

Management Value Creation Message from the Chair of the Board of Directors



Toshio Imai Chairman and Representative Director

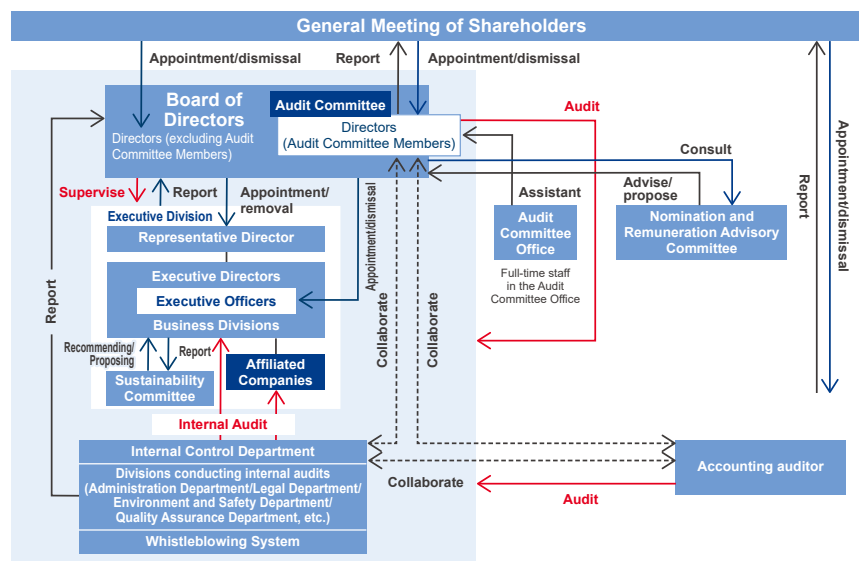
Our Board of Directors aims to fulfill its fiduciary duty and accountability to shareholders and has worked to strengthen its structure and effectiveness since establishing the "Denka Corporate Governance Guidelines" in 2015 and transitioning to a Company with Audit & Supervisory Committee in 2019. Under our current Management Plan "Mission 2030," we position "Management Value Creation" as one of our three growth strategies, together with "Business Value Creation" and "Human Resources Value Creation." We believe that strengthening the effectiveness of the Board of Directors forms the foundation of Management Value Creation.

Last fiscal year, we held 13 Management Issues Roundtable meetings, which mainly focused on medium- to long-term management issues, and held in-depth discussions on the review of the Management Plan at five of these meetings. The Nomination and Remuneration Advisory Committee also established an annual schedule of matters for consideration and repeatedly considered the "desired state of the Board of Directors" and the "succession plan for senior management."

This fiscal year, at meetings of the Board of Directors and the Management Issues Roundtable, we intend to focus discussions on further long-term business strategies, monitoring of large-scale investment projects, new business development, human resources policies, and DX promotion. At the Nomination and Remuneration Advisory Committee, we intend to focus on deepening discussions about the required profile of senior leadership talent with a view to applying the outcome to the succession plan for senior leadership talent.

Through these measures, we will further advance "Management Value Creation" by enhancing the effectiveness of the Board of Directors and continue striving to meet the expectations of all Denka Group stakeholders.

■ Corporate Governance Structure



Board of Directors



Photographed in July 2026

Mizuhiro UchidaDirector
(Full-time Audit
Committee Member)**Miyuki Matoba**Outside Director
(Audit Committee
Member)**Akio Yamamoto**Outside Director
(Audit Committee
Member)**Toshio Kinoshita**Outside Director
(Audit Committee
Member)**Toshio Imai**Chairman and
Representative
Director**Ikuo Ishida**Representative
Director,
President**Rumiko Nakata**

Outside Director

Rimiru Hayashida

Director

Masanobu Kosaka

Director

Information on the Board of Directors and Skills Matrix <https://denka.disclosure.site/ja/themes/672> * For the directors' career histories, please refer to the "Notice of Convocation of the Ordinary General Meeting of Shareholders."

Message from Outside Directors

Rumiko Nakata

Director (Outside)

Helping Create an Environment Where Diverse Talent is Able to Thrive through Psychological Safety and DE&I



Drawing on my hands-on HR experience at a number of companies and my time serving on various human capital committees, I mainly raise questions and offer comments at Board meetings on human capital issues, including employee engagement, mental health care, talent development, and organizational culture.

The External Investigation Committee's report on the 2023 improprieties involving third-party certification and related matters in particular raised issues in our organizational culture. Since then, I have also continued to monitor management's dialogue with employees and efforts to improve psychological safety.

Alongside fostering an open organizational culture, we have a diversity policy of becoming "a company where every person can aim to be the best they can be." To help build an organization where diverse talent can thrive, I have participated in various DE&I initiatives and offered advice based on my experience.

I also serve as the chair of the Nomination and Remuneration Advisory Committee. At Denka, this committee, like the Board of Directors, engages in active exchanges of views. When President Ishida was appointed in 2025, the Nomination and Remuneration Advisory Committee interviewed several candidates and discussed them alongside their assessment results. I believe the discussion was constructive and highly transparent. CEO succession planning is one of the Nomination and Remuneration Advisory Committee's most important responsibilities. To ensure continuity with our broader discussions on developing management talent, we have also invited the Chief Human Resources Officer (CHRO) to participate in the committee from FY2026. This will facilitate more systematic agenda planning and deeper discussions.

I hope to continue contributing to Denka's corporate value through these activities.

Toshio Kinoshita

Director (Outside),
Audit Committee Member

Enhancing Governance and Pursuing Growth with a Focus on Capital and Asset Efficiency



I am a certified public accountant in both Japan and the United States, and serve as an Outside Director of Denka as a specialist in accounting and finance. As a board member of the Japan Corporate Governance Network (JCGN), I also work to enhance and strengthen corporate governance at Japanese companies.

At Denka's Board meetings, I primarily ask questions and discuss agenda items from an accounting and finance perspective, while providing oversight aimed at enhancing and strengthening corporate governance.

An example is with our tender offer for KAINOS in February this year. I first verified the appropriateness of the offer price and then raised questions and discussed the suitability of the tender offer structure and the qualifications of the financial advisor. I also requested management to assess the synergies for Denka using quantitative indicators rather than relying solely on qualitative explanations, examining the transaction from multiple accounting and financial perspectives. I actively shared my views on these matters not only at Board meetings but also at D&A Round Tables, which bring together management and outside officers, engaging in lively exchanges and discussions.

Given that there is greater emphasis placed on management that is conscious of the cost of capital when it comes to corporate governance, we analyzed not only Denka's ROE and ROIC but also inventory turnover days and the profitability and efficiency of fixed assets, and discussed measures for improvement. I also encourage and support management in using capital efficiency, asset efficiency, and other management indicators for analysis and evaluation, rather than focusing solely on conventional measures such as growth in net sales and profits.

As the business environment continues to change rapidly, I remain committed to fulfilling my responsibilities as an Outside Director and contributing to further enhancement of Denka's corporate value and sustainable development.

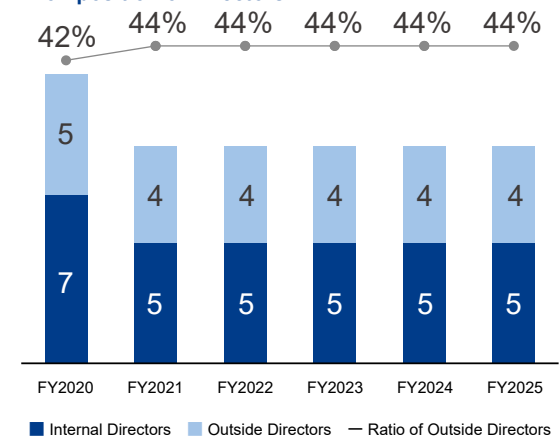
Our View on the Appointment of Directors

Under the Denka Vision, to achieve the eight-year Management Plan "Mission 2030" through FY2030, the Company aims to strengthen its management structure comprising Directors and Executive Officers, while enhancing its governance structure and supervisory functions.

In selecting Directors, internal Directors are chosen from among individuals who possess extensive experience and a proven track record in various divisions within the Company, as well as the insight and sufficient expertise required of a Director. Outside Directors are chosen from among individuals who possess the expertise necessary for the Company's sustainable growth and enhancement of corporate value, as well as broad perspectives based on extensive business experience and management experience at other companies. The Company believes that it is important for the Board of Directors as a whole to have a well-balanced composition of individuals with diverse knowledge, experience, and capabilities, while ensuring diversity in terms of gender, international background, professional experience, and other attributes.

Additionally, the Company considers it appropriate for independent Outside Directors to account for at least one-third of the Board of Directors, and they currently account for approximately 44%.

Composition of Directors



Skills Matrix of the Board of Directors

			Attributes				Skills											
			Independent Outside	Age	Number of years in office	Gender	Corporate Management/ Corporate planning	Human Resources Value Creation	Global business	Financial strategy/ Accounting	Legal/ Compliance	ESG/Sustainability			Business value creation/ Marketing	R&D/ Intellectual Property	Technology/ Manufacturing	DX
												E: Environment	S: Social	G: Governance				
Chairman and Representative Director	Toshio Imai			67	7	M	○	○	○			○		○	○			
Representative Director, President	Ikuo Ishida	President and Chief Executive Officer		64	3	M	○	○	○		○			○	○			
Director	Rimiru Hayashida	Senior Managing Executive Officer		64	1	M	○			○				○				
Director	Masanobu Kosaka	Managing Executive Officer		63	1	M			○			○	○			○	○	○
Director	Rumiko Nakata		○	70	2	F		○					○	○				
Director	Mizuhiro Uchida	Full-time Audit Committee Member		64	3	M				○	○		○	○				○
Director	Toshio Kinoshita	Audit Committee Member	○	77	11	M			○	○				○				
Director	Akio Yamamoto	Audit Committee Member	○	74	11	M	○	○	○						○			
Director	Miyuki Matoba	Audit Committee Member	○	52	5	F					○		○	○		○		

* The matrix above shows the areas in which the Board of Directors has particular expectations for each Director, based on their knowledge and experience. * Age and years in office are as of June 19, 2026. * F: Female, M: Male

(Reference: Skill matrix for Managing Executive Officers who do not concurrently serve as Directors)

Kei Hara	Managing Executive Officer		60		M	○	○	○			○		○		○			
Hiroto Horiuchi	Managing Executive Officer		59		M	○		○							○	○		
Michio Kawamura	Managing Executive Officer		61		M	○		○				○	○			○	○	

Necessary Skills for the Board of Directors and Reasons for Their Selection

The skills considered necessary for the Company's Board of Directors to make key decisions and perform its supervisory functions under Denka's Vision to achieve the Company's eight-year Management Plan "Mission 2030" through FY2030 and promote ESG management through materiality (key management issues) are as follows.

Corporate Management/Corporate Planning

Directors with extensive management experience and a proven track record in corporate management are needed to formulate and review the Management Plan aimed at realizing Denka's Vision and supervise business execution toward achieving the plan.

Human Resources Value Creation

Directors with extensive knowledge and experience in Human Resources Value Creation are needed to promote investment in human resources and HR system reforms, with the aim of becoming a company where each employee can experience self-realization and growth.

Global Business

Directors with extensive global business experience are needed to fulfill our Purpose, "Make the world a better place as specialists in chemistry," while remaining mindful of global megatrends.

Financial Strategy/Accounting

Directors with solid knowledge and experience in financial strategy and accounting are needed not only to ensure accurate disclosure of financial information, but also to advance the strategic selection and concentration of businesses, pursue an optimal capital structure, and improve profitability and efficiency.

Legal/Compliance

Directors with solid knowledge and experience in legal affairs and compliance are needed to respond appropriately to increasingly complex legal systems and regulations in Japan and overseas and conduct fair and trustworthy corporate activities.

ESG & Sustainability/E (Environment)

Directors with extensive knowledge and experience in E (Environment) are needed to fulfill the Company's social responsibility by addressing "Achievement of Carbon Neutrality," "Sustainable Cities and Fulfilling Daily Lives," and "Environmental Conservation and Minimization of Environmental Impact," which are essential prerequisites for business continuity.

ESG & Sustainability/S (Society)

Directors with solid knowledge and experience in S (Society) are needed to fulfill the Company's social responsibility through the provision of safe and high-quality products, respect for human rights, and participation in building better local communities.

ESG & Sustainability/G (Governance)

Directors with solid knowledge and experience in G (Governance) are needed to fulfill the Company's social responsibility by establishing a more advanced and effective corporate governance system that ensures transparency and fairness based on high ethical standards.

Business Value Creation/Marketing

Directors with deep market insight based on broad perspectives and extensive business experience are needed to make "Three-star Businesses," which incorporate the three elements of specialty, megatrends, and sustainability, account for 100% of the three business fields of ICT & Energy, Healthcare, and Sustainable Living, and to advance portfolio transformation, including the sale of or withdrawal from businesses that are difficult to transform into "Three-star Businesses."

R&D/Intellectual Property

Directors with a proven track record of promoting innovation, deep knowledge of science and technology, and extensive experience and familiarity with proprietary technologies and intellectual property are needed to create business value in the three business fields of ICT & Energy, Healthcare, and Sustainable Living.

Technology/Manufacturing

Directors with deep technical expertise, extensive experience at manufacturing sites, and solid insight are needed to promote productivity improvements through process reforms as part of Management Value Creation, the manufacture of trusted products, and the creation of safe workplace environments.

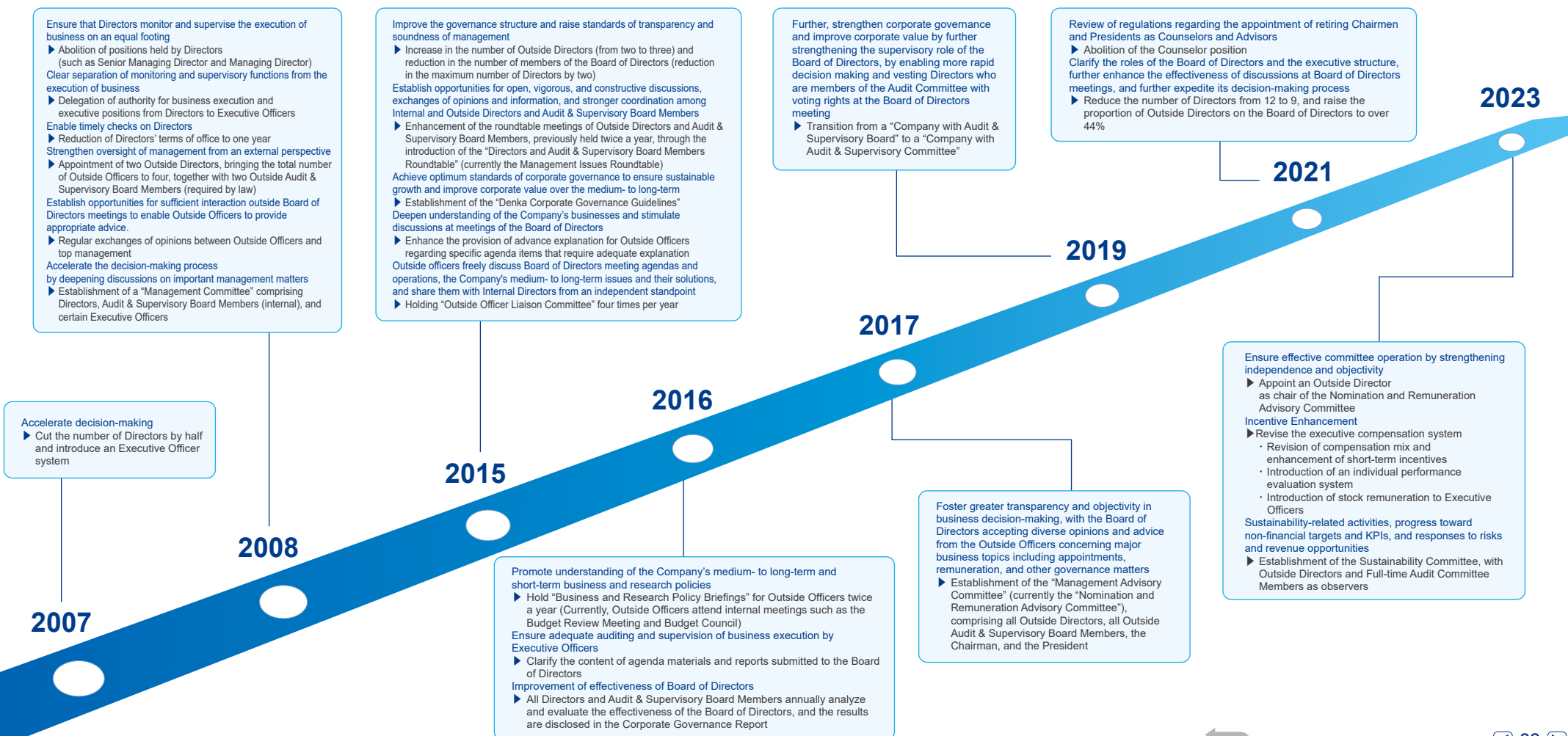
DX

Directors with deep knowledge and extensive experience in digital technologies and data utilization, as well as the ability to understand and analyze the Company's businesses and operations and translate those insights into transformation, are needed to advance business model and organizational transformation through process reforms.

Basic Approach to Corporate Governance

To meet the expectations and maintain the trust of its many stakeholders, including shareholders, customers, local communities, and employees, the Company strives to enhance corporate value under Denka's Vision, which consists of the Core Value that forms the foundation as the Company's DNA, the Purpose that serves as the North Star guiding the Company, and the Mission that represents what the Company must accomplish by 2030. The Company works to strengthen its business foundation by enhancing earning power and expanding the scope of its operations, while remaining firmly committed to being a company that earns society's trust and empathy. The Company considers corporate governance the foundation for these efforts and strives to strengthen governance in order to fulfill its responsibilities to stakeholders and ensure the transparency and soundness of management.

Governance Chronology Corporate Governance Initiatives to Date



Director Remuneration

1 Policy (Basic Policy)

We have set the remuneration for each Director (excluding Directors who are Audit & Supervisory 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 is stipulated in the Company's internal regulations. Remuneration for Directors consists of fixed monthly basic remuneration, cash performance-linked remuneration, and stock remuneration. Cash performance-linked remuneration is intended to raise awareness of the need to improve Company-wide and individual performance in each fiscal year and to function as a sound incentive for sustainable growth. Stock remuneration is intended to raise awareness of the need to contribute to improved medium- to long-term performance and enhanced corporate value. However, Outside Directors and Non-Executive Directors receive only basic remuneration in light of their duties.

FY2025 Director Remuneration

Category	Number of persons	Amount of remuneration, etc.	Breakdown					
			Cash remuneration				Stock Remuneration	
			Basic Remuneration		Performance-linked Remuneration			
			Number of persons	Total	Number of persons	Total	Number of persons	Total
Director (excluding Audit Committee Members) (Of which Outside Directors)	7 (1)	274 million yen (13)	7 (1)	184 million yen (13)	4 (—)	63 million yen (—)	6 (—)	26 million yen (—)
Director (Audit Committee Members) (Of which Outside Directors)	4 (3)	78 (39)	4 (3)	78 (39)	— (—)	— (—)	— (—)	— (—)
Total (Of which Outside Directors)	11 (4)	352 (52)	11 (4)	262 (52)	4 (—)	63 (—)	6 (—)	26 (—)

* Currently, there are nine Directors (including four Outside Directors), but the above remuneration includes the remuneration paid to two Directors who retired at the conclusion of the 166th Annual General Meeting of Shareholders held on June 20, 2025.

2 Director Remuneration System and Content

(1) Diagram of Basic System (Executive Directors)

Basic remuneration (cash, fixed)	Performance-linked remuneration (cash, variable)	Stock Remuneration
6	3	1

* Performance-linked remuneration is determined based on the degree of achievement of Company-wide performance and individual performance targets (financial and non-financial). The above ratios are approximate and assume that Company-wide performance achieves the targets in the Management Plan and that the evaluation of individual performance targets is standard.

(2) Content of Each Remuneration

1) Basic Remuneration

Basic remuneration is determined according to the roles and responsibilities of each Director, taking into account employee salary levels, and is paid as a fixed monthly amount.

2) Performance-linked Remuneration

Performance-linked remuneration consists of Company-wide performance-linked remuneration and individual performance-linked remuneration. The Chairman and President are eligible only for Company-wide performance-linked remuneration. However, no such remuneration is paid to a Chairman without representative authority (Non-Executive Director). The total amount of Company-wide performance-linked remuneration is determined based on whichever is lower, "consolidated operating income" or "profit attributable to owners of the parent," both of which are key numerical targets under the Company's Management Plan. The total amount is allocated to each Director according to their roles and responsibilities and paid promptly after the financial results are finalized. However, if consolidated operating income falls below a certain amount, a significant extraordinary loss is recorded, or a serious compliance violation occurs, no remuneration will be paid or the amount will be reduced. Individual performance-linked remuneration is linked to the individual evaluation of each Director based on the degree of achievement of their financial and non-financial targets and other factors, and is paid after the financial results are finalized in accordance with the Company's internal regulations established in advance.

3) Stock Remuneration

Stock remuneration is provided through a trust-based system. In accordance with the Company's Share Delivery Rules, points are granted to each Director monthly according to their position, and Company shares are delivered through the trust upon their retirement based on the number of points granted. The amount contributed to the trust as funds necessary to deliver Company shares to Directors is capped at ¥40 million per year.

(3) Method of Determining the Details of Remuneration, etc., for Each Director

The details of remuneration, etc., for each Director are determined by the Board of Directors after receiving advice and recommendations from the Nomination and Remuneration Advisory Committee and are stipulated in the Company's internal regulations. Of the remuneration paid to Directors, individual performance-linked remuneration is determined by the President, acting under delegated authority, based on an individual evaluation of each Director and in accordance with the internal regulations established by the Board of Directors. To ensure that the President appropriately exercises this authority, the Board of Directors establishes in advance, through its internal regulations, the remuneration amounts corresponding to individual evaluations and receives reports on the decisions made.

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 in the previous year, each Director completed a "Self-Evaluation Questionnaire" consisting of questions on the size, composition, and operation of the Board of Directors, as well as 21 other items. Based on the results, the Board of Directors held discussions and conducted an analysis and evaluation of its effectiveness.

2 Evaluation Items and Evaluation Period

[Evaluation Items]

(1) Purpose and Roles of the Board of Directors (2) Effectiveness of the Board of Directors
(3) Relationships with Stakeholders (4) Support System for Outside Officers (information provision, etc.) (5) Other Comments

[Evaluation Period] July 2025 – March 2026

3 Summary of Evaluation Results and Future Initiatives

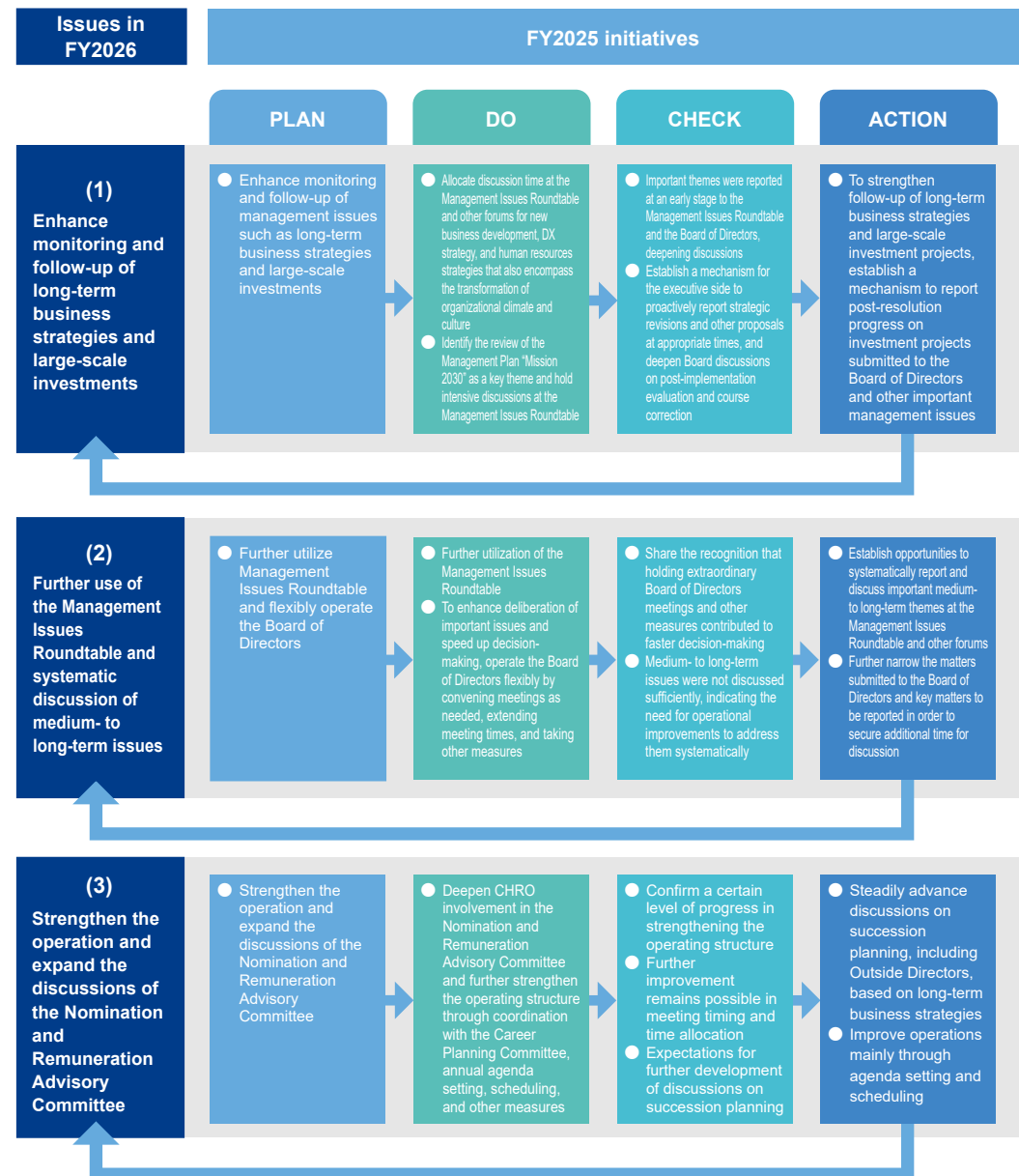
The results of FY2025 confirmed that the frequency and duration of Board of Directors meetings and its composition (balance of knowledge, experience, and capabilities, ratio and diversity of Independent Outside Directors) were appropriate, and that the Board properly monitored and supervised business execution.

Regarding the previous year's issue of strengthening the monitoring and follow-up of management issues, such as long-term business strategies and large-scale investment projects, important themes were reported to the Management Issues Roundtable and the Board of Directors at an early stage, leading to more in-depth discussions. Some large-scale investment projects were also evaluated as being appropriately monitored. Meanwhile, the Board of Directors shared the recognition that it needs to further strengthen follow-up on measures to address issues and revisions to business strategies and other matters in light of changes in the business environment after resolutions are adopted.

Regarding greater use of the Management Issues Roundtable and more flexible operation of the Board of Directors, we confirmed that the timely convening of extraordinary Board of Directors meetings in response to changing circumstances enabled timely responses to important matters and faster decision-making. On the other hand, it was suggested that opportunities to discuss medium- to long-term issues, such as human resources strategies, organizational culture, and new business strategies, should be scheduled more systematically.

Regarding stronger operation and broader discussions at the Nomination and Remuneration Advisory Committee, increased involvement by the CHRO and more frequent meetings were evaluated as having strengthened the operating structure and enriched the substance of discussions. At the same time, we confirmed that further operational improvements are required to deepen discussions on succession planning, the development of senior leadership talent, and the Board's skill set in light of long-term business strategies, such as organizing the relevant themes and systematically setting agendas.

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.



Management Status of Each Committee

Board of Directors and Optional Committees, etc.

■ Board of Directors (Met 18 Times in FY2025)

To accomplish the Company's Mission in the Vision, the Board of Directors makes decisions on important business operations and monitors and supervises the 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 FY2025]

- | | |
|--|---|
| (1) Phase 2 of Management Plan "Mission 2030" | (4) Examination of a spin-off of styrene-related businesses |
| (2) Temporary suspension of chloroprene rubber manufacturing facilities at the U.S. subsidiary | (5) Medium-term outlook for the acetylene black business |
| (3) Acquisition of KAINOS shares | |

■ Sustainability Committee (Met 5 Times in FY2025)

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■ D&A Round Table (Met 13 Times in FY2025)

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 FY2025)

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. Last fiscal year, the Board of Directors sought our advice on succession planning, including Outside Directors, and the executive structure. With the CHRO also in attendance, we held a series of ongoing discussions and submitted our findings and recommendations.

■ Outside Officer Liaison Committee (Met 4 Times in FY2025)

Outside officers engage in frank discussions on Board of Directors agenda items and operations, 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.

Audit Committee (Met 14 Times in FY2025)

Message from the Chair of the Audit Committee

Mizuhiro
Uchida

Full-time Audit
Committee Member

This committee comprises one full-time member and three part-time outside members. To maximize its effectiveness, the full-time member and three staff members serve as a hub, sharing operational knowledge and necessary information and materials with all members in a timely and appropriate manner. We also maintain close coordination with the internal audit division and the accounting auditor. Outside members also participate in on-site audits and interviews. By examining business execution and internal controls, we identify risks and issues and offer advice through candid discussions. In FY2025, these activities covered all head office units and plants, seven branches and sales offices, and 23 subsidiaries, with the findings shared with the Board of Directors and the relevant officers. At key internal meetings, including Board meetings, D&A Round Tables, and Management Committee meetings, offered constructive views and discussed potential risks in connection with decisions on management plans, important business strategies, and major investments. Our discussions brought together diverse, objective, medium- to long-term perspectives drawing on each member's expertise. For important matters, we also request regular reports and monitor progress, discussing appropriate revisions in light of changes in the operating environment and issues arising during implementation. By ensuring a shared understanding of risks with the executive divisions throughout this process, we believe we have contributed to revising and optimizing plans and strategies to enhance business value. Since FY2024, the committee has conducted internal effectiveness evaluations of these activities. In FY2025, we confirmed that the committee was generally functioning appropriately in all five areas: composition, operations, audit activities, director appointment, dismissal and remuneration, and coordination. Through ongoing activities like these, the committee will actively contribute to enhancing management value by supporting sound management and sustainable growth across the Group.