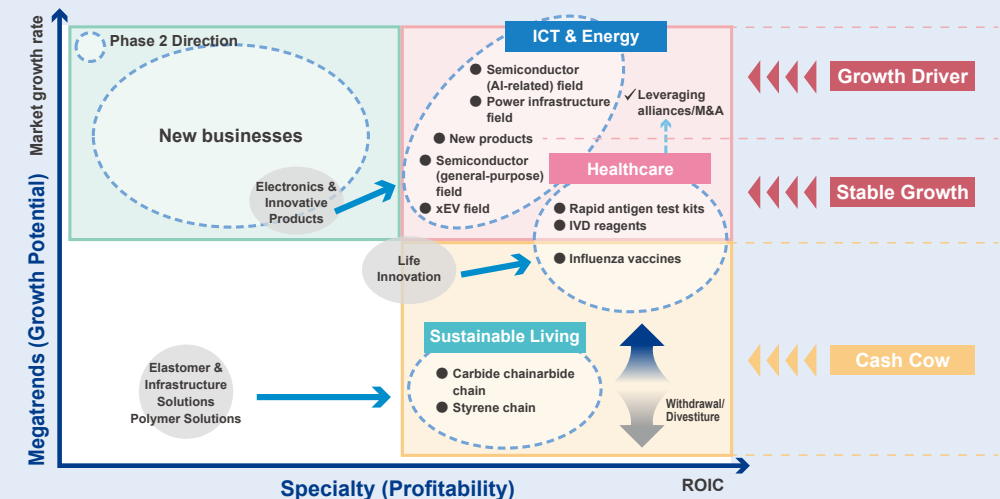
In implementing these initiatives, we will focus on a balance between growth strategy, structural reform, and financial discipline. We will also clarify the direction for each business domain as a "growth driver," "stable growth," or "cash cow," and classify the domains into three categories—"strategic expansion," "reaping the benefits of upfront investments," and "improving capital efficiency/transforming business models"—to execute them with clear priorities based on the business strategies for each domain [▶P37](#).

Further growth toward FY2030 will also require the creation of new businesses. Building on our technological expertise in organic chemistry, inorganic chemistry, and biotechnology, we will prioritize a "Trickle Out Strategy" which identifies latent needs in areas adjacent to existing businesses and facilitates early commercialization. In Phase 2 of "Mission 2030", which began this fiscal year, we are committed to turning these initiatives into positive results, rebuilding earning power, and strengthening the foundation for a new growth stage.

From Phase 3 onward, we will pursue the best portfolio of ICT & Energy, a dynamic growth area that is capturing market expansion, and Healthcare, a stable and steady growth area that has a different growth trend. In Sustainable Living, we will carefully select businesses that will be able to remain competitive and contribute to solving social issues, thereby achieving sustainable growth unique to Denka.

Business Portfolio in Phase 2 (Four-quadrant Analysis)

■ In Phase 2, focus on "Rebuilding earning power" ⇒ improving specialty (profitability)



Message from the President

Q&A with the President



Q1. Looking back over the past year since becoming President, what has been the biggest change?

A. Emphasizing a “business portfolio shift to restore earning power.” Responding to market expectations, focusing on results, and following through on our commitments.

The past year has gone by in the blink of an eye. The challenges our company needed to address were clear from the time I assumed the presidency, but by revising the Management Plan “Mission 2030,” I feel that the direction Denka should take has become even clearer. Over the past year, what I have emphasized most is a “business portfolio transformation to restore earning power.” I believe that reviewing low-profit, high-risk businesses and reallocating management resources to growth businesses is the starting point for setting Denka back onto a growth trajectory.

At the same time, I have repeatedly conveyed throughout the company the mindset of “sell even one yen more, reduce costs by even one yen more, and never give up until the very end.” Achieving an operating income of 25 billion yen was the result of a united company-wide effort, and I view it as evidence that the ability to follow through on what we decide to do is gradually taking root throughout the company.

Since becoming President, I have also become more conscious than ever of our stock price. When our stock price rose, we received words of encouragement from both inside and outside the company, which provided significant motivation. We will continue to take market expectations seriously, focus on results, and pursue management that delivers on its commitments.

Q2. What enabled Denka to achieve operating income of 25 billion yen?

A. Instilling a company-wide focus on the numbers. Achieving operating income of 25 billion yen by strengthening management control and improving profitability through united company-wide efforts.

To achieve an operating income of 25 billion yen, we first focused on increasing the effectiveness of management control. We transformed the existing Executive Officer Liaison Meeting from a forum for simply sharing information into a forum for specifically reviewing and discussing results, issues, and countermeasures for each sales division. Each month, the heads of our four sales divisions reported sales results, reasons for shortfalls, improvement measures, and engaged in in-depth discussions with management. This heightened the sense of urgency and strengthened the execution capabilities needed to meet targets throughout the company. At the same time, our manufacturing divisions worked thoroughly to minimize negative losses, thereby strengthening the framework where sales and manufacturing are able to operate together to improve profitability. Furthermore, through process reform and Best Practice activities, we are standardizing and upgrading operations

while also working to improve the earnings structure itself. Over the past year, I have focused on instilling a company-wide mindset of “focusing on the numbers.” I believe that repeating these efforts will steadily enhance our earnings power and form the foundation for rebuilding Denka’s earning power. In that sense, achieving operating income of 25 billion yen was not a one-off result but the first step toward enhancing corporate value through improvements in operating income, ROIC, and free cash flow. Going forward, we will continue to practice “management that delivers on its commitments,” ensuring that we always deliver on what we say we will do.

Q3. What will be the top priority in Phase 2 of “Mission 2030”?

A. Prioritizing “rebuilding earning power” to reaccelerate growth businesses.

In Phase 1, we advanced portfolio transformation and made upfront investments in growth areas. At the same time, management takes seriously the decline in profitability resulting from our inability to fully respond to changes in the business environment. Reflecting on these results, in Phase 2 we will make “rebuilding earning power” our top priority.

In other words, sustainable growth requires us to further strengthen our ability to generate profits. Rather than pursuing short-term profits alone, it is important to secure profits in a reliable manner and draw on those results to fund the next round of growth investments. Specifically for challenged businesses, including our U.S. subsidiary DPE (Denka Performance Elastomer LLC), we will consider all options, including business and asset transfers, to improve profitability and capital efficiency. At the same time, we will prioritize the allocation of capital, human resources, and R&D resources to growth areas centered on Electronics & Innovative Products and Life Innovation.

Phase 2 is not merely a period of rebuilding. It is a period in which we will simultaneously pursue a “business portfolio transformation to restore earning power” and “reaccelerate growth businesses centered on ICT & Energy and Healthcare.” By restoring profitability over the short term and enhancing growth potential over the medium- to long-term, we will strengthen the foundation for Denka’s renewed growth.

Q4. What kind of growth are you aiming for in ICT & Energy and Healthcare?

A. Positioning ICT & Energy and Healthcare as the pillars of growth and advancing the shift toward higher-value-added offerings.

ICT & Energy and Healthcare will serve as the pillars supporting Denka’s future growth. In ICT & Energy, against a backdrop of expanding demand related to AI semiconductors, our new product SNECTON provides optimal solutions as a thermal management material, in addition to spherical silica and spherical alumina. AI semiconductors require more power than conventional semiconductors, further increasing demand for power infrastructure.

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In particular, Acetylene Black used in extra-high-voltage cables that transmit electricity from wind and solar power plants, and AISINK used in power modules for direct-current transmission, account for a majority share of the global market, demonstrating our established technological advantages. In the Healthcare field, the IVD reagent market is expanding steadily, and stable growth can be expected. Going forward, we will strengthen collaboration with partner companies through alliances and M&A to pursue further growth. I believe that our policy of concentrating management resources in the two areas of electronic materials and healthcare has received a certain level of recognition from the market. In addition to growing sales of these individual products, we will position ICT & Energy and Healthcare at the core of our growth businesses to accelerate sales growth and improve profit margins. We are also planting the seeds for new businesses with an eye toward generating profits beyond 2030. I believe that accurately capturing demand in growth markets and creating profitable high-value-added products will be a key driver of enhanced corporate value.

Q5. How will you monetize intangible assets such as R&D and intellectual property?

A. Turn accumulated technologies, R&D capabilities, intellectual property, and know-how into engines for future profitability.

Over our 111-year history, we have built up technologies, R&D capabilities, intellectual property, manufacturing know-how, and relationships with customers. These are important intangible assets for Denka. At the same time, we recognize that we have not always been able to fully convert these assets into business earnings. Frankly, since 2009 we have not been able to continuously generate major new products to the extent we should have. However, in recent years we successfully brought the new product SNECTON to market. SNECTON originated from materials technologies that had been accumulated within Denka over many years. It was originally developed as "SE Polymer" for automotive interior materials, but never reached commercialization. It was subsequently reborn as a product offering new value by connecting customer needs for low dielectric properties with Denka's technological strengths. Going forward, it will be important not simply to take pride in the number of patents or research themes we have, but to link R&D, intellectual property, and technical know-how to customer value, application development, pricing power, and profit margins. We need not merely hold intangible assets, but place them at the core of our business model and convert them into earnings. Specifically, our business divisions, R&D divisions, and Intellectual Property Department will work together to build an intellectual property portfolio linked to our key growth areas. One example is new product development centered on SNECTON and application development through combinations with ceramics.

Rather than allowing Denka's technologies to remain stored as of knowledge, we must transform them into engines that generate future profits, and I believe that this is one of the most important priorities for management going forward.

Q6. What is your approach to Green Transformation (GX) and resource circulation?

A. Going beyond reducing environmental risks and turning GX and resource circulation into competitive advantages and new earnings opportunities

For Denka as a chemical company, addressing environmental issues, including reducing CO₂ emissions, is both a responsibility we owe to society and an unavoidable management challenge. As extreme weather increases in severity worldwide, we have set achieving carbon neutrality by 2050 as a goal we need to accomplish.

We are steadily reducing CO₂ emissions toward 2030. Emissions have declined significantly over the past several years, partly as a result of our withdrawal from the cement business, and we believe our target for 2030 is well within reach. Further reductions beyond 2030, however, will be an extremely high hurdle. To achieve them, we are examining a range of technological options, including a new method of producing acetylene from methane.

What matters is not treating environmental initiatives simply as a cost or obligation, but turning them into a competitive edge. We will advance low-carbon manufacturing through GX and resource circulation, and contribute to our customers' decarbonization efforts through low-carbon and resource-circulating products.

It is a high bar, but we will address it with a strong sense of determination. We aim not only to reduce environmental risks but also to create new earnings opportunities.

Q7. What type of people are you seeking in terms of human resources and organizational reform?

A. Evolving into an organization with strong execution capabilities, driven by people who think and act proactively

The type of person I am looking for is what I call a "self-reliant" individual. This does not mean being self-centered. It means a person who is able to think, make decisions, and act independently. I often tell employees to act proactively as though they themselves were the president. For Denka to return to a growth trajectory, simply developing strategies is not enough.



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Q&A with the President



To successfully execute portfolio reform, monetize intangible assets, advance GX, create new businesses, and drive DX, we need the execution capabilities of every employee. To that end, we are building a flat organization where people are able to exchange opinions openly and freely through town hall meetings and other opportunities for dialogue.

We are also strengthening initiatives to leverage DX and digital tools for new business development and productivity improvement, thereby organically connecting our intangible assets. Ultimately, it is people who sustain a company. Even with advances in AI and digital tools, a company cannot change unless people think and take action.

Human resources and organizational reforms that foster initiative and execution are the foundation for achieving our vision. We will evolve into an organization that draws out the full potential of our people and carries transformation through to completion.

Q8. What is your view on further enhancing corporate governance?

A. Use effective governance to control risk and build trust capital.

Since around 2015, we have been advancing initiatives in line with the Corporate Governance Code, and active discussions have taken place at Board of Directors meetings. For important matters, we provide thorough briefings in advance. Management issues that cannot be fully discussed at Board of Directors meetings are discussed mainly among Outside Directors at D&A Round Tables.

The Nomination and Remuneration Advisory Committee is chaired by an Outside Director, and succession planning is also discussed on an ongoing basis. We view governance not as a mechanism for merely putting formal structures in place, but as an important foundation for increasing management effectiveness.

For Denka today, it is particularly important to address business risks involving our U.S. subsidiary DPE (Denka Performance Elastomer LLC), investment decisions, quality and safety, and compliance. Drawing on safety, quality, and governance, we will rebuild trust capital, minimize major risks, and further strengthen the trust placed in us by our customers, investors, and society.

Governance is not sufficient simply because a formal framework is in place. What matters is whether that governance actually functions in practice, identifies risks at an early stage, and leads to the necessary decisions and actions. We believe that steadily building this kind of effective governance will also help reduce capital costs and support the sustainable enhancement of corporate value.



Q9. How do you view Denka's evaluation by the stock market?

A. Restoring market confidence by focusing on growth areas and delivering on our commitments

Given that we have historically operated a diverse range of businesses, we recognize that we have been affected to some extent by the so-called conglomerate discount. Against this backdrop, I believe the market has given a certain level of recognition to our clear policy, set out by revising our Management Plan "Mission 2030," of concentrating management resources in the growth areas of electronic materials and healthcare.

I also believe that our achievement of operating income of 26.2 billion yen against our 25 billion yen target helped restore a measure of trust. What matters is delivering on our commitments. In the past, there were times when we said we would do something but were unable to fully deliver. This time, however, the entire company came together and accomplished what we had set out to do. I believe that Denka's present and future will be shaped by every employee maintaining a firm commitment to delivering on what we say we will do.

Going forward, we will enhance corporate value from three perspectives: strengthen cash generation through business operations, improve the future growth rate, and reduce capital costs. We aim to meet the expectations of shareholders and investors, by ensuring that the market's positive evaluation is not merely temporary but leads to sustained results.

Q10. What message would you like to share with stakeholders?

A. Aiming to sustainably enhance corporate value by rebuilding earning power and pursuing growth

Throughout its 111-year history, Denka has valued Initiative, Integrity, and Empathy. Our purpose, Throughout its 111-year history, Denka has valued Initiative, Integrity, and Empathy. The purpose of Denka is to "Make the world a better place as specialists in chemistry." This purpose represents the very reason for our existence. represents the very reason for our existence. To reiterate, going forward Denka will steadily review low-profit, high-risk businesses and rebuild our earning power. At the same time, we will reaccelerate growth businesses centered on ICT & Energy and Healthcare and translate intangible assets such as R&D, intellectual property, and human resources into tangible earnings. We will also turn GX and resource circulation into a competitive advantage, build an organization that fosters initiative and execution, and further build trust capital through safety, quality, and governance. In the near term, we will thoroughly pursue "even one yen more," while continuing to take on the challenge of becoming "a company that continuously creates new products" for the future. I believe that seeing both through to completion is what Denka must do going forward. We will continue engaging in dialogue with our stakeholders as we pursue sustainable growth and increased corporate value.