Management Plan "Mission 2030" Phase 2

Creating Social Value through "The Best Mix of ICT & Energy and Healthcare portfolios" that only Denka can deliver

Phase 1
FY2023–FY2025

Create business value in the three focus areas identified as megatrends: ICT & Energy, Healthcare, and Sustainable Living

- ICT & Energy: Renewable energy / Transformation of mobility / Growing demand for semiconductors and devices
- Healthcare: Increasingly sophisticated healthcare needs / Innovative medical technologies
- Sustainable Living: Depletion of food and water resources / Growing infrastructure demand

Three focus areas = Focus on megatrends

Proactive upfront investments in expanding markets
Streamline unprofitable businesses
Step up initiatives for new business creation

Operating income ¥26.2 billion
ROE 5.2%

Phase 2
FY2026–FY2028

A New Growth Stage, Starting with "Rebuilding Earning Power"

- ICT & Energy: **Lead the way as a growth driver**
  Supply key materials for thermal management and establish them as de facto standards in cutting-edge fields
- Healthcare: **Pursue steady growth, growth driver**
  Achieve steady growth in the existing diagnostics business and become a frontrunner in forming industry alliances, including M&A
- Sustainable Living: **Focus solely on businesses that can remain competitive; withdraw from or divest other business.**
  Decisively transform the portfolio to focus exclusively on businesses that can remain competitive after optimizing and restructuring business chains and turning them into cash cows

Increase profitability
Rebuild our financial position through carefully selected investments

Operating income ¥45.0 billion
ROE 8.0%

Phase 3 and Beyond
FY2029–

Denka's Aspirations

Toward the best mix of ICT & Energy and Healthcare portfolios,
each with distinct growth trends

<Sustainable Growth Unique to Denka>

Combine the distinct growth trends of ICT & Energy and Healthcare Select businesses that will remain competitive in Sustainable Living and create new value.

Solve social challenges in ways unique to Denka and create an environment where each employee can work with a sense of hope.

Overview of Phase 2

Phase 2 of the Management Plan "Mission 2030" (FY2026–FY2028) sets a highly feasible ROE target of at least 8.0%

Formulation of "Mission 2030" Phase 2 (FY2026–FY2028)

Since April 2023, Denka has been implementing "Mission 2030" to achieve the MISSION set out in our VISION: "By 2030, we will increase the value of our human resources and management, and we will focus on creating business value that combines the three elements of specialty, megatrends, and sustainability." To drive further growth for Denka, we formulated Phase 2 of "Mission 2030" and launched it in FY2026. Covering FY2026–FY2028, this phase focuses on "rebuilding earning power" and "strengthening the foundation for a new growth stage."

Approach to ROE

Target an ROE of 8.0% during Phase 2

[Feasibility]

Achieve the target by FY2028 at the latest, factoring various risks

[Potential for Early Achievement]

- **DPE: Minimize the cost burden**
- **DPE: Formulate a plan for an early resolution during Phase 2**
  → **Recognize deferred tax assets**
- **Gains on sales of strategic shareholdings**

Priority Initiatives for Phase 2

Strengthen and advance the competitiveness of growth businesses in ICT & Energy and Healthcare.

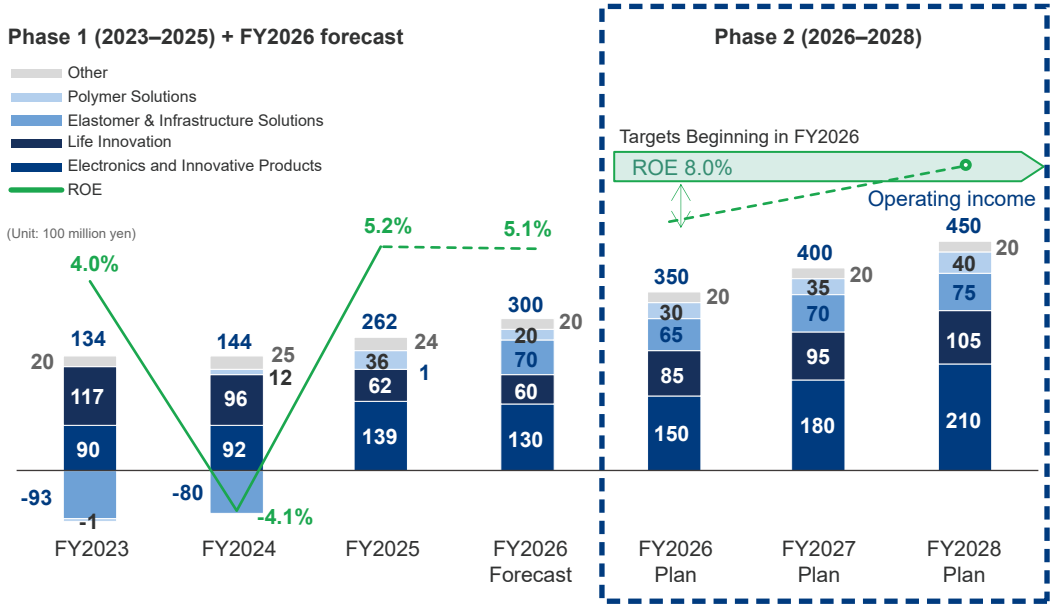
In Sustainable Living, focus on businesses that can remain competitive and turn them into cash cows.

Achieve an early resolution regarding DPE and minimize the financial burden.

Create new businesses.
Implement the "Trickle Out Strategy" to expand existing businesses through FY2030 and plant the seeds for at least ten new initiatives for the period beyond FY2030.

Rebuild our financial position by improving earning power through the above initiatives and carefully selecting investments.

"Mission 2030"



Extraordinary Losses Recorded	-¥8.4 billion	-¥25.1 billion	-¥22.1 billion
	Impairment losses on goodwill related to Icon and other losses following the discontinuation of norovirus vaccine development	Impairment losses on fixed assets at DPE and the Ofuna Plant, and other losses	DPE and other items

While fundamental measures in the chloroprene rubber business are expected to result in a certain amount of extraordinary losses, we plan to offset them with extraordinary income and other gains.

"Mission 2030" Phase 2

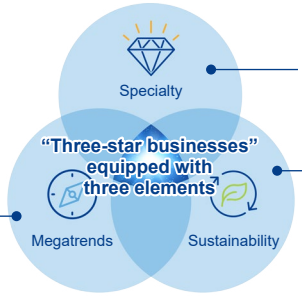
Business Portfolio Shift

Selection and Concentration: Transforming Low-profit Businesses and Growth Fields in Phase 2

Building on the business structure reforms advanced during Phase 1, we will further deepen these initiatives and accelerate the transformation and reorganization of low-profitability businesses in Phase 2. We will also firmly capture tailwinds of expanding AI adoption and power infrastructure demand, strengthening ICT & Energy and Healthcare as the core of our growth businesses. By allocating resources with particular emphasis on specialty (ROIC by product above 10%) among the three elements of three-star businesses, we will advance selection and concentration to "rebuild earning power" and "strengthen the foundation for a new growth stage."

By 2030, we will increase the value of our human resources and management, and we will focus on creating business value that combines the three elements of specialty, megatrends, and sustainability.

Applicable to the three focus areas
- ICT & Energy
- Healthcare
- Sustainable Living



ROIC by product > 10% (average of the past three years)

CO_2 emissions by product: less than 10,000 t, and labor productivity by product (operating income/employee): more than ¥5 million

Phase 1

... Transform loss-making one-star businesses and strengthen priority fields

Selection

ICT & Energy	▶ Withdrawal from Y Film/Caralyan (Ofuna Plant)
Healthcare	▶ End of commissioned manufacturing of macromolecular sodium hyaluronate ▶ Discontinuation of norovirus vaccine development (Icon)
Sustainable Living	▶ Temporary suspension of the U.S. chloroprene rubber business ▶ Withdrawal from the cement business ▶ Withdrawal from Evolmer ▶ Consolidation of Toyokalon production bases

Concentration

ICT & Energy	✓Investment in semiconductor and xEV fields
Healthcare	✓Expansion work for influenza vaccines, testing kits, and IVD reagents

Phase 2

Prioritize Specialty (ROIC by product above 10%) among the Three Star Criteria

Focus on commercialization and improving financial soundness

... Transform low-profit businesses and growth fields

Selection

ICT & Energy	▶ For electric circuit boards, determine Denka's vision for the future and pursue collaboration and alliances with other companies
Sustainable Living	▶ Early resolution of the U.S. chloroprene rubber business ▶ Production optimization and structural reform at the Omi Plant ▶ Build alliances in styrene-related businesses <Consideration toward a spin-off>

Concentration

ICT & Energy	✓Focus on AI and power infrastructure
Healthcare	✓Use alliances (including M&A), centered on diagnostics

Phase 3 and Beyond

Toward 100% three-star businesses

Toward the best mix of ICT & Energy and Healthcare portfolios,

each with distinct growth trends

"Mission 2030" Phase 2

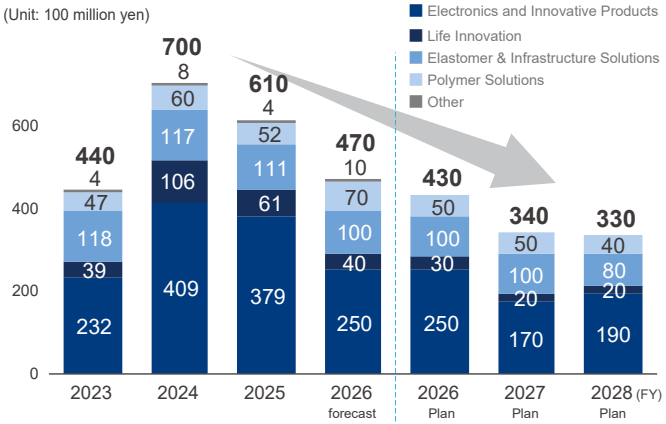
Overview of Phase 2 (Key Indicators)

Management Plan "Mission 2030" Unit: 100 million yen		Phase 1 + FY2026 Forecast				Phase 2		
		FY2023 Results	FY2024 Results	FY2025 Results	FY2026 Forecast	FY2026 Plan	FY2027 Plan	FY2028 Plan
Profitability	Net sales	3,893	4,003	3,842	4,500	4,100	4,400	4,700
	Operating income	134	144	262	300	350	400	450
	Operating income ratio	3.4%	3.6%	6.8%		8.5%	9.1%	9.6%
	Net income	119	(123)	157	160	180	220	260
Capital Efficiency	ROE	4.0%	(4.1%)	5.2%	5.1%	6.0%	7.0%	8.0%
						Target a feasible ROE of 8.0% beginning in FY2026		
	ROIC	2.5%	2.5%	4.2%	4.5%	5.0%	5.5%	6.0%
Capital Allocation	D/E ratio	0.57	0.73	0.71	0.77	0.75	0.70	0.7 or less
	Investment amount	440	700	608	470	430	340	330
	Total shareholder return ratio	72%	-	57%	54%	・Target a total return ratio of approximately 50% (cumulative over the eight years of the management plan)		
	Annual dividend (yen/share)	100	100	100	100	・Aim to maintain or increase the dividend per share		

Investment, Depreciation and Amortization, and R&D Spending by Segment

Capital expenditure / Investment and loans

(Unit: 100 million yen)

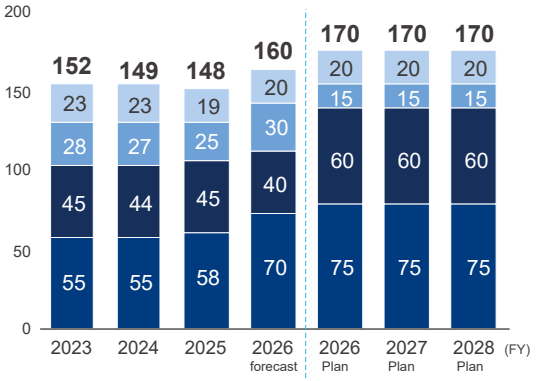
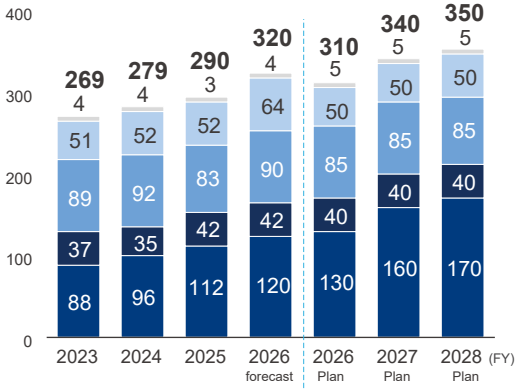


Upfront investments → Reaping the Benefits of Upfront investment

In Phase 2, carefully select investments in areas targeted for strategic expansion

Investment concentrated in FY2024 and FY2025, including the establishment of a new acetylene black manufacturing facility in Thailand

R&D



Depreciation and amortization