

Sustainable Living

Strategy: 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

Message from the Division Head



Koya Takahashi

Executive Officer
Head of Elastomer &
Infrastructure Solutions Division

Since our founding, this division has been providing products that contribute to society through a wide range of technologies—organic to inorganic—including products utilizing the calcium carbide chain such as chloroprene rubber (CR) and calcium cyanamide, as well as special admixtures and corrugated pipes that support national resilience.

In FY2025, we decisively reformed our portfolio by consolidating CR production at the Omi Plant, fully withdrawing from the cement business, and establishing a new corrugated pipe plant, thereby returning the division to profitability.

In Phase 2 of the Management Plan "Mission 2030," we will scale up existing businesses with stronger collaboration and alliances to maximize profitability and achieve sustainable growth. We will also contribute to a sustainable globe by effectively using the Omi Plant's hydroelectric power facilities that are among the largest in Japan, and leveraging biostimulant and carbon-negative concrete technologies—with these efforts, we will rebuild our earning power and transform our business models.



Masahiro Omata

Executive Officer
Head of Polymer
Solutions Division

We have started considering spinning off our styrene businesses, with the aim of restructuring them through measures that include collaboration with other companies and downsizing. This will help us address declining demand due to Japan's shrinking population, China's shift from a major customer to a competitor, and the increasingly significant burden of reducing environmental impacts.

We will also focus on stable operation of the polystyrene chemical recycling demonstration facility and initiatives for its future real-world implementation, contributing to a circular economy.

While the plastics industry is currently facing headwinds with supply and pricing, we will continue working to implement structural reforms in a swift and decisive manner. Our goal is to ensure the sustainability of the petrochemical business, which supplies society with materials essential to daily life.

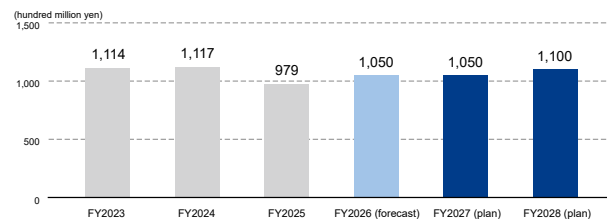
Strategies for Achieving the Goals of the Management Plan "Mission 2030" (Strategies toward 100% "Three-Star Businesses")

	Strategic areas and markets	[Key Products]	[Phase 1 Results]	[Phase 2 Plan]	[Division Goals for FY2030]
Elastomer & Infrastructure Solutions Division	Food Infrastructure	<ul style="list-style-type: none"> ● Chloroprene rubber ● Biostimulants: PRULA, and Magnesium Humate ● Environmentally friendly fertilizers: calcium cyanamide, fused magnesium phosphate, and fused silicate phosphate ● Special cement additives ● Toyo Drain ● CO₂ fixing admixtures "LEAF" for carbon-negative concrete 	<ul style="list-style-type: none"> ● Temporary suspension of operations at the U.S. chloroprene rubber plant ● Cessation of cement sales ● Withdrawal from Evolmer ● Kyushu Plastic Industry: Increased production of corrugated pipes 	<ul style="list-style-type: none"> ● Early resolution of issues in the U.S. chloroprene rubber business ● Production optimization and structural reform at the Omi Plant ● Accelerate global expansion of biostimulants and strengthen web marketing ● Expand carbon negative concrete 	<ul style="list-style-type: none"> ● Transform into a business division where each individual takes on challenges to acquire their own expertise and contributes to achieving company-wide goals by proudly providing products that make the world better. ● Contribute to ESG by expanding the adoption of low-carbon concrete products and globally deploying agricultural-related materials.
Polymer Solutions Division	Automotive Energy industry Housing and home appliances Food packaging materials Hair products	<ul style="list-style-type: none"> ● High-performance styrene resins "AS, ABS, MS, SBC, IP" ● Additives for oil and gas field drilling (Poval) ● Gutters, aluminum ducts (Denka Astec) ● Polystyrene resin (Toyo Styrene) ● BOPS: High-strength, thin, oil-resistant sheets and highly heat-resistant rolls ● Raw yarn for wigs and hairpieces (DAPL) 	<ul style="list-style-type: none"> ◇ Structural Reforms <ul style="list-style-type: none"> ● Consolidation of production in the Toyokalon business and conversion of Toyo Styrene into a consolidated subsidiary ◇ New Product Launches <ul style="list-style-type: none"> ● MS-TX300 high-performance transparent resin (DSPL) ● High-performance Poval "Poval for water-soluble fibers" ● "PURE EDEN" rainwater tanks (Denka Astec) ◇ Environmental Initiatives <ul style="list-style-type: none"> ● Start of operation of polystyrene chemical recycling demonstration plant ● Entered into a business partnership agreement with Ichihara City, Chiba, for collection of used polystyrene ● Launch of "Biomass BOPS," an environmentally friendly material supplied using the mass balance method 	<ul style="list-style-type: none"> ◇ Structural Reforms <ul style="list-style-type: none"> ● Restructuring of the entire styrene chain and optimization of individual businesses, including downsizing <ul style="list-style-type: none"> • Start considering a spin-off, including potential collaboration with external partners • Explore collaboration with other companies and an optimal production structure ◇ New Product Development <ul style="list-style-type: none"> ● New grades that meet heat resistance needs in electronic materials and automotive applications ◇ Environmental Initiatives <ul style="list-style-type: none"> ● Launch of products under the D-NODE resource circulation system brand ● Establishment of a framework to move styrene chemical recycling from demonstration to implementation 	<ul style="list-style-type: none"> ● Portfolio Transformation: Improving corporate value by increasing added value, new business creation, and alliance building ● Sustainable & Disruptive Innovation: Create new three-star businesses through innovation utilizing the styrene chain and Denka's elemental technologies, as well as innovation through M&A and external resources ● Ahead to Green: Establish circular economy models that use polystyrene chemical recycling and connect upstream and downstream businesses with local communities

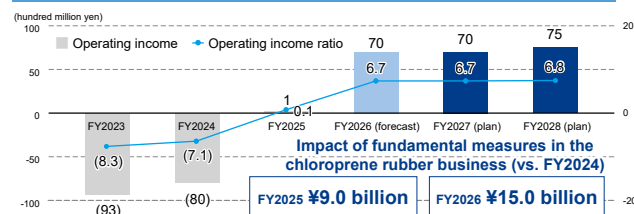
Sustainable Living

Elastomer & Infrastructure Solutions Division

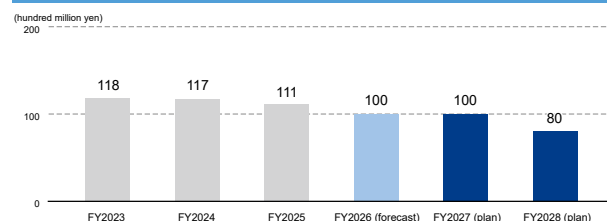
Net Sales Trends and Outlook



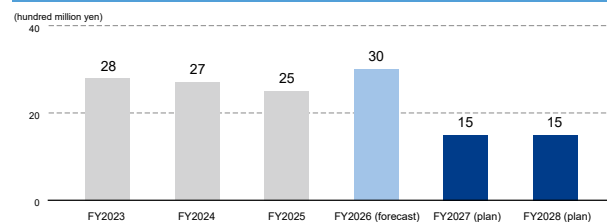
Trends and Outlook for Operating Income/Operating Income Ratio



Investment Value Trends



R&D Spending



Share of total net sales (FY2025): 25%

Share of total employees (FY2025): 22%

SWOT Analysis

- Technology for absorbing and immobilizing CO₂ in concrete
- Chloroprene rubber business with the world's largest production capacity
- One of Japan's largest in-house hydroelectric power generation facilities
- Possession of core technologies for electric furnace and kiln manufacturing and material development capabilities
- A rare domestic fertilizer manufacturer

Strengths

S

- Growing demand associated with enhancing the resilience of buildings and civil infrastructure to mitigate natural disaster damage
- Growing demand associated with the maintenance and renewal of aging infrastructure constructed during the period of high economic growth in Japan
- Growth in the biostimulant market due to growing food demand in step with the growing global population
- Expanding sales for infrastructure markets, mainly in emerging countries
- Expanding the market for products that contribute to low-carbon and labor-saving needs

Opportunities

O

Weaknesses

W

- Difficulty in securing robust brand recognition in markets overseas (special cement additive business)
 - Increase in fixed costs unique to equipment industries and CO₂ emissions derived from manufacturing methods
 - Product deployment in product life cycle and mature market sectors
- Countermeasures → Promote collaboration with local partners
- Countermeasures → Optimize capacity utilization and promote collaboration with other companies
- Countermeasures → Develop new applications and strengthen cost competitiveness

Threats

T

- Expansion in the scope of various environment-related regulations influenced by a growing trend toward carbon neutrality
 - Shrinking construction and agricultural markets, and labor shortages due to declining domestic population
 - Soaring global raw material and fuel prices
 - Global reorganization of market players
- Countermeasures → Make greater use of recycled raw materials and reduce CO₂ emissions through process improvements
- Countermeasures → Expand construction products that enable labor-saving installation, and support the transition to more productive farmland through underground irrigation systems and consolidation into larger fields
- Countermeasures → Promote collaboration with other companies

Business Chain Optimization

- Maintain our chloroprene rubber market share by making full use of the U.S. sales network established with DPE
- Maximize the benefits of hydroelectric power and restructure businesses with low capital efficiency
- Enhance competitiveness in new markets by adding environmental value: FASTRONG and LEAF

TOPIC

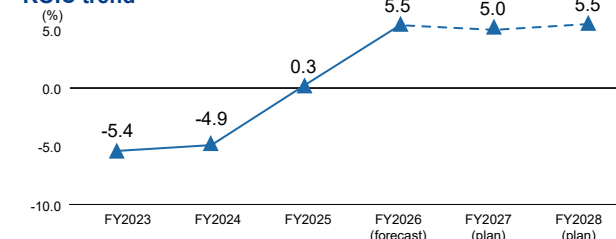
Decision to withdraw from the Denka ER business as part of efforts to optimize the business portfolio
(Reference) News release: "Withdrawal from the Denka ER Business," July 17, 2026

* Denka ER: A proprietary specialty rubber with excellent heat and oil resistance, covering the performance range between acrylic rubber and fluororubber

Toward Improving ROIC

- Chloroprene rubber: Maximize profitability by consolidating production at the Omi Plant
- Special cement additives: Develop high-value-added products using our proprietary technologies, promote expansion overseas, and increase sales of products that reduce environmental impact
- Agri Products: Expand sales of calcium cyanamide and biostimulants, and use recycled raw materials in YORIN
- Corrugated pipes: Boost efforts to have our products specified in projects and enter the smart agriculture market

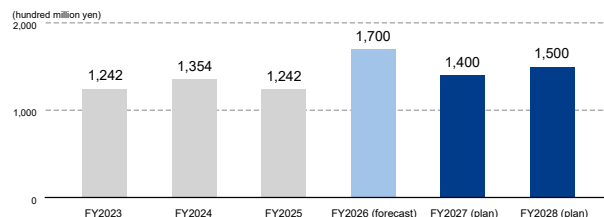
ROIC trend



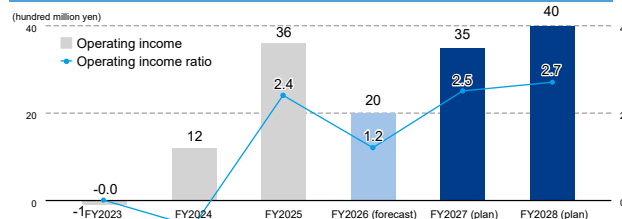
Sustainable Living

Polymer Solutions Division

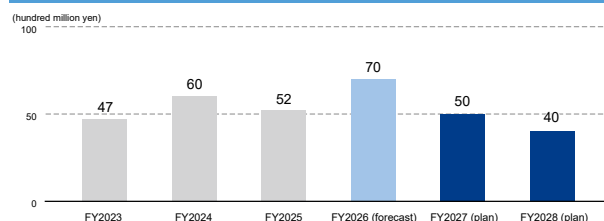
Net Sales Trends and Outlook



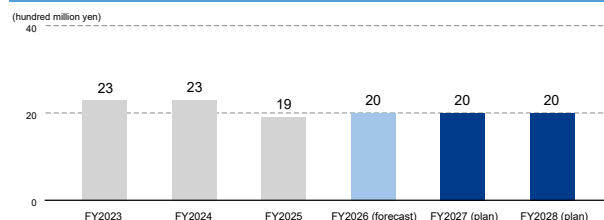
Trends and Outlook for Operating Income/ Operating Income Ratio



Investment value trends



R&D Spending



Share of total net sales (FY2025): 32%

Share of total employees (FY2025): 16%

SWOT Analysis

◇ Supply chain

- An integrated manufacturing and marketing system that encompasses a range of styrene-based operations from the production of raw materials to the manufacture of processed products
- Global business capabilities backed by a two-location production system consisting of bases in Japan and Singapore

◇ Environmental response

- Operation of a polystyrene chemical recycling demonstration plant for social implementation
- Biomass products contributing to the development of a sustainable society (ISCC certified)

◇ R&D

- A diverse range of resin processing technologies and solution proposals, including those associated with polymer structure design and control and the production of sheets, films, and synthetic fibers

Strengths S

◇ Supply chain

- Limited raw material procurement sources (BCP response)

◇ Market trends

- Time lag between fluctuations in the prices of raw materials (e.g. naphtha and benzene) and product price revisions reflecting these external conditions

◇ Sales channels

- Dependence on specific applications and regions (high exposure to market fluctuations and regulatory impacts)

Weaknesses W

◇ Market trends

- Expanding demand for high-performance resins in emerging Asian markets (shift from general-purpose products)

◇ Environmental response

- Full-scale expansion of decarbonization needs (growing demand for biomass and low-environmental-impact products)
- Accelerating resource-circulation (circular economy) trends

Opportunities O

Threats T

◇ Supply chain

- Increasing instability in raw material and energy procurement (geopolitical risks)

◇ Market trends

- Shrinking demand due to Japan's declining population
- Changes in the global supply-demand balance (new and expanded petrochemical plants in China)
- Intensification of price competition driven by improvements in the quality of products offered by domestic and overseas competitors

◇ Environmental response

- A decline in demand for plastics due to environmental concerns surrounding plastic waste (especially single-use products)

Countermeasures

- Advance structural reform with a view to industry reorganization by considering spin-offs, thereby transitioning to a sustainable business
- Accelerate development of new products and exploration of applications in new fields by leveraging polymer processing technologies
- Promote sales of chemically recycled and biomass products in response to rising environmental needs

Consideration of Spin-offs Timing: Targeting April 2027

[Purpose]

- Expand strategic options, including business collaborations and capital alliances
- Strengthen earning power and achieve future growth investments with agile decision-making

[Background]

- Focus the portfolio on businesses with competitive advantages as part of portfolio transformation
- Intensifying international competition due to expansion of production capacity worldwide
- Declining profitability and cash generation capability due to lower capacity utilization
- Need for a flexible business management structure, including industry collaboration and strategic partnerships

[Businesses in scope]

- Manufacture and sale of styrene monomer, functional resins, and sheet products
- Businesses associated with the above operations (domestic and overseas sites)

(Reference) February 2026 Management Briefing Materials ▶ p. 37

Toward Improving ROIC

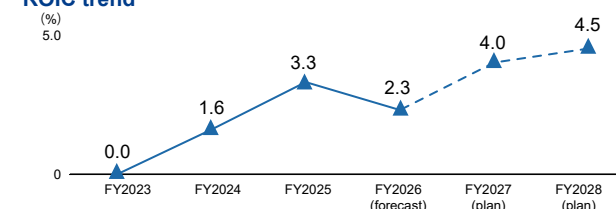
[Profitability]

- Promote fundamental reforms through a combination of overall optimization across the styrene chain and individual optimization
- Optimize production through rational decision-making, and pursue the transfer of or withdrawal from unprofitable businesses
- Improve profitability through cost reduction and introduction of differentiated, high value-added products

[Capital efficiency]

- Improve CCC through receivables securitization and inventory optimization
- Capital investment prioritized according to urgency, based on the status of business structural reform considerations

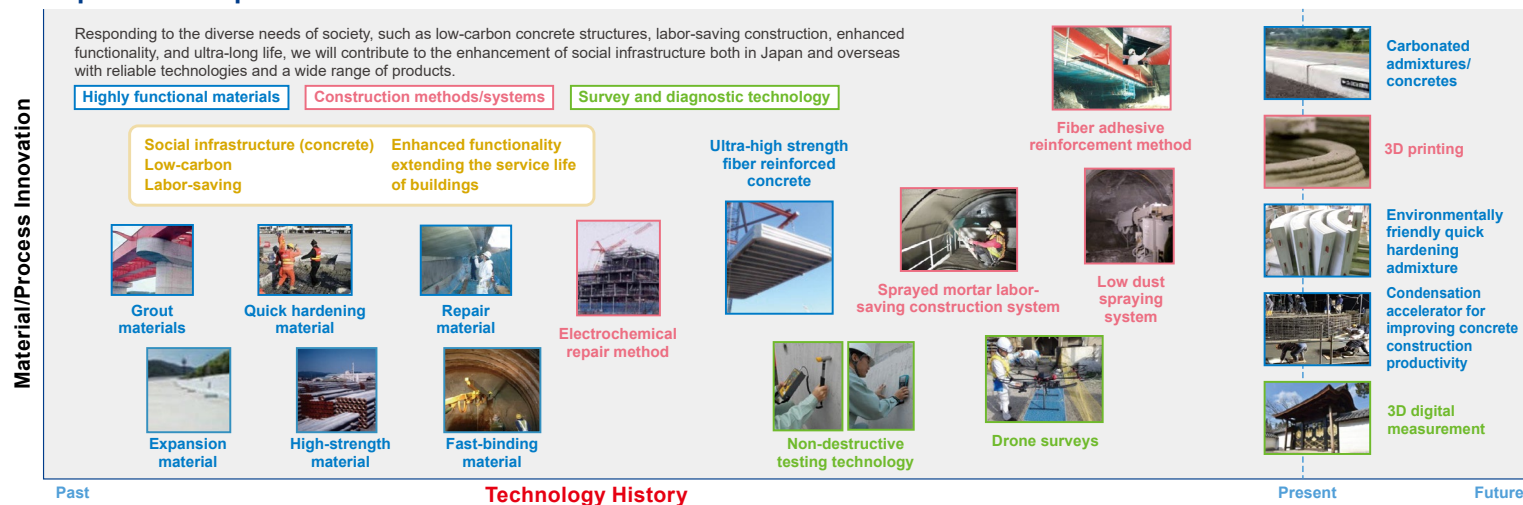
ROIC trend



Sustainable Living

Elastomer & Infrastructure Solutions Division

Expansion of special cement additive business



Contributing to Society through Business

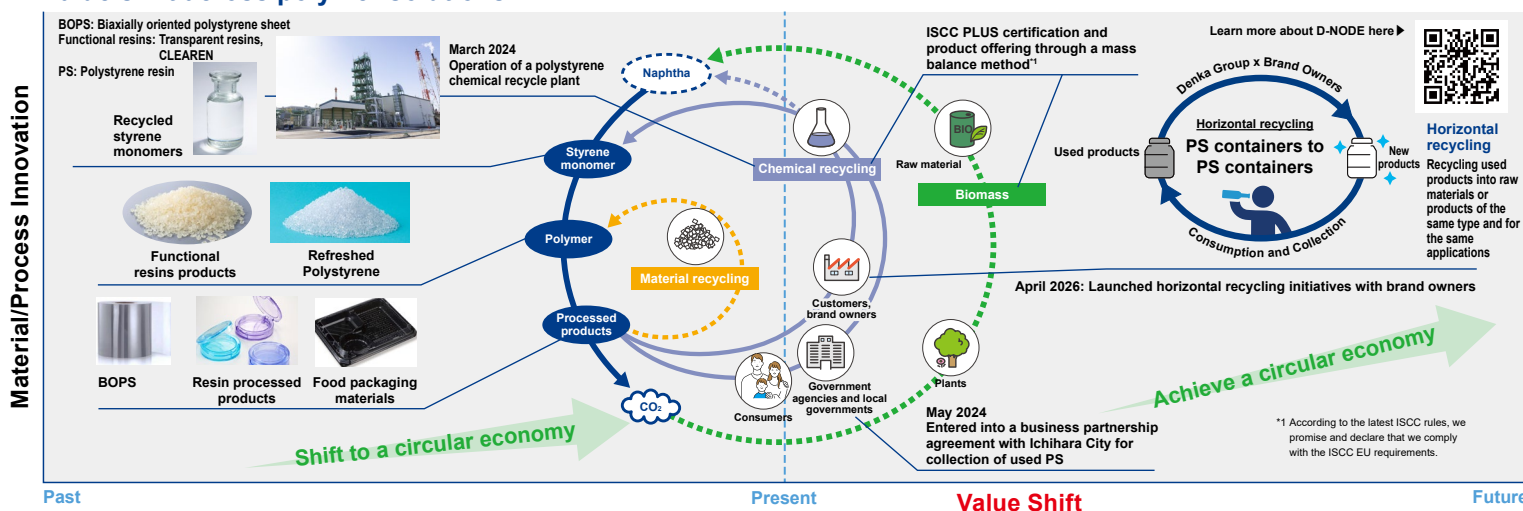
● Carbon Negative Concrete "CUCO" Project

CUCO is a consortium of 55 companies led by Denka, Kajima Corporation, and Takenaka Corporation implementing the "Green Innovation Fund Project/Project for Development of Concrete and Other Manufacturing Technologies Using CO₂," adopted by the New Energy and Industrial Technology Development Organization (NEDO). Through this project, we aim to realize highly versatile carbon negative concrete by developing carbonation admixtures and construction technologies, establishing quality assessment technologies, and promoting the use of these technologies around the world. Also, through active CO₂ fixation in concrete—a goal we are pursuing through development of this technology—we will promote the transition from decarbonization to "active carbon" to play our role in the reduction of greenhouse gases.

As a result of the consortium's joint development, our carbonation admixture "LEAF" has been used in the "CUCO-SUICOM Dome (Sustaina Dome)" (constructed by Kajima Corporation) at the Osaka-Kansai Expo, in the "CUCO-SUICOM Shot" for part of the dome structure, and in the "CUCO-SUICOM Paving Blocks" laid on the EXPO Arena walkways. Technologies developed by this consortium are branded as CUCO, and we are working to promote their widespread adoption for social implementation.

Polymer Solutions Division

Value shift across polymer solutions



Contributing to Society through Business

● The Denka Group will provide new value to society by helping achieve a circular economy

- Denka and its consolidated subsidiary Toyo Styrene Co., Ltd. have operated a polystyrene chemical recycling plant at the Chiba Plant since March 2024 as a new resource circulation system. This new initiative collects used containers and scraps from manufacturing plants (processes), decomposes them chemically, and recycles them as raw materials for plastic products. It is positioned as the first step toward a circular economy.
- We have signed a business collaboration agreement with Ichihara City, Chiba Prefecture, and are advancing horizontal recycling in collaboration with brand owners and other partners.
- Through ISCC PLUS certification at Denka, Toyo Styrene, and Denka Polymer, and the launch of the D-NODE resource circulation system brand, we will make these initiatives more effective and help reduce the use of fossil-derived raw materials.
- The Denka Group aims to contribute to a sustainable society by working with diverse stakeholders, including customers, local communities, and local governments, to advance technology development and horizontal recycling initiatives that no single company could achieve alone.