

Possibility of chemistry

Denka

Denka Report 2026

Integrated Report

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■ Statement of Authenticity

The Denka Report 2026 Integrated Report aims to communicate comprehensive corporate information focused on the Denka Group's medium- to long-term value creation. This report focuses on an overview of Phase 2 (FY2026–FY2028) of the Management Plan “Mission 2030” and the activities undertaken based on its growth strategies. It also features SNECTON, a product driving our growth, and a roundtable discussion among personnel responsible for implementing our human resources strategy. This year's report was prepared primarily by two departments: the Corporate Planning Department (ESG Management Promotion) and the Corporate Communications Department (IR). As the officer responsible for editorial oversight, I hereby declare that this report was prepared through a proper process involving close coordination among relevant departments, as well as discussions, reviews, and approvals by management bodies, including the Board of Directors and the Management Committee, and that it fairly represents the current state of the Denka Group. I hope this report will help readers better understand the Denka Group's initiatives toward sustainable growth and the realization of a sustainable society. I would appreciate your candid feedback on this report. Going forward, we will continue to enhance information disclosure and improve corporate value through dialogue with our stakeholders.

Kei Hara, Managing Executive Officer, in charge of Corporate Planning Dept.

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About the Denka Report 2026

■ Editorial Policy

The Denka Report 2026 aims to communicate to stakeholders, including shareholders and investors, how we are creating new value over the medium- to long-term from the viewpoint of addressing environmental, social, and governance (ESG) issues. We also have a Denka Sustainability Site to ensure that ESG information is disclosed in a comprehensive and timely manner.

■ Coverage

This report covers FY2025 (April 1, 2025, through March 31, 2026) in principle, but also includes information on certain activities undertaken in FY2026. The Sustainability Book also presents performance indicators (numerical data), including results for the past several years.

Date of publication: September 30, 2026

■ Scope

The articles in this report cover the Denka Group (consolidated). However, the scope of data aggregation may vary depending on the data reported, and the applicable reporting scope is specified in each case.

■ Guidelines

- IFRS Foundation, "International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry, "Guidance for Collaborative Value Creation 2.0"
- Cabinet Office, "Intellectual Property and Intangible Asset Governance Guidelines Ver. 2.0"

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■ Editorial Team



Beginning this year with Denka Report 2026, the Corporate Communications Department and the Corporate Planning Department collaborated in producing the report.

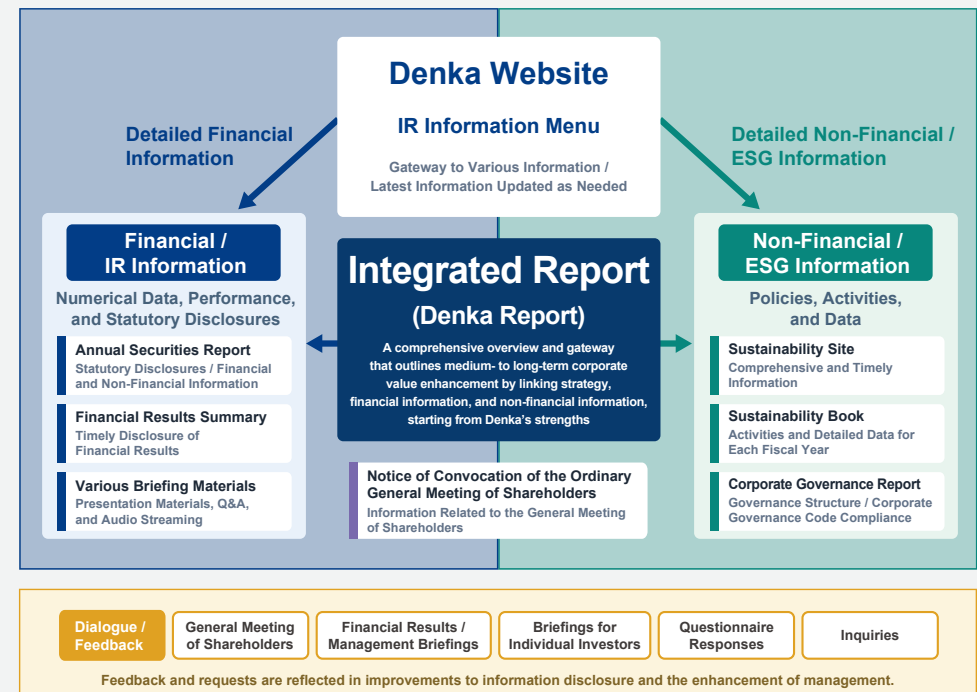
■ Information Disclosure System

The Denka Group discloses information to stakeholders under the following framework. In addition to the "Integrated Report," which provides comprehensive corporate information, we also operate an IR information site and a Sustainability Site, and publish the Annual Securities Report and other publications, with each channel serving a distinct purpose.

For the latest information, please visit our website (<https://www.denka.co.jp>)

■ Denka Information Disclosure System

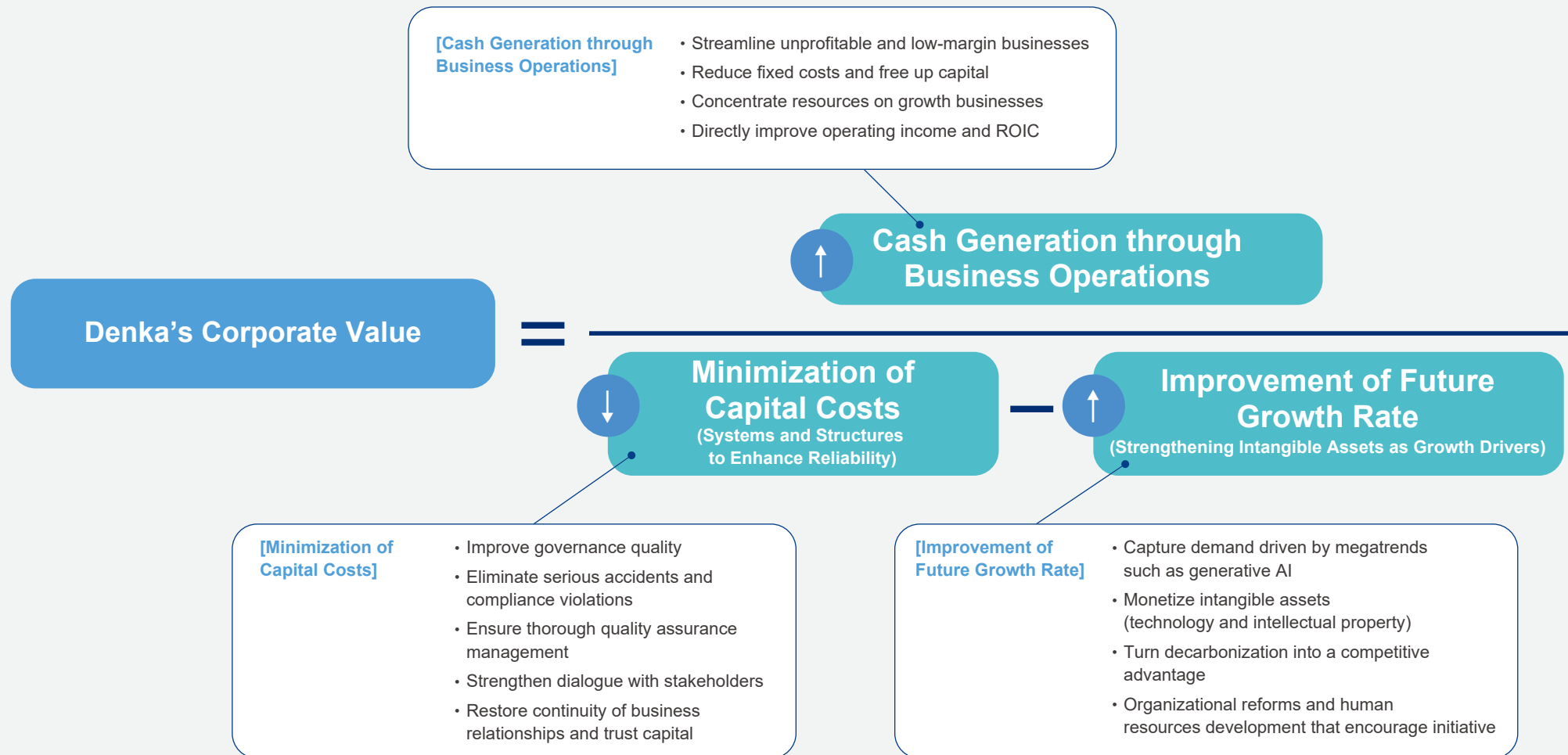
Connecting detailed information and stakeholder dialogue through our value creation story



Creation of Denka's Corporate Value

To achieve the sustainable enhancement of corporate value, three elements are essential: "Cash Generation through Business Operations" by steadily accumulating profits and achieving the targets of the Management Plan "Mission 2030"; "Minimization of Capital Costs" by establishing ESG management systems and structures that enhance trustworthiness; and "Improvement of Future Growth Rate" by strengthening intangible assets, which are the driving force of growth.

At a time when companies are expected to manage their businesses with an awareness of the cost of capital and stock price, we will work to enhance corporate value by strengthening our cash generation capabilities, improving our future growth rate, and minimizing capital costs in order to meet the expectations of stakeholders, including shareholders and investors.



Denka's Value Creation Story

Overall Framework Linking Strategies, KPIs, and Outcomes

Management Capital Supporting Value Creation (INPUT)

Human Capital ▶P61

- Diverse and specialized human resources
- Corporate culture that pursues Core Values (Initiative, Integrity, and Empathy)

Technological Capital ▶P54

- Create unique products based on composite technologies by combining three chemical technologies: inorganic chemistry, organic chemistry, and biotechnology

Manufacturing Capital ▶P56

- Global production bases
- Advanced production technologies and quality control

Intellectual Capital ▶P53

- Patents and intellectual property
- Know-how and brand strength

Financial Capital ▶P20

- Sound financial base
- Stable cash generation capability

Natural Capital ▶P73

- Own 17 hydroelectric power plants
- More than 111 years of history in energy generation and conservation

Global Network ▶P102

- Locations and sales networks around the world
- Global customer touchpoints

Co-Creation Partnerships ▶P55

- Co-creation with customers, universities, and research institutions
- Collaboration with CVCs and startups

Management Plan "Mission 2030" Phase 2

Business Value Creation × Human Resources Value Creation × Management Value Creation

We will focus on creating business value that combines the three elements of specialty, megatrends, and sustainable enhancement of corporate value on a sustainable basis.

Activities that Solve Social Issues (OUTPUT)

ICT & Energy
Supporting the Future of Cutting-Edge Technology and Energy ▶P38

Healthcare
Supporting People's Health and Contributing to Infectious Disease Control ▶P42

Sustainable Living
Contributing to Comfortable, Prosperous Lives and a Recycling-Oriented Society ▶P47

Contributing to the Global Environment ▶P70

- Reduce CO₂ emissions by 60% by 2030 (compared to FY2013)
- Achieve carbon neutrality by 2050

Use of Renewable Energy ▶P73

- Own and utilize hydroelectric power generation facilities
- Expand the adoption and use of renewable energy

Promote Resource Circulation ▶P50

- Chemical recycling of styrene resin
- Reduce waste and promote recycling

Sustainability of People and Society ▶P61 ▶P86

- Improve quality and ensure safety, with thorough occupational safety, process safety, and disaster prevention
- Promote DE&I and health and productivity management

Strengthening Governance ▶P77

- Transparent management
- Advance risk management

Core Technologies

Inorganic Chemistry × Organic Chemistry × Biotechnology
Create Unique Composite-Technology Products

Sustainable Enhancement of Corporate Value (Sustainable Growth)

Creation of Economic Value (OUTCOME)

Strengthen Shareholder Returns ▶P23

Implementation of Growth Investments (New Businesses / Strategic Fields) ▶P28

Cash Flow Generation ▶P23

Enhancement of Earnings Power (Improve ROE) ▶P21

Value Provided to Society (OUTCOME)

Evolution of Digital and Energy Infrastructure ▶P38

Increasing Healthy Life Expectancy and Correcting Health Disparity ▶P42

Safe, Secure, and Sustainable Living ▶P47

Achieving Decarbonization and Resource Circulation ▶P69

SUSTAINABLE DEVELOPMENT GOALS

Business Models in Three Focus Areas that Solve Social Issues (OUTPUT)



ICT & Energy

Supporting the Future of Cutting-Edge Technology and Energy



- 1 Significantly reduce transmission loss in high-speed communications (low dielectric loss tangent materials)**

• SNETON • Spherical silica



- 2 Thermal solutions for increasingly high-heat electronic components**

• Spherical alumina
• Heat-dissipating circuit boards / materials



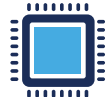
- 3 Improve the efficiency of ultra-high-voltage cables and storage batteries**

• Acetylene Black

Main Applications / Markets



AI / Data centers



Semiconductors



5G communication



xEV / Batteries



Power infrastructure



Healthcare

Supporting People's Health and Contributing to Infectious Disease Prevention



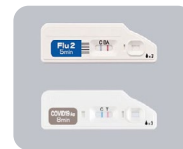
Application technology for antigen-antibody reactions developed over many years



A leading provider in testing and diagnostics



Influenza
HA Vaccine



POCT
(Rapid Antigen Test Kits)



Clinical diagnostic
reagents

Technological capabilities that enabled the early commercialization of COVID-19 diagnostic kits

Main Applications / Markets



Medical institutions / Clinics



Clinical testing centers



Public health / Government agencies



Sustainable Living

Contributing to Comfortable, Prosperous Lives and a Recycling-Oriented Society



- 1 Automotive**

• Chloroprene rubber

• World's top market share
• Excellent durability and extensive formulation technologies



- 2 Infrastructure / Construction**

• Special cement additives

• A leading company that addresses challenges in civil engineering and construction by overcoming the weaknesses of concrete



- 3 Agriculture**

• Calcium Cyanamide
• Magnesium Humate
• Biostimulants

• Solutions that meet farmers' needs for better quality and yields, developed through 111 years of dialogue with farmers
• Businesses in harmony with nature



- 4 Environment / Water Treatment**

• Toyo Drain

• Contribute to safety and security in water treatment, disaster prevention, and environmental infrastructure



- 5 Packaging / Lifestyle Materials**

• CLEAREN • MS Resin
• Denka THERMOSHEET

• Outstanding product development capabilities based on the styrene chain (styrene monomer → polymerization → resin processing)

Main Applications / Markets



Automotive



Infrastructure / Construction



Agriculture



Environment / Water treatment



Packaging / Lifestyle materials

OUR VISION

Relationship Between Management Plan "Mission 2030," the ESG Basic Policy, and Materiality

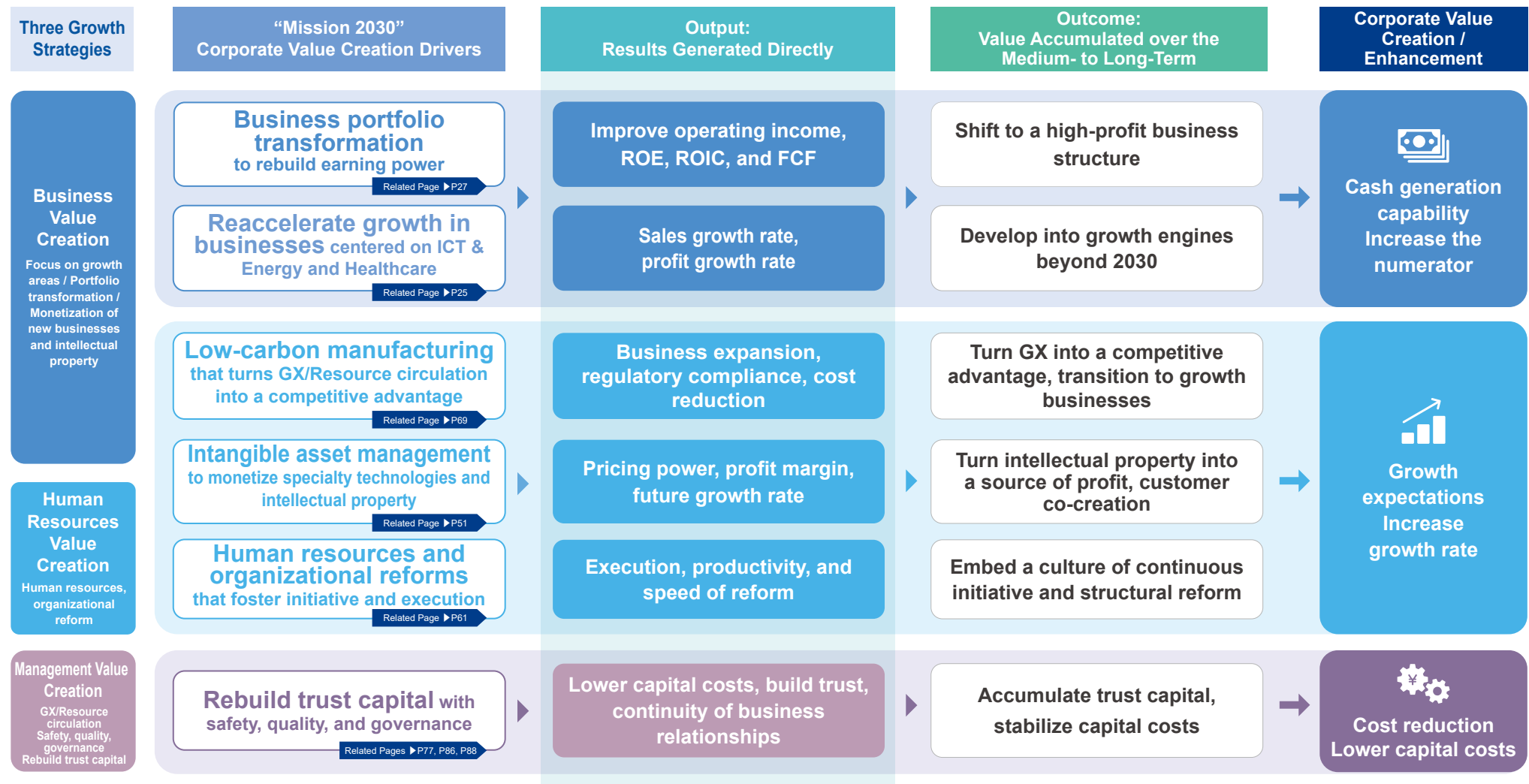


Corporate Value Creation Logic of Management Plan "Mission 2030"

The corporate value creation drivers under "Mission 2030" each fulfill one of the three elements of corporate value creation, support the various activities of "Mission 2030," and aim to create and enhance corporate value over the medium- to long-term.

Denka's Corporate Value

$$\text{Denka's Corporate Value} = \frac{\text{Cash Generation through Business Operations}}{\text{Minimization of Capital Costs} - \text{Future Growth Rate}}$$



Our Aspiration

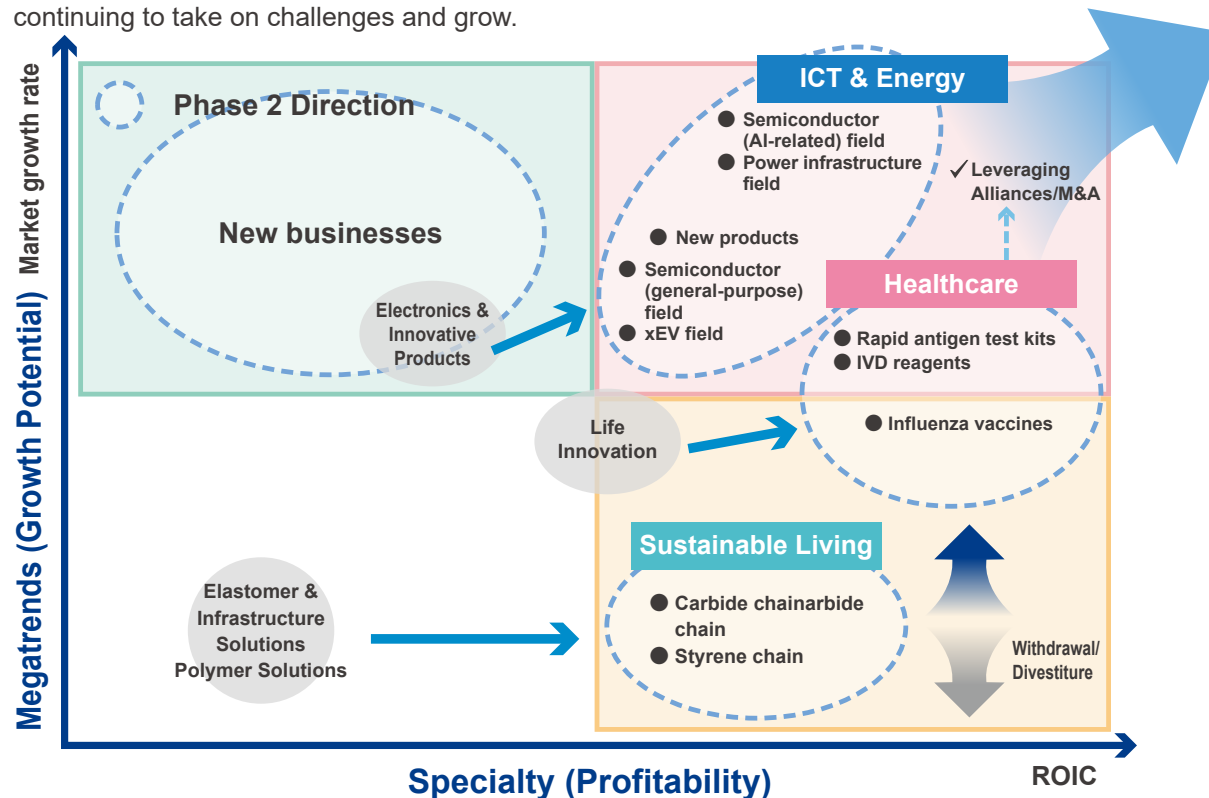
Creating Social Value through “The Best Mix of ICT & Energy and Healthcare” that only Denka can deliver

Phase 1
FY2023–FY2025

Phase 2
FY2026–FY2028

Phase 3 and Beyond
FY2029–

Denka aims to enhance corporate value by bringing together its strengths in materials, technologies, human resources, and other areas to continuously create value that society needs. We will build a business portfolio centered on ICT & Energy and Healthcare, each with different growth characteristics, and strive to achieve sustainable growth, even in a rapidly changing business environment. We will also remain a company where every employee who supports that growth can work with a sense of hope and pride, while continuing to take on challenges and grow.



Our Aspiration

Building 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

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.

Message from the President

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.

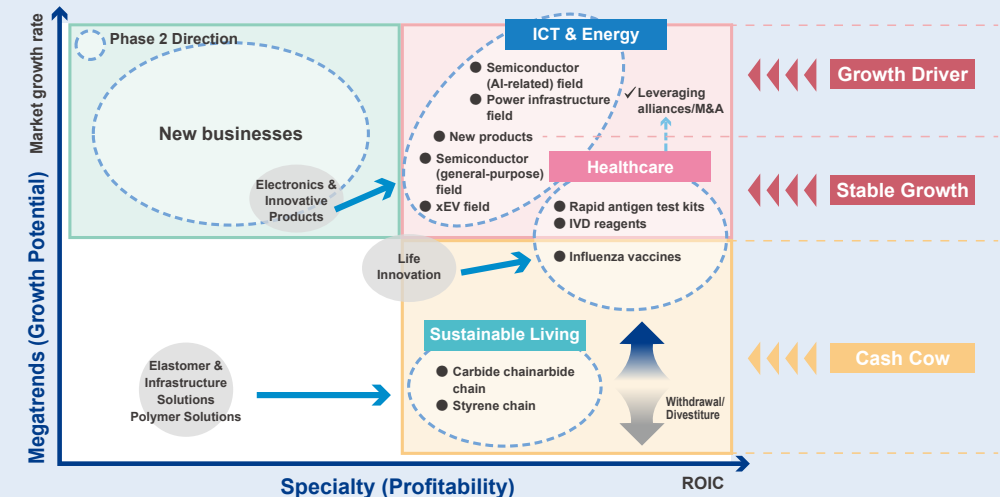
In implementing these initiatives, we will focus on a balance between growth strategy, structural reform, and financial discipline. We will also clarify the direction for each business domain as a "growth driver," "stable growth," or "cash cow," and classify the domains into three categories—"strategic 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.

Message from the President

Q&A with the President



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.



Message from the President

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.

Materials for the AI Era

Special Feature | Advanced Materials Supporting the AI Era

—SNECTON, Spherical Silica, and Spherical Alumina—
—Denka Materials for Low Dielectric Loss and Heat Dissipation—

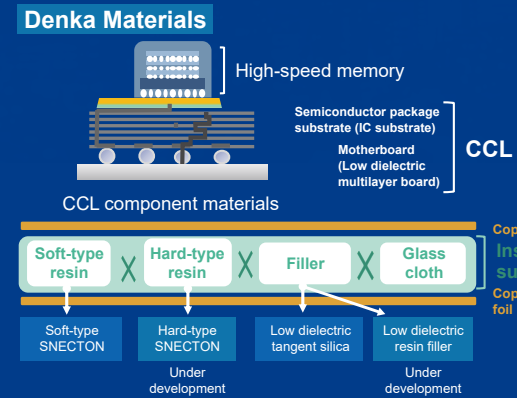
Evolution of AI/High-Speed Communications and Denka's Thermal Management Technologies

PCs and smartphones have become indispensable in our daily lives, increasing the importance of the communications systems that support them. As next-generation communications offering ultra-high speeds, multiple concurrent communication, and low latency become more widespread, the development of AI servers, data centers, and telecommunications base stations is accelerating, driving growing demand for higher-capacity, higher-speed data communications. The electric circuit boards that support these systems are formed using copper-clad laminates (CCLs) as base materials, with electrical characteristics that determine the quality of communications. Advances in high-speed memory are also increasing the importance of materials with low dielectric properties. To meet these increasingly sophisticated needs, we use our thermal management expertise to provide not only resins with excellent electrical properties, but also fillers that impart heat dissipation and low-loss characteristics.

Copper-Clad Laminates (CCLs): SNECTON and Spherical Silica

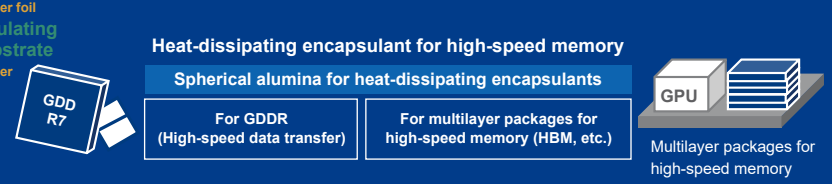
The insulating layer of a CCL mainly comprises four components: soft-type resin, hard-type resin, filler, and glass cloth. To achieve high-speed communications such as AI applications, these component materials require exceptionally low dielectric loss tangent characteristics. We market SNECTON as a soft-type resin and low dielectric-loss-tangent silica as a filler. SNECTON is also under development as a hard-type resin, enabling us to provide solutions in three of the four component areas. We are also developing a new organic low dielectric resin filler to expand our filler lineup **P19**. Our ability to approach the market with both organic and inorganic materials is one of our strengths.

Used in high-speed communications modules



High-Speed Memory: Spherical Alumina

Our spherical alumina lineup includes products with a wide range of particle sizes. By optimally combining these products, we can propose formulations that deliver high heat dissipation. We are also able to produce fine powders that support semiconductor miniaturization, giving us comprehensive capabilities not available at other companies. Leveraging these strengths, we are focusing on sales for use in multilayer packages such as GDDR, HBM, and other products where demand is expanding.



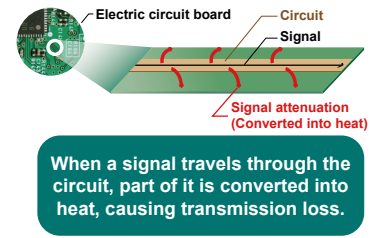
SNECTON (Launched in February 2025)



Denka's SNECTON is a resin material equipped with electrical properties including a low dielectric constant and low dielectric loss tangent, allowing it to reduce transmission loss*1.

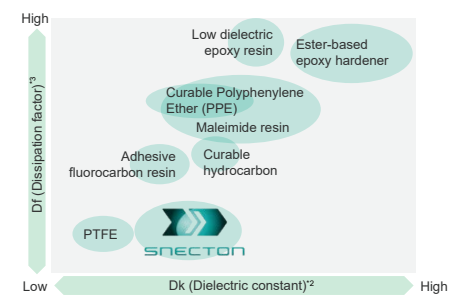
*1 Transmission loss: A phenomenon in which part of an electrical signal is converted into heat and lost as the signal travels through an electric circuit board. As communication speeds increase, transmission loss can cause greater signal attenuation and increased power consumption. It is one of the key challenges in achieving high-speed, high-capacity communications.

Mechanism of transmission loss



Strengths of SNECTON Outstanding Electrical Properties "Low dielectric properties" and "Workability"

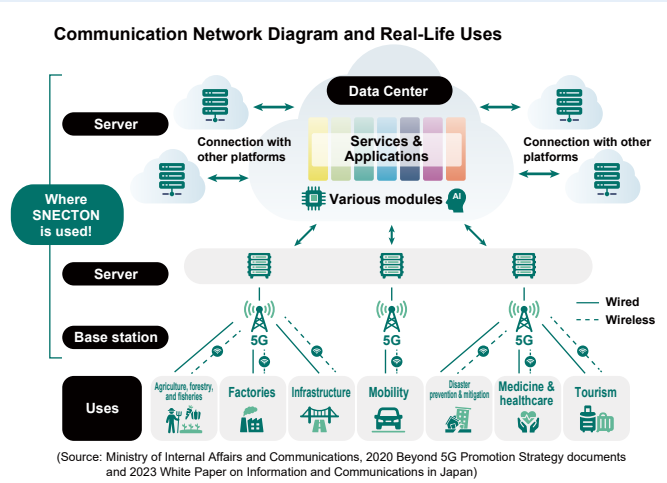
Low dielectric properties: Its low dissipation factor is comparable to or better than that of PTFE (fluorocarbon resin), the highest-performing product currently available. Processability: The material can be laminated and also offers excellent heat resistance and adhesion to copper foil.



*2 Dielectric constant: A value that represents how much an electric signal polarizes (becomes unevenly distributed) within a material as it travels along wiring. The lower the dielectric constant, the faster and more accurately signals can be transmitted.
*3 Dissipation factor: A value that indicates how easily electrical energy is lost (the degree of attenuation) as an electrical signal passes through a material. The lower the dissipation factor, the less likely the electrical energy of a signal is to be converted into heat, allowing the signal to be transmitted efficiently over longer distances. This is a particularly important performance indicator for high-performance, large electric circuit boards.

Leveraging SNECTON's Strengths for Data Centers

SNECTON is expected to be mainly utilized in the motherboards for data centers, cellular base stations, AI servers, etc., and it is currently being tested in copper-clad laminates (CCLs), flexible copper-clad laminates (FCCLs), and various interlayer insulation materials. Of these applications, Denka is focusing on data centers as a new target market, where, in addition to the previously mentioned issue of transmission loss, heat dissipation is also a major challenge. Compared to other materials, SNECTON can reduce the dielectric loss of CCLs by 30 to 50%, and by reducing transmission loss, it is therefore expected to contribute to addressing both heat dissipation and electricity cost issues across entire data centers.



Dedicated SNECTON Manufacturing Plant Completed
Establishing Mass-production Capacity to Meet Expanding Demand

In response to the rapid growth of the market, in May 2026 we completed a dedicated SNECTON manufacturing plant at the Chiba Plant, representing a total investment of approximately 7 billion yen, and established a full-scale mass-production system. With this plant now in operation, we have established a stable supply system capable of supporting customers' mass-production schedules amid the anticipated growth in demand. This investment goes beyond responding to growing demand—by strengthening supply capacity, it will further enhance the foundation of the business. Going forward, we will closely monitor market trends and customers' adoption plans, develop an optimal production and supply system, and link these efforts to sustainable business growth.



Exterior of the SNECTON manufacturing plant

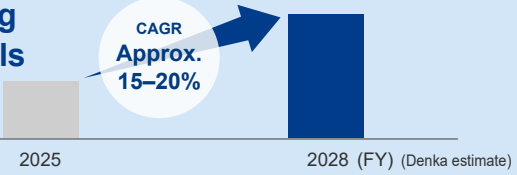
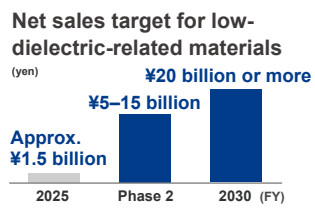
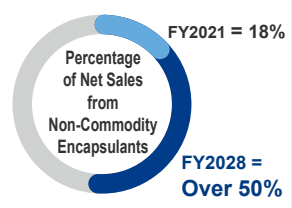
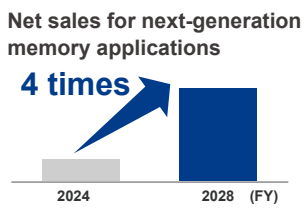
[Facility Overview]
Location: Denka Company Limited's Chiba Plant
(6 Goiminamikaigan, Ichihara City, Chiba Prefecture)
Details: SNECTON manufacturing plant
Investment: Approx. ¥7 billion

Phase 2 Plan

Supply key materials for thermal management and establish them as de facto standards in cutting-edge fields



Market for heat-dissipating and low dielectric materials for AI data centers



Strategies for Each Product

- For data centers, cellular base stations, AI servers, and other applications**
Soft type: Mass production through operation of the dedicated plant
Hard type: Explore deployment in high-value-added applications where SNECTON's advantages can be maximized
- Low-dissipation-factor grade**
In addition to data centers, cellular base stations, and AI servers, focus on optical ferrule applications
- Heat-dissipating encapsulants**
Meet steady demand for GDDR7 applications
Focus on customer evaluations of next-generation GDDR grades
Develop new grades, in addition to securing adoption for new multilayer high-speed memory package applications (including HBM)

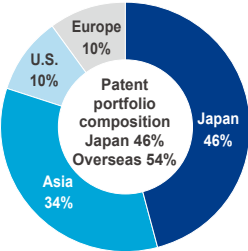


PICKUP

Intellectual Property X SNECTON
—Intangible Assets in a Growth Area—

Three-way Collaboration Driving the SNECTON Business
(Intangible Assets in the Form of Human Resources)

In the SNECTON business, a next-generation growth driver, Denka is making maximum use of intangible assets and building a foundation for strategically generating earnings. At the current business creation stage, based on the resource-based view, the business division, R&D Division, and Intellectual Property Division are working as one integrated team to promote patent applications with the global market in mind. Across a wide range of areas, including copolymers, compositions, and formulations, we have filed patent applications covering our proprietary and surrounding technologies (more than 150 applications across individual countries) and obtained patent rights (a 100% patent allowance rate as of June 2026), thereby creating barriers to entry.

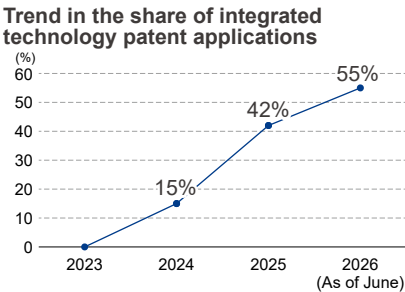


Company-wide Collaboration and Expansion into Integrated Technologies (Intangible Assets as an Organization)

The business division, R&D Division, and Intellectual Property Division meet twice a month to keep the latest technology trends, business strategies, and intellectual property activities constantly aligned. This collaboration has evolved into a company-wide framework involving our production and R&D sites. Through this framework, we pass on SNECTON's core technologies and expand into integrated technologies that combine them with fundamental technologies such as various fillers, thereby continuously expanding our business domains.

Strategic Approach in Coordination with Management and Business Divisions (Intellectual Property Strategy)

Rather than limiting intellectual property activities to the acquisition of rights, we formulate strategies through IP landscaping (IPL) using business frameworks such as 3C analysis, Five Forces analysis, and the product life cycle analysis. By analyzing the market environment and competitive trends from multiple perspectives, we have established a framework that enables us to propose intellectual property strategies to business divisions and management. In particular, with reference to the Intellectual Property and Intangible Asset Governance Guidelines (published by the Cabinet Office), we are identifying and organizing the strengths of our current and future businesses. We are working on "backcasting patent applications" to close the gap between the intellectual property and intangible assets that currently underpin our competitive advantage (current state: As Is) and those that must be developed to secure a competitive advantage in the future (Denka's vision for the future: To Be). Based on this approach, we have designated integrated technologies that combine "low dielectric properties" and "high heat dissipation," which will become increasingly important as integration density and operating frequencies rise, as a priority area and are building an intellectual property portfolio in this area.



- Toru Arai**
Fellow, Business Promoting Department, Electronics and Innovative Products Division
- Shunichi Sugawara**
Section Manager, Intellectual Property Department, New Business Development Division
- Hitoshi Kaneko**
Intellectual Property Department, New Business Development Division
- Masaru Hasegawa**
Group Leader, Advanced Polymer Research Department, Denka Innovation Center, New Business Development Division
- Toshiaki Nagumo**
General Manager, Intellectual Property Department, New Business Development Division
- Yuki Hisha**
Section Manager, Business Promoting Department, Electronics and Innovative Products Division

Long-term Intellectual Property Investment and KPIs Supporting Competitiveness (IP KPIs)

To firmly establish SNECTON's competitive advantage, we will continue making long-term investments in intellectual property. We have set ambitious IP KPIs to continuously increase patent applications from both "offensive" and "defensive" perspectives, and accelerate the development of a patent network with strong deterrent power. Specifically, we have set targets to increase the number of patent applications year on year and to raise the foreign filing ratio for SNECTON-related applications by 15 percentage points above the company-wide average (approximately 45% in 2025), thereby positively supporting global business expansion. We have also set a target of 90% for the use of accelerated examination, aiming to accelerate business expansion and stabilization through the rapid acquisition of patent rights.

1 Number of patent applications

Increase year on year

2 Foreign filing ratio for SNECTON-related applications

+15%

Compared with the Company-wide average (2025: Approx. 45%)

Strongly support global business expansion

3 Use of accelerated examination

90%

Promote early business launch and stabilization through rapid acquisition of rights

Promote the development of a patent network and business growth by setting ambitious IP KPIs

Brand Strategy (IP Mix)

In addition to a patent strategy for protecting technologies, we are promoting an "IP mix" combining patent and trademark strategies. By establishing SNECTON as a product brand, we are increasing its market recognition and reliability and contributing to long-term enhancement of corporate value.



Registered trademark No. 6803909

Future Development of Low Dielectric and Heat Dissipation Materials

Low Dielectric and Heat Dissipation Materials

SNECTON (organic)

Boron nitride (BN) (inorganic)

Spherical silica (inorganic)

Spherical alumina (inorganic)

Under development

Low dielectric resin filler (organic)

Expand the Lineup

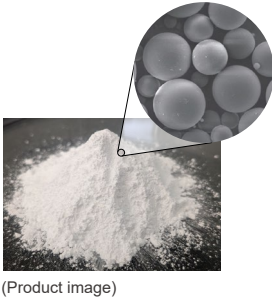
Sequentially develop grades with different characteristics, including product form and glass transition temperature

Providing Integrated Solutions to Meet Increasingly Sophisticated Demand

We are focusing on expanding SNECTON and related low dielectric materials into a wider range of applications. Demand for SNECTON's dielectric properties is expected to grow further, with applications envisioned in printed wiring boards and next-generation semiconductors. To address a broad range of applications, we will sequentially develop a variety of grades and expand our lineup, including integrated solutions with spherical alumina, spherical fused silica, and boron nitride.

Under Development: Low dielectric Resin Filler

We are developing a low dielectric resin filler by combining our proprietary resin design technology with fine-particle control technology. Compared with spherical silica, a typical inorganic filler, this technology features a low dielectric constant (low Dk), low dielectric loss tangent (low Df), and low specific gravity. By significantly reducing signal transmission loss and delay in high-frequency bands, the filler can reduce power consumption and help make entire modules lighter in applications such as servers, communications infrastructure, mobile devices, and automotive boards. We expect it to be used in a wide range of applications, including printed wiring boards and advanced package substrates. As a manufacturer with expertise in both resins and fillers, we will also strengthen our solution business through co-creation with customers and aim to achieve sustainable growth and establish a competitive advantage in the next-generation electronic materials market.



(Product image)

Applications in Printed Wiring Boards and Next-generation Semiconductors

Printed Wiring Boards

Next-generation Semiconductors

Market trends

High-speed communications

Low dielectric loss tangent (Df)

Applications for Denka products

SNECTON

×

Spherical silica

Low dielectric resin filler

Shape variations tailored to applications, including flexible and rigid materials

Low dielectric loss tangent

Low dielectric loss tangent and low thermal expansion

Main applications

Copper-clad laminates
Flexible copper-clad laminates

Interlayer insulating material

Market trends

Higher speed

Low dielectric loss tangent (Dk)

Higher integration and miniaturization

Heat dissipation and low thermal expansion

Applications for Denka products

HBM

Interposer

Package substrates

Spherical alumina

Boron nitride (BN)

SNECTON

Spherical silica

• Heat dissipation properties, low thermal expansion, and dielectric properties

• Surface-treated spherical nano-BN (heat dissipation)

• Thermal conductivity and electrical insulation

• Dielectric properties (low dielectric loss tangent, low dielectric constant)

• Lamination processability and heat resistance

• Low thermal expansion and dielectric properties

Message from the CFO

Message

Rimiru Hayashida

Director, Senior Managing
Executive Officer
Chief Financial Officer (CFO)

Phase 2 of our Management Plan "Mission 2030," centered on rebuilding earning power and strengthening the foundation for a new growth stage, began in FY2026. As financial KPIs, we aim to achieve record-high operating income and ROE of 8.0% by FY2028.

We will concentrate investments in strategic expansion areas and strengthen the competitiveness of growth businesses, while increasing our cash generation capabilities through structural reforms aimed at accelerating portfolio transformation and improving profitability.

Review of FY2025—The Final Year of "Mission 2030" Phase 1 (FY2023–FY2025)—

In Phase 1, we made upfront investments in growth areas centered on ICT & Energy and rebuilt our business foundation, while restructuring low-profit businesses through measures such as withdrawing from the cement business and indefinitely suspending operations of the U.S. chloroprene rubber business. These initiatives placed a significant burden on our performance and finances, and in FY2024 we reported a net loss for the first time in 23 years. However, we believe that these were necessary steps toward stable growth over the medium- to long-term.

In FY2025, we aimed to return to our original growth trajectory under the theme of "revival." Structural reforms removed impediments to our core businesses, and against the backdrop of increasing demand for AI and power infrastructure, Electronics & Innovative Products began in earnest to reap the benefits of forward-looking investments. As a result, our business performance improved and we were able to establish a foothold for Phase 2. Nevertheless, we have not yet reached the level of performance we have been aiming for, and we recognize the need to further enhance our earnings power.

FY2026—The First Year of "Mission 2030" Phase 2 (FY2026–FY2028)—

In FY2026, we will advance the "rebuilding of earning power." We will concentrate management resources in ICT & Energy, centered on AI and power infrastructure, and in Healthcare, while strengthening cash generation in other business domains through portfolio transformation and structural reforms. In our company-wide cost reduction initiative entering its final year, the Best Practice Project, we will steadily achieve the benefits of our measures. We will not hesitate to make strategic investments needed for the future or invest in promising new businesses, all while maintaining financial discipline.

The business environment is changing at an unprecedented pace amid geopolitical risks, advances in AI, exchange-rate fluctuations, inflation, and the return of a "world with interest rates." Under such circumstances, we believe flexible financial management, rather than a rigid approach, is essential. Returning to the basic principle of "strengthening our defenses while attacking where we should," we will fulfill our role in maintaining a balance between offense and defense.

Rising Capital Costs and Target Profitability Levels

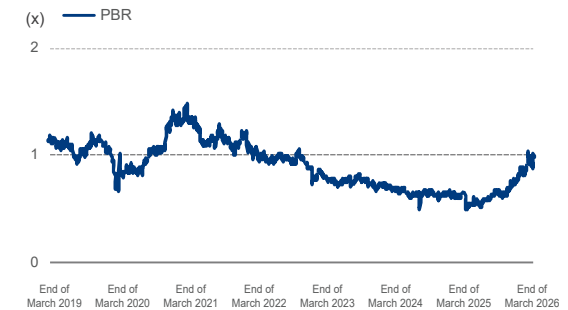
With the recent changes in the financial environment, we have entered a phase where rising interest rates are pushing up the capital costs. At Denka, we recognize that the cost of equity has increased to around 8–9% and WACC (weighted average cost of capital) to around 6–7%, while the level of returns expected by investors and shareholders is also rising. In light of these changes, we have reviewed our management decision-making criteria and raised the hurdle rates used for investments and business portfolio transformation. Going forward, we will rigorously pursue management that emphasizes capital efficiency under stricter investment discipline, optimize the allocation of management resources from the perspectives of profitability and growth potential, and work to achieve earnings power above the capital costs and enhance corporate value.

Measures to Achieve Management Conscious of Capital Cost and Stock Price

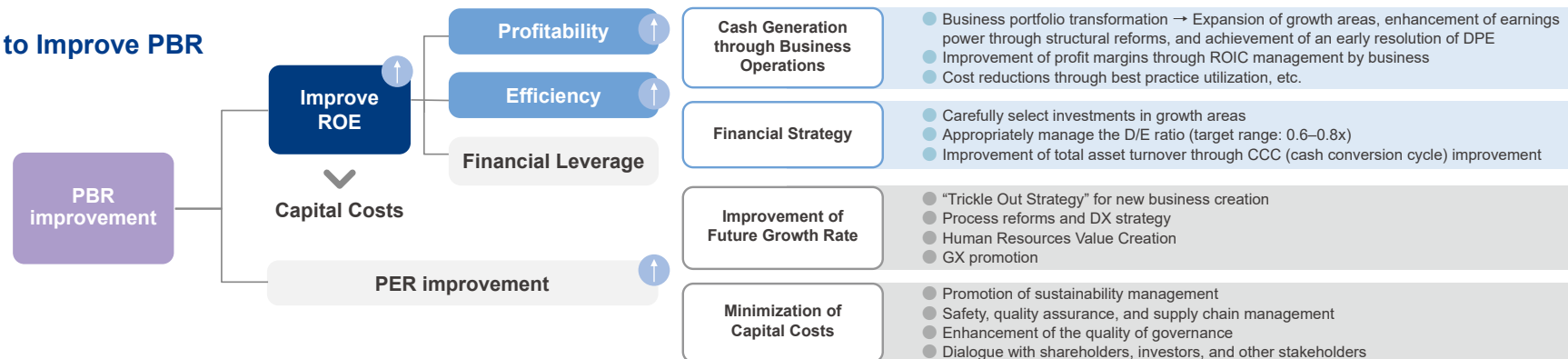
PBR: Our Assessment and Challenges

As of the end of March 2026, our PBR had recovered to approximately 1.0x, indicating a certain degree of improvement in market evaluation. However, ROE, the profitability indicator underpinning this evaluation, has still not reached a sufficient level, and further improvement is essential in order to earn ongoing recognition from the market. Going forward, we will make achieving ROE above our cost of capital a key priority. By steadily strengthening the earnings power of existing businesses and implementing our growth strategy, we are aiming to raise ROE to the 8.0% level by FY2028 and further improve PBR while restoring and strengthening market confidence.

PBR trend



Initiatives to Improve PBR

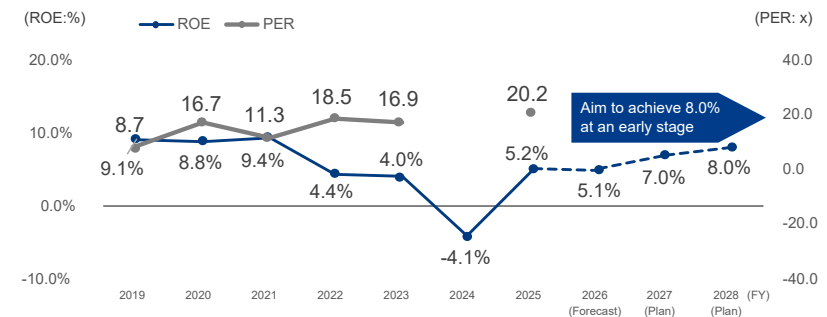


Initiatives to Improve ROE

To achieve an ROE of 8.0% at an early stage, we are strengthening earnings power and fundamentally reviewing our business portfolio. In particular, we believe that increasing operating income is essential to improving ROE. We will concentrate management resources in growth areas such as AI and power infrastructure and aim to expand high-value-added businesses and achieve sustainable profit growth. At the same time, we will fully implement ROIC management to improve profitability and asset efficiency.

Business portfolio transformation entails certain costs, but we will manage the bottom line (profit attributable to owners of parent) in an appropriate manner, while also utilizing asset sales and other measures. We also plan to offset costs related to fundamental measures concerning the U.S. chloroprene rubber business through asset sales and other measures. We aim to reach an early resolution through discussions with stakeholders, including the relevant authorities.

Trends in Return on Equity (ROE) and Price-Earnings Ratio (PER)



Ongoing Initiatives to Improve ROIC

While ROIC improved year on year in FY2025, it has still not reached a sufficient level. We will continue to rebuild earning power and thoroughly pursue management with an awareness of the capital costs, working as one company to improve ROIC. To achieve this, each business segment is steadily transforming its business structure and strengthening earnings power.

Achieving the Best Mix of Business Areas with Different Growth Trends and Turning Core Businesses into Cash Cows

Growth
Driver

Best Mix

Stable
Growth

In Electronics & Innovative Products, we have made concentrated upfront investments since Phase 1 of the Management Plan "Mission 2030." First, to steadily realize the benefits of these investments, we will improve productivity and fixed-asset efficiency by effectively utilizing existing equipment for new products and applications. We will also further concentrate management resources in growth areas such as AI and power infrastructure to strengthen the earnings base of the business.

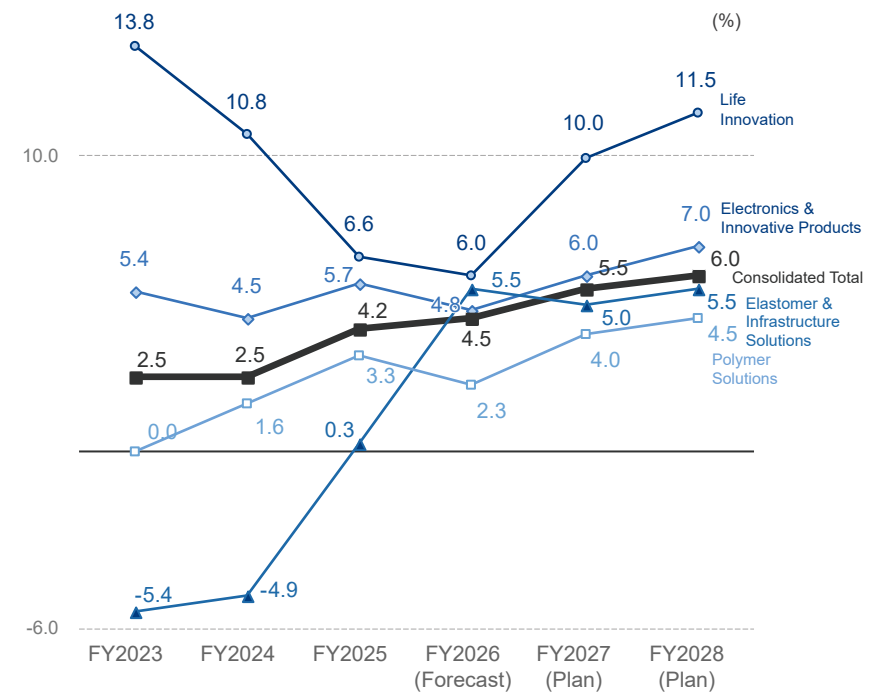
Life Innovation has a growth trajectory that is less susceptible to economic cycles than our other business domains. Drawing on a foundation of stable growth in diagnostics, we will expand the business through M&A and alliances and further strengthen its role as a growth driver.

Cash Cow

In Elastomer & Infrastructure Solutions, we have carried out fundamental structural reforms in the cement business and the U.S. chloroprene rubber business. Going forward, we will further examine ways to optimize the entire carbide chain.

In Polymer Solutions, we will advance structural reforms including the spin-off of the styrene chain and steadily improve business profitability, in addition to individual optimization measures such as consolidating the Toyokalon business in Singapore.

ROIC trend (by segment)



At the same time, we will continue working to improve the cash conversion cycle through measures such as optimizing inventories and accelerating the collection of receivables, thereby improving the efficiency of our capital utilization. To make ROIC management more effective, we will manage performance thoroughly using ROIC trees by segment, business, and product. Through continuous education and awareness-building, we will also incorporate "ROIC education" into our human resources development plan and instill across frontline operations an awareness of "earning more efficiently."

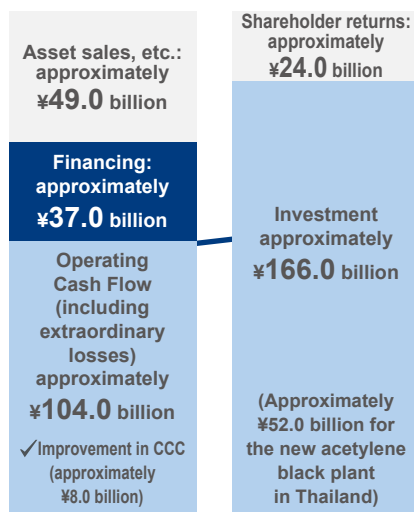
Capital Allocation

The Management Plan "Mission 2030," launched in FY2023, is centered on a growth strategy of making strategic investments in business areas aligned with megatrends. Accordingly, from the outset we have been active in making strategic investments while appropriately utilizing our financial leverage, thereby building a path to growth. However, because business performance fell below our initial expectations, we took steps at an early stage in FY2023 to maintain financial discipline by carefully selecting and postponing investments. Under Phase 2 of "Mission 2030," strategic investments, including the new Acetylene Black plant in Thailand, are expected to peak. We will improve financial soundness by expanding operating cash flow through higher profits and carefully selecting investments.

We position shareholder returns as one of our highest management priorities, and we will continue our shareholder return policy of "maintaining and increasing dividends per share, aiming for a total shareholder return ratio of 50% over the eight-year management plan." Since the start of the management plan, we have controlled the D/E ratio at around 0.6 to 0.8 times, and will continue to promote our growth strategy while maintaining financial discipline and striving to enhance corporate value.

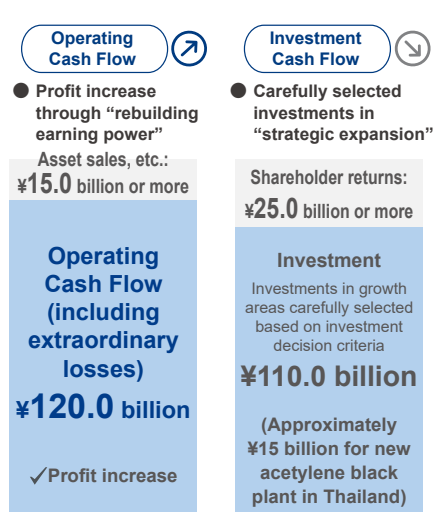
Phase 1 (FY2023–FY2025)

D/E Ratio 0.71



Phase 2 (FY2026–FY2028)

Reduce D/E Ratio to 0.7 or below



Approach to Capital Investment

In making capital investment decisions, we are clearly aware of the cost of capital and evaluate investments based on WACC (weighted average cost of capital). We also adopt the internal rate of return (IRR) and ROIC as investment criteria for strategic and growth investments to carefully select investment projects. In response to the recent rise in the cost of capital, we have also revised our investment decision criteria and further strengthened the screening of investment projects.

● Strategic investment

Investments that contribute to growth in key areas
Investments that contribute to process reform (production, research, operations)
Investments primarily aimed at energy saving and carbon neutrality, etc.

● Growth investment

Investments to increase profit, excluding strategic investments

IRR15%≤

* IRR is set as pre-tax internal rate of return

Strategic investment	Growth investment
Investable	Investable
Determined strategically	In principle, difficult to invest
In principle, not feasible to invest	

Dialogue with Capital Markets

We position dialogue with shareholders and investors as a key management initiative, with the aim of reducing capital costs and sustainably enhancing corporate value. We strive to disclose information on our business strategies, financial strategy, portfolio transformation, and initiatives to strengthen our management foundation in a timely and easy-to-understand manner, thereby deepening mutual understanding with the market.

Expand opportunities for dialogue

● Management presentations

Medium- to long-term management policy
Growth story

● Small meetings

Direct dialogue between management and shareholders/investors

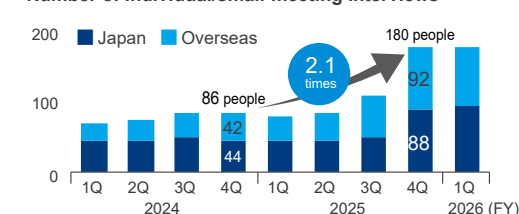
● Financial results presentations

Progress of structural reforms
Direction for the revision of the management plan
Status of AI-related products

● Overseas roadshows

For the purpose of expanding opportunities for dialogue
Expand the areas and regions covered

Number of individual/small-meeting interviews



Number of overseas roadshow meetings and areas/regions

FY2024 17 people
Europe and Asia: 3 cities in total

FY2025 21 people
Europe, Asia, and Australia: 6 cities in total

We also share opinions and recommendations obtained through dialogue with management and relevant divisions and use them to improve management. Going forward, we will continue working to both improve earnings power and create social value through constructive dialogue with investors in Japan and overseas, thereby sustainably enhancing corporate value.

Best Practice Project

Targets

- Achieve ¥10 billion in total cost-reduction impact in FY2026
- Enhance human capital value through greater operational efficiency and the growth of each employee



CFO Comment

The Best Practice Project is a project launched in FY2024. While we have previously pursued cost reductions using knowledge from within the Company, this project makes full use of external expertise, including "cost benchmarks" and "optimal cost-reduction methods," and pursues thorough cost reduction under the direct leadership of the President.

Through the implementation of this project, we achieved an annual total impact of 5.5 billion yen by FY2025. In FY2026, to achieve an annual impact of at least 10 billion yen, we will instill the knowledge and methods accumulated through the project throughout the company and advance them into autonomous improvement activities. In addition to this, we will enhance human capital value by improving operational efficiency and supporting the growth of each employee.

How the Project has Changed Denka

① Change in Awareness ⇒ Making Costs "Our Own Responsibility"

- Repeatedly communicate messages from top management
- Engage a large number of employees in cost-reduction activities
- The practice of **considering the necessity and appropriateness of costs** has become widespread

② Mastering the Basics ⇒ Understanding the "Keys" to Operational Efficiency

- Share an operational-efficiency checklist throughout the company
- **Autonomous operational improvements** are progressing at each workplace
 - Is this task really necessary in the first place?
 - Are the processes, services, or deliverables excessive?
 - Are any functions or roles duplicated?
 - Is there potential for automation, standardization, or outsourcing?

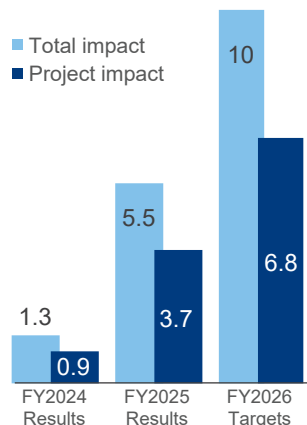
③ Becoming data-driven ⇒ Establishing "Fact-Based Thinking"

Thorough visualization of cost structures across a broad range of expense categories
Experience/intuition-based → More active discussions based on data and facts

- Previously "**untouched**" costs are being optimized, enabling reviews of "**wasteful** spending," "**excess** inventory," and other areas

Results/Targets

■ Total impact
■ Project impact



■ Total impact: Total impact calculated based on the measurement criteria established for the project
■ Project impact: Direct impact on profit or loss, excluding reductions in work hours (effective avoidance of additional hiring), mitigation of purchase price increases, avoidance of additional investment costs, and similar effects

	Total impact target	Project impact FY2026	Overview of initiatives
Cost reduction	¥4.5 billion	¥3.5 billion	<ul style="list-style-type: none"> ● Consolidated purchasing, multiple sourcing, and component standardization ● Improvement of yields through investments in process reforms
Supply chain reform	¥1.0 billion	¥1.0 billion	<ul style="list-style-type: none"> ● Optimization of logistics networks (including consolidated shipments) ● Review of ocean shipping routes
Reduction of selling expenses	¥1.5 billion	¥1.5 billion	<ul style="list-style-type: none"> ● Introduction of tenders (competitive bidding) ● Optimization of usage volumes by reviewing company-wide rules
Improvement of labor productivity	¥1.0 billion	—	<ul style="list-style-type: none"> ● Inventory operations → Eliminate / integrate / simplify / automate ● Improvement of per-person productivity through automation investments
Optimization of investment costs	¥1.5 billion	—	<ul style="list-style-type: none"> ● Introduction of a mechanism for reviewing necessity (DX Investment Guidelines, project screening)
Deployment to group companies	¥1.5 billion	¥0.8 billion	<ul style="list-style-type: none"> ● Roll out parent-company measures across the entire Group

¥10 billion ¥6.8 billion



President's Comment

The Best Practice Project is not simply an exercise in generating cost-reduction figures; it is an initiative to change the way we approach our work. Over the past two years, an attitude of (1) Questioning the status quo, (2) Considering better ways of doing things, and (3) Taking swift action has taken root throughout the organization. Specifically, we are working company-wide to improve the efficiency of R&D and sales activities, carefully assess the necessity of costs and operations, and eliminate duplication in functions and roles. We have also established systems for quantitative evaluations and benchmark comparisons and put them into practice to make data-driven decision-making a regular practice. Through these efforts, we aim to become a stronger organization in which every employee treats costs and operational efficiency as matters of personal responsibility and proactively pursues improvements.

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.”

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.

Approach to ROE

[Feasibility]

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

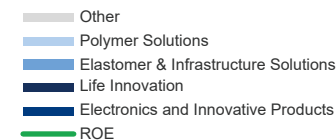
Target an ROE of 8.0% during Phase 2

[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

“Mission 2030”

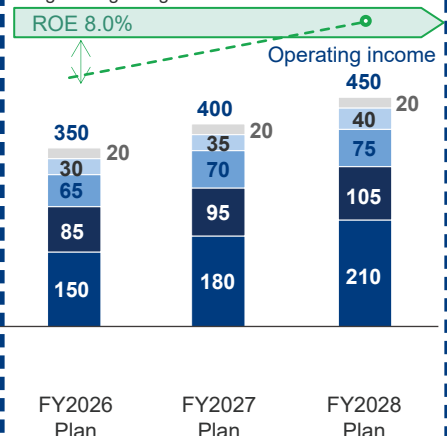
Phase 1 (2023–2025) + FY2026 forecast



(Unit: 100 million yen)

Phase 2 (2026–2028)

Targets Beginning in FY2026



Extraordinary Losses Recorded

¥8.4 billion
Impairment losses on goodwill related to Icon and other losses following the discontinuation of norovirus vaccine development

¥25.1 billion
Impairment losses on fixed assets at DPE and the Ofuna Plant, and other losses

¥22.1 billion
DPE and other items

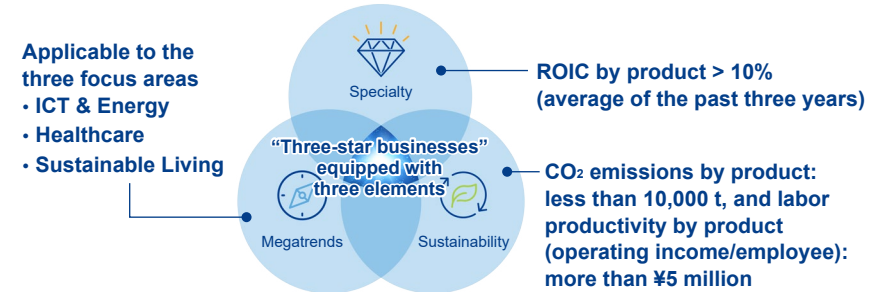
While fundamental measures in the chloroprene rubber business are expected to result in a certain amount of extraordinary losses, we plan to offset them with extraordinary income and other gains.

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.



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

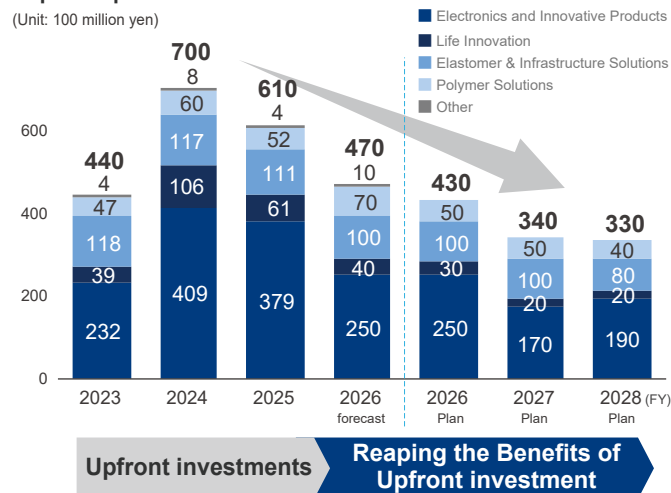
Overview of Phase 2 (Key Indicators)

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%
	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		

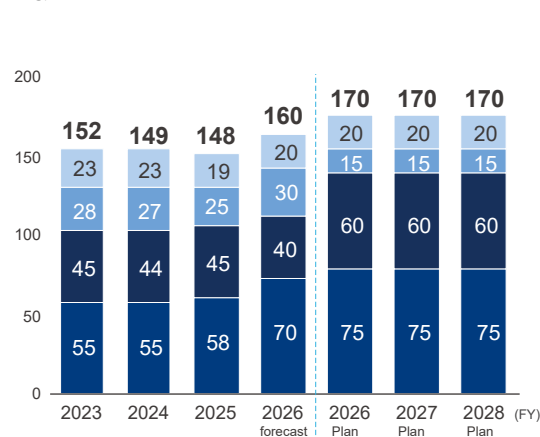
Investment, Depreciation and Amortization, and R&D Spending by Segment

Capital expenditure / Investment and loans

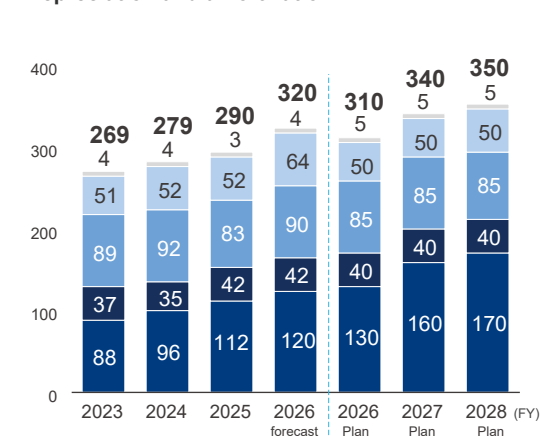
(Unit: 100 million yen)



R&D



Depreciation and amortization



Denka Group at a Glance

Strengths of the Denka Group

FY2025 Consolidated
Net Sales Composition Ratio
by Business Division

World No. 1



Chloroprene
rubber



Heat-resistant
agent for ABS resin

Japan No. 1



Calcium
cyanamide
fertilizer



Humic acid
magnesium
fertilizer



Underground
drainpipes
for agriculture



Special cement
additives
(shotcrete materials
for tunnels)

Sustainable Living

Net sales:

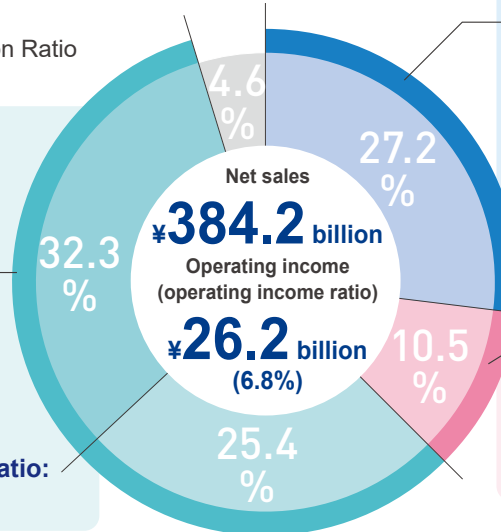
¥221.8 billion

Operating income:

¥3.7 billion

Operating income ratio:

1.7%



■ Electronics and Innovative Products ■ Life Innovation ■ Elastomer & Infrastructure Solutions ■ Polymer Solutions ■ Other

World No. 1

ICT & Energy

Net sales:

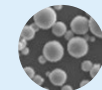
¥104.4 billion

Operating income:

¥13.9 billion

Operating income ratio:

13.3%



Spherical
alumina



Spherical
silica



Silicon
nitride



Acetylene black
(for high-voltage cables)



VINI-TAPE
(for electrical
insulation)

Bottom sheets and cover tape
(for semiconductor carrier tape)



Healthcare

Net sales: ¥40.5 billion

Operating income: ¥6.2 billion

Operating income ratio: 15.3%



World No. 1

Reagent for measuring
C-reactive protein (CRP)



Japan No. 1

QuickNavi-Flu+COVID19 Ag

Denka Group in Figures



111 Years
Since Founding



Overseas net
sales ratio
44.6%

* FY2025; Securities Report



Consolidated
Number of
Employees
6,454

* As of March 31, 2026;
Annual Securities Report



Manufacturing sites
13 in Japan +
10 overseas

* FY2025

Sustainable Competitiveness

Denka's hydroelectric
power generation

▶P74

Polystyrene
chemical recycling

▶P50

Denka's Hydroelectric Power Generation in Numbers



Percentage of Denka's Total
Electricity Consumption
* FY2025

About **40%**



Number of hydroelectric
power plants * Includes plants
owned by joint venture companies

17 locations



Equivalent Number
of Households
Supplied with
Electricity

About **140,000**
households



Maximum output

140 MW



Among Japanese manufacturing
companies in terms of power
generation capacity

No. 2



Companies, citizens, and local
governments collaborate on the chemical
recycling of polystyrene

Denka's Trajectory

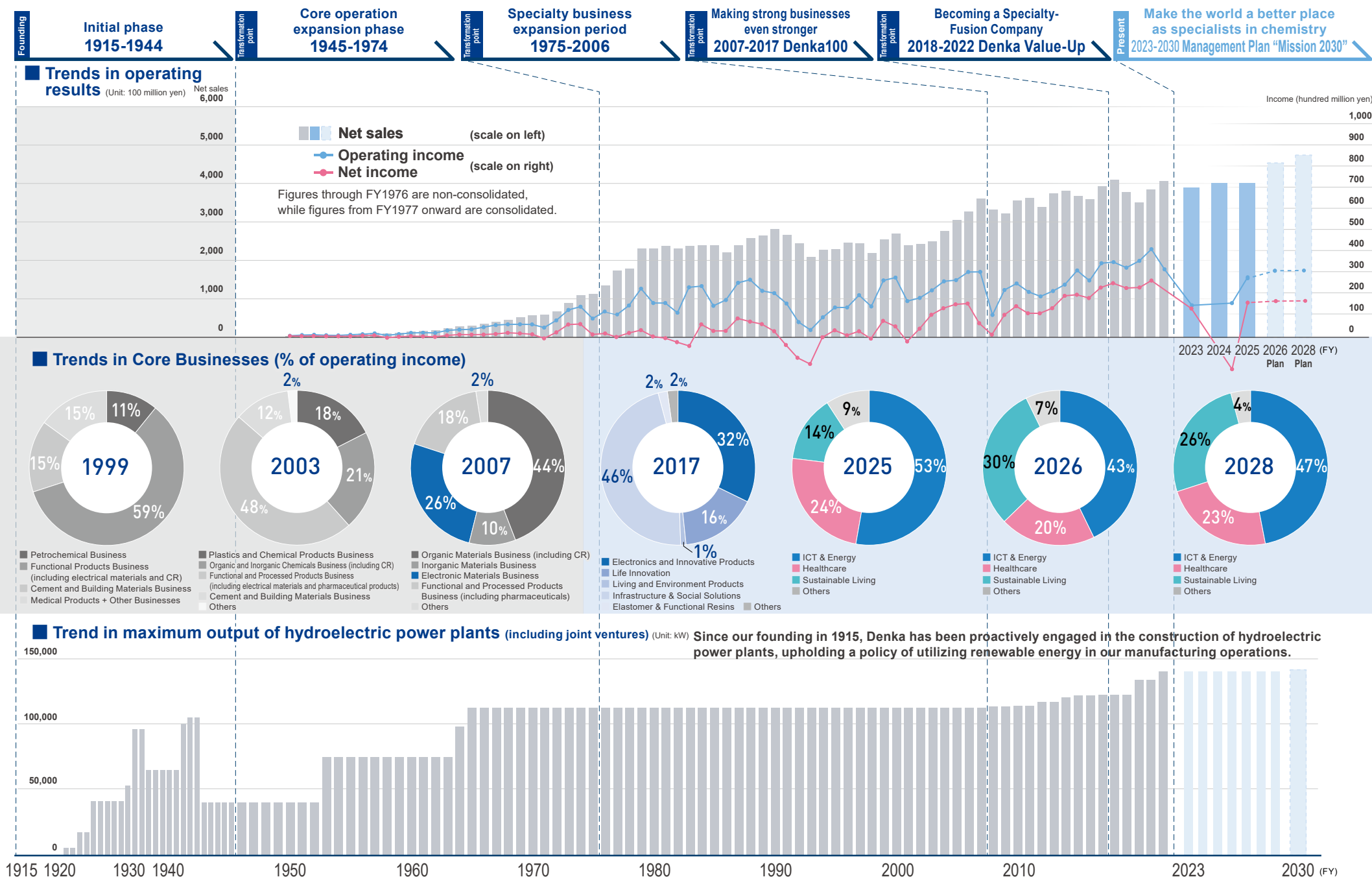
Contributing to Social Development

Since our founding in 1915, Denka has pursued the creation of value needed by society through the power of chemistry. The following outlines Denka's corporate value creation journey through six eras and the transformation of its business portfolio.



Social Changes





* Since 1933, the output from Kurobegawa Electric Power Company's power plants has been calculated in line with the ratio of Denka's equity (50%) in the joint venture.

In 2022, the power generation capacity totaled 140,000 kW following the commencement of operations at The Kurobegawa Electric Power Company's New Himekawa No.6 Hydroelectric Power Plant.

Materiality (Key Management Issues)

In order to promote the three growth strategies set out in the Management Plan "Mission 2030"—Business Value Creation, Human Resources Value Creation, and Management Value Creation—the Denka Group has established non-financial KPIs based on its materiality for each business division and corporate division, and has also set targets for FY2030. Through these initiatives, we are aiming to create sustainable corporate value by making full use of our capabilities, fulfilling our corporate responsibilities, and pursuing the ideal state of our businesses that contributes to resolving social issues.

Five Business Divisions

Materiality-based Non-financial KPIs and FY2030 Targets

Materiality	Organization	Growth Strategy	“Mission 2030” Non-financial KPIs (Key Performance Indicators)	FY2030 Targets	Ideal State of Businesses That Resolve Social Issues
Achievement of carbon neutrality	Elastomer & Infrastructure Solutions	Management Value Creation	Reduce CO ₂ emissions from the calcium carbide chain at the Omi Plant	<ul style="list-style-type: none">• Reduce CO₂ emissions by 23% (compared with adjusted FY2024 results, excluding cement and CSA, for which production has ceased)<Reduction Initiatives>• Use resources effectively by reusing surplus quicklime fines• Switch raw materials used in calcium carbide electric furnaces (including the introduction of biochar and purchased quicklime)	A specialist in reducing CO ₂ emissions through concrete technology
			Develop manufacturing technologies for carbon-sequestering admixtures and promote their adoption	<ul style="list-style-type: none">• Develop manufacturing technologies for carbon-sequestering admixtures for concrete with CO₂ reduction and sequestration totaling 310–350 kg/m³ (of which 120–200 kg/m³ is sequestered)• Achieve costs comparable to conventional concrete (reduce admixture prices by approximately 57% compared with 2021)* Green Innovation Fund Business Strategy Vision	
			Market rollout of environmentally friendly quick hardening admixture	<ul style="list-style-type: none">• Introduce the environmentally friendly, high-early-strength admixture (FASTRONG) in Europe and other markets where carbon taxes are increasingly being adopted FY2030 sales targets: Europe (10,000 t/year*), Southeast Asia (2,400 t/year), China (2,000 t/year), and other markets * Equivalent to a CO ₂ emissions reduction of approximately 65,000 t (when Portland cement usage is reduced by 50%)	
Sustainable cities and fulfilling daily lives	Electronics and Innovative Products	Business Value Creation	Number of countries where biostimulants are marketed worldwide	<ul style="list-style-type: none">• Market biostimulants in at least 10 overseas countries (an increase of 6 countries compared with 2025)	A specialist in resolving global food shortages through soil improvement technologies using biostimulants
			Sales target of materials that contribute to technological innovation in next-generation communications and generative AI	<ul style="list-style-type: none">• Low dielectric materials Annual sales of at least ¥20.0 billion (SNETON, spherical silica, spherical alumina, boron nitride, etc.)	A specialist in “reducing energy loss” and “extending service life” in electronic products through technologies combining organic and inorganic chemistry
			Sales target for materials that contribute to improved battery performance and longer battery life	<ul style="list-style-type: none">• Conductive materials and high-heat dissipation materials: Increase net sales fourfold (compared with FY2024) (acetylene black and spherical alumina)	
Environmental conservation and minimization of environmental impact	Elastomer & Infrastructure Solutions		Ratio of recycled raw materials used in fertilizer products	<ul style="list-style-type: none">• Fused Silicate Phosphate fertilizer: Achieve a 100% replacement rate for phosphate rock (planned replacement rate for FY2025: 10%)• Progressively replace phosphate rock with sewage sludge incineration ash as a raw material for fertilizer products manufactured by consolidated subsidiary Hinode Kagaku Kogyo Co., Ltd.	A specialist in resource circulation through the increased use of recycled raw materials in fertilizer products
	Polymer Solutions		Establish a framework to move styrene chemical recycling from demonstration to implementation	<ul style="list-style-type: none">• Volume of circular materials handled: 5,000 t/year• Recycling partners: 10 (companies and local governments)	A specialist in expanding circular resource use to preserve limited resources for the future
			Number of environment-related product varieties brought to market	<ul style="list-style-type: none">• Number of D-NODE-related product varieties launched in the market: 30	
Increasing healthy life expectancy and correcting health disparity	Life Innovation		Number of POCT and IVD reagent products adopted by major global platforms	<ul style="list-style-type: none">• Newly adopted test items At least 5	A specialist in supporting the health of people around the world and preventing infectious diseases and lifestyle-related diseases
			Increase in the number of sd-LDL tests performed	<ul style="list-style-type: none">• At least 400% of the FY2024 level**Aim for coverage under the national health insurance system in FY2026.	
			Enhance the ability to rapidly ramp up POCT production in the event of a pandemic	<ul style="list-style-type: none">• Establish production capacity at 2.5 times the FY2024 level	
			Increase in the number of ferritin tests performed	<ul style="list-style-type: none">• 150% of the FY2024 level	
		Increase in the supply volume of clinical diagnostic reagents (CRP)	<ul style="list-style-type: none">• 150% of the FY2024 level		
Sustainable growth through new business creation	New Business Development	Number of business ideas that address social issues	<ul style="list-style-type: none">• 10	A specialist in creating new businesses that improve future quality of life	
		Number of new businesses created to address social issues	<ul style="list-style-type: none">• 5		

Materiality (Key Management Issues)

Corporate Management Divisions

Materiality-based Non-financial KPIs and FY2030 Targets

Materiality	Organization	Growth Strategy	"Mission 2030" Non-financial KPIs (Key Performance Indicators)	FY2030 Targets
Achievement of carbon neutrality	Corporate Management Divisions	Business Value Creation	Reduction of greenhouse gas emissions	60% reduction from FY2013 (2.47 million t-CO ₂), to 0.98 million t-CO ₂
Environmental conservation and minimization of environmental impact			Maximum output of renewable energy generation	150MW
			Renewable energy + electricity mix with non-fossil fuel certificates	76%
			Promotion of energy conservation initiatives	Continue 1% reduction from previous year in energy consumption per unit
			Continuation of zero waste emissions	Continue achieving zero emissions of waste
			Addressing nature-related risks such as biodiversity and water in accordance with Task Force on Nature-related Financial Disclosures (TNFD)	Implement a TNFD-aligned biodiversity conservation plan and continue awareness-raising activities within the Group
Enhancement of corporate governance		Management Value Creation	Thorough management of compliance risks	Zero serious compliance violations
			Promotion of Group Policies and Internal Regulations Development	Systematic development based on priorities Disclose at least 8 policies (including summaries of policy statements)
			Implementation of compliance training	All group employees to participate
			Appropriate operation of the whistle-blowing system and disclosure of the status of responses to reports	Number of employees per whistle-blowing report: 100 or less
			Group-wide establishment of internal control framework	100%: Completion of group-wide establishment of internal control framework for all Group companies (31 sites)
			Advancement of Enterprise Risk Management (ERM)	Improve the quality of the management divisions' Group control functions and strengthen the foundation of Group management
Supply chain management			BCP measures based on raw material risk assessments (upstream)	Zero high-risk suppliers
			Procurement questionnaire rate (upstream)	Survey all business partners and engage with low-scoring suppliers to ensure improvements
			Achieving high ratings from ESG rating agencies (downstream)	Continuously improve EcoVadis scores Achieve and maintain inclusion in the FTSE index adopted by GPIF
Process reforms			Labor-saving headcount reduction	398 people (total for the eight years from FY2023 to FY2030)
			Development of digital talent	DP (Digital Pilot) personnel: 400 people
Place the utmost priority on safety			Occupational accident frequency rate	The Company and affiliates 0.2 or less
			Online training on occupational safety, and process safety/fire prevention	All group employees
Respect for human rights			Establishment of a human rights policy and thorough respect for human rights based on the UN Guiding Principles on Business and Human Rights and the UN Global Compact	Identification of and response to human rights risks in the group supply chain Risk survey implementation rate: 100% (target divisions and business sites)
Improving product safety and quality			Integration of quality control systems and enhancement of management standards	Zero serious quality incidents
Promotion of de&i	Human Resources Value Creation	Percentage of women in managerial positions	15%	
		Percentage of male employees taking childcare leave	85%	
Health and productivity management		Reduction in the percentage of smokers	12% or less	
		Employees with an ideal body weight	80%	
		Employees with high stress levels	10% or less	
		Employees with good exercise habits	40% or higher	
Strengthening of human resources development system		Provide training that employees find valuable	Achieve a favorable level in training satisfaction surveys (Net Promoter Score) (100%)	
		Work engagement	Visualization and ongoing improvement of work engagement	
Work style reform		Overtime hours	120 hours/year	
		Annual paid leave utilization rate	100%	

Sustainability Committee

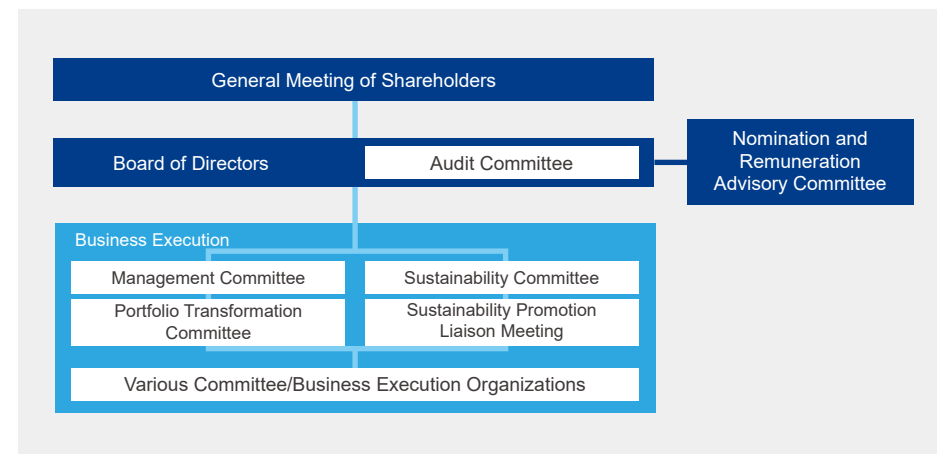
In 2026, we substantially revised the operating structure of the Sustainability Committee that was established in 2023, to enhance its effectiveness. We will develop a structure that allows sufficient discussion of high-priority issues.

1 Sustainability Committee Operating Structure

We established the Sustainability Committee in line with the launch of the Management Plan "Mission 2030" in FY2023 to address sustainability issues and monitor progress. The Committee is positioned within the executive organization, and receives reports from the relevant divisions on the status of activities aimed at achieving the KPIs established for each materiality issue. Based on these reports, the Committee conducts deliberations and makes recommendations. The results of these deliberations are reported to the Board of Directors and regularly communicated to stakeholders as part of our progress updates on the Management Plan.

In July 2026, we established the Sustainability Promotion Liaison Meeting to strengthen the effectiveness of our sustainability management, including a review of materiality.

Sustainability Management Promotion Structure

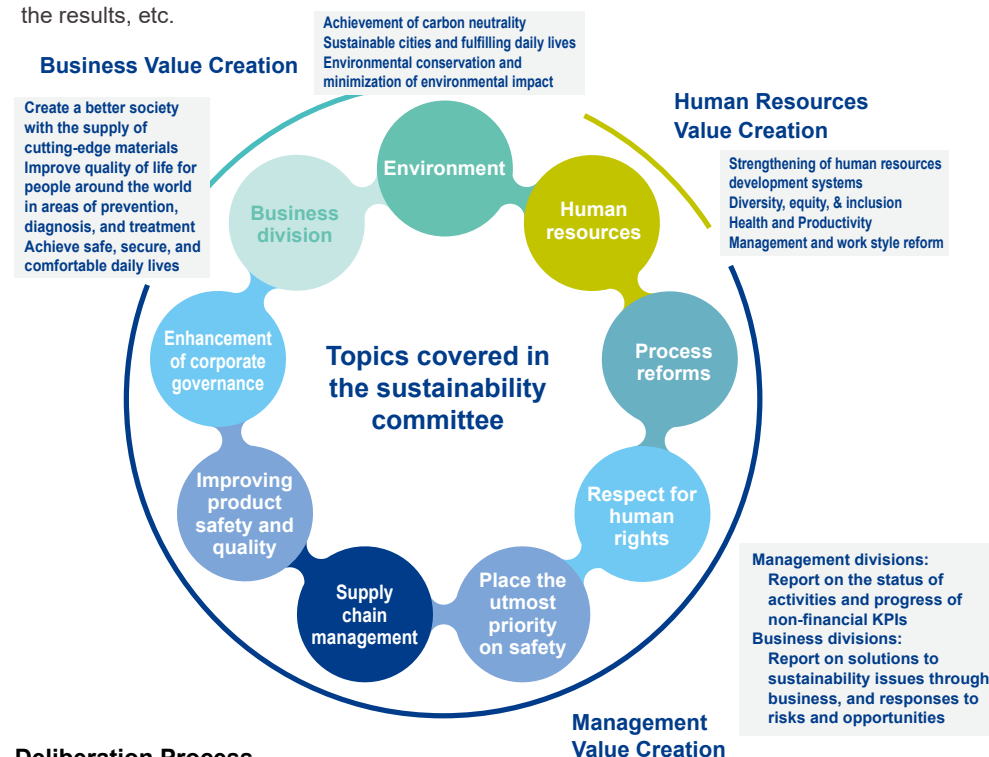


The Sustainability Committee Members

[Chairperson]	[Vice Chairperson]	[Members]	[Secretariat]
President (CEO)	CTO (Chief Technical Officer)	CFO, CHRO, CCO (in charge of compliance), and the Corporate Planning Dept. senior officer	Sustainability Promotion Dept.

2 Discussion Themes

The Sustainability Committee deliberates on the Executive Division's initiatives in line with the following themes and reports and makes recommendations to the Board of Directors on the results, etc.



Deliberation Process



3 Positioning of Materiality (Important Management Issues) in the Management Plan "Mission 2030"

The "three growth strategies (Business Value Creation, Human Resources Value Creation, and Management Value Creation)" in "Mission 2030" are structured based on materiality. For each issue, we set specific measures and KPIs to achieve our goals.

Denka's materiality forms the foundation of its business activities as an essential element for addressing the risks and opportunities associated with sustainability issues affecting its management foundation from a medium- to long-term perspective and realizing its vision.

4 Materiality Review

We will review materiality and non-financial indicators (KPIs) as appropriate in response to changes in sustainability issues, social needs, and stakeholder expectations, to reflect our business activities and their mutual impact on the economy, environment, and society in our management.

In FY2026, we began reviewing our materiality in response to Sustainability Standards Board of Japan (SSBJ), the 2026 revision of the Corporate Governance Code, and other developments.

Materiality

Sustainable growth through the creation of new business
Increasing healthy life expectancy and correcting health disparity
Sustainable cities and fulfilling daily lives
Achievement of carbon neutrality
Environmental conservation and minimization of environmental footprint
Strengthening of Human Resources Development System
Promotion of Diversity, Equity & Inclusion
Health and Productivity Management and work style reform
Process reforms
Respect for human rights
Place the Utmost Priority on Safety
Supply chain management
Improving product safety and quality
Enhancement of corporate governance

"Mission 2030"

**Business
Value Creation**



**Human Resources
Value Creation**

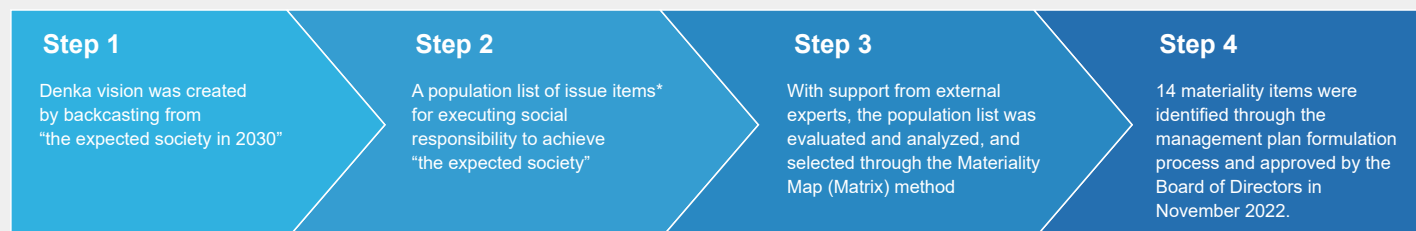


**Management
Value Creation**



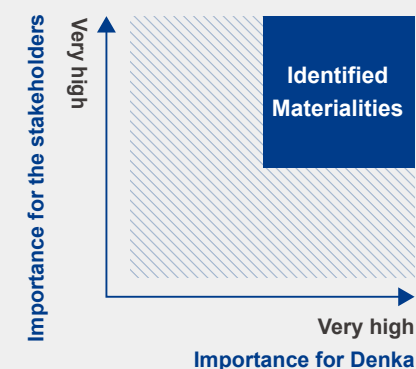
Materiality Review Process for FY2022

In formulating "Mission 2030," the Denka Group analyzed and evaluated sustainability issues over the medium- to long-term leading up to 2030, and reviewed our materiality using the following process.



* Population of social issues: Survey items of ESG assessment organizations such as the World Economic Forum (WEF) Global Risk Report (2022 edition), Sustainable Development Goals (SDGs), the SASB Standard, and the CDP were analyzed and classified into 23 categories/333 items

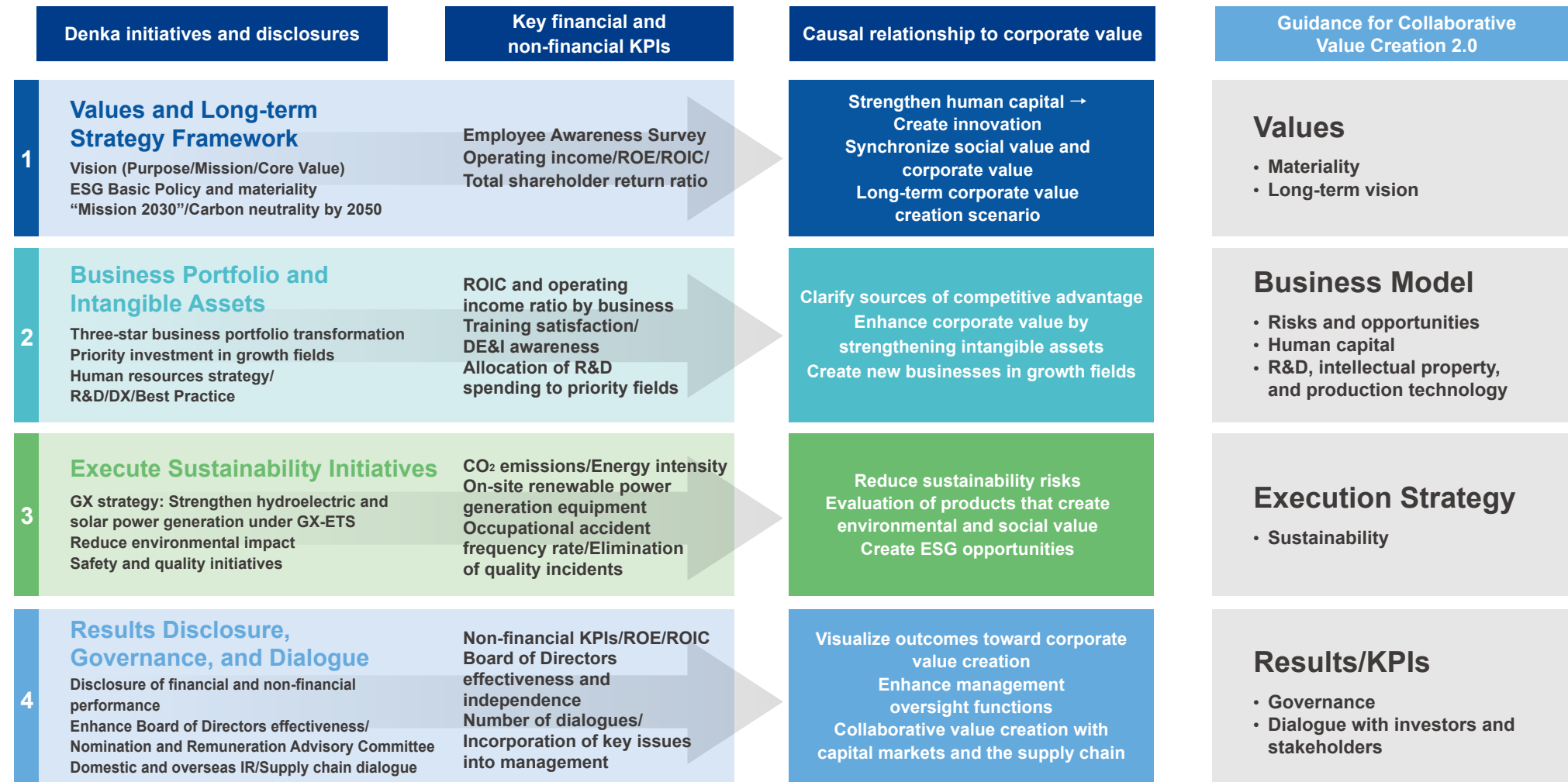
Denka Group Materiality Analysis Map



Connections Between Denka's Initiatives, KPIs, and Corporate Value Creation

Overview of how progress is managed through financial and non-financial KPIs, and linked to the elements in the Guidance for Collaborative Value Creation 2.0

Drawing on the Ministry of Economy, Trade and Industry's "Guidance for Collaborative Value Creation 2.0," we have systematically and comprehensively organized the initiatives under the Management Plan "Mission 2030," which aims to enhance corporate value over the medium- to long-term, together with the financial and non-financial KPIs that measure progress, so that the causal relationships with corporate value are easy to understand.



About the Guidance for Collaborative Value Creation 2.0

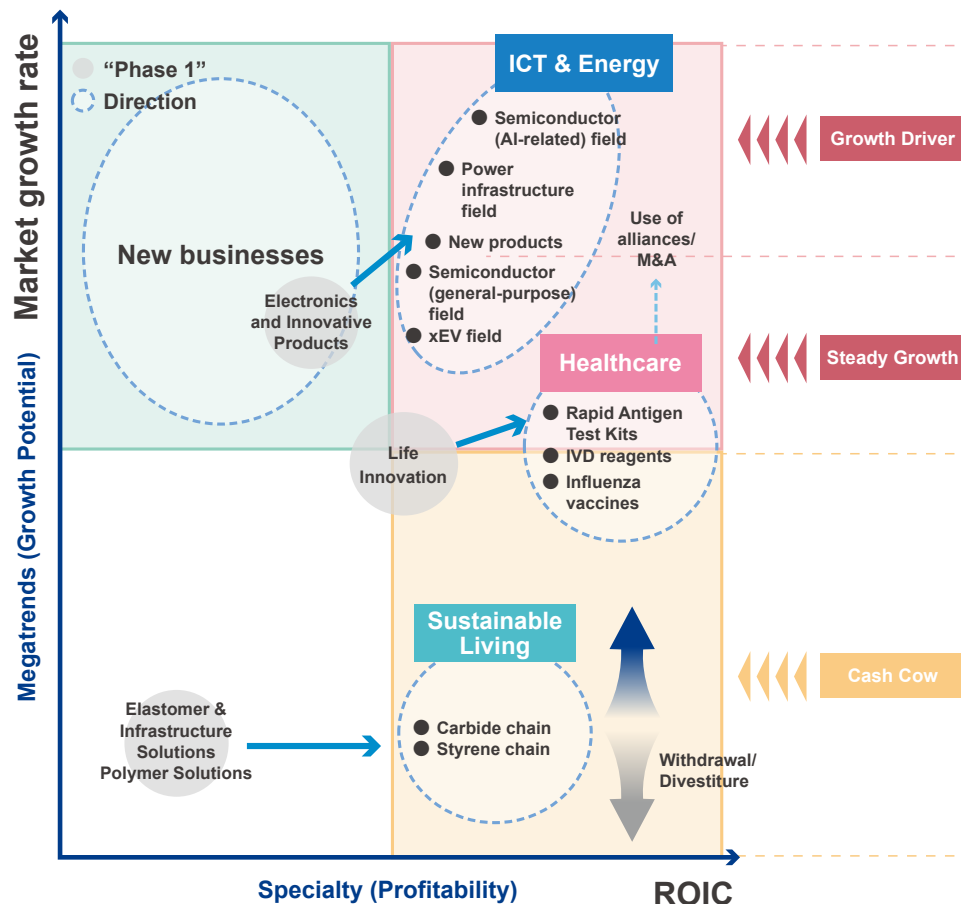
The corporate value creation drivers under "Mission 2030" each serve as one of the three elements of corporate value creation, support the various initiatives of "Mission 2030," and aim to create and enhance corporate value over the medium- to long-term.

Source: Ministry of Economy, Trade and Industry, "Guidance for Collaborative Value Creation 2.0"

Market Growth × Denka's Portfolio Strategy

Four Quadrant Analysis

In ICT & Energy, we will focus on cutting-edge thermal management, a forte of Denka, with the rapidly growing AI and power infrastructure markets serving as growth drivers. In Healthcare, we will pursue steady growth while advancing a growth strategy that leverages alliances and M&A in the diagnostics field. In Sustainable Living, we aim to turn businesses into cash cows through business model transformation and structural reforms.



Execute three strategies with clearly differentiated priorities:
**“Strategic expansion,” “Achieving returns on upfront investments,” and
 “Improving capital efficiency and transforming business models”**

Strategy	Strategic Expansion	Achieving Returns on Upfront Investments	Improving Capital Efficiency and Transforming Business Models
ICT & Energy Supply key materials for thermal management and establish them as de facto standards in cutting-edge fields	[Semiconductors (AI-Related)] SNECTON Spherical alumina Spherical silica Development of new grades (Boron nitride, etc.) [Power Infrastructure] Acetylene black DENKA ALSINK	[Semiconductors (General-Purpose)] Spherical alumina Spherical silica High-performance films [xEV] Spherical alumina Silicon nitride (powder) Acetylene black	[xEV] Printed circuit boards (Ceramic substrates, metal substrates)
Healthcare Achieve steady growth in the existing diagnostics business and become a frontrunner in forming industry alliances, including M&A	[Diagnostics (New)] A frontrunner in forming alliances, (including M&A)	[Diagnostics] Rapid Antigen Test Kits IVD reagents [Prevention] Influenza vaccines	
Sustainable Living 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			Carbide chain (Chloroprene rubber, etc.) Styrene chain (Styrene monomer, functional resins, etc.)

ICT & Energy

Strategy: Supply key materials for thermal management and establish them as de facto standards in cutting-edge fields

Message from the Division Head



Tomoya Kowada

Head of Electronics &
Innovative Products Division

The Electronics & Innovative Products division provides a wide range of distinct products developed to suit major trends, including AI, the expansion of data centers, and the growth of renewable energy. It plays a central role in Denka's growth under Phase 2 of the Management Plan "Mission 2030." We are actively investing in production facilities to address these trends. Most recently, in May 2026, we commenced operations at a dedicated plant at the Chiba Plant for SNECTON, a new resin material for low dielectric resin substrates. A new acetylene black plant in Thailand is scheduled to begin operating in November 2026 to meet growing demand for ESS (stationary energy storage systems) in data centers and cables for green energy applications. We also plan to commence operations at a new DENKA ALSINK plant in Omuta in 2027 to address surging demand for heat-dissipating base substrates for power modules used in high-voltage direct current (HVDC) transmission systems. By bringing these facilities into full operation, we will make a solid contribution to Denka's earning power.

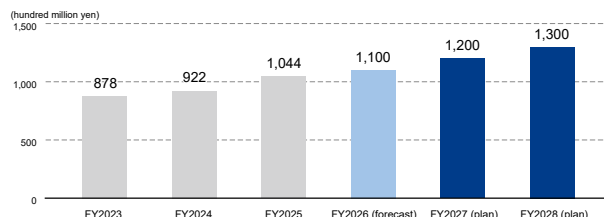
Compared to other divisions, we have relatively more opportunities to gain direct insight into customer needs (challenges) arising from changes in the market. We also have a responsibility to use these insights to continuously launch new businesses and products. We are proposing innovative materials to meet the needs of our customers for the next generation and beyond. We are planning a range of new products for launch, and hope you look forward to what is coming in the future.

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

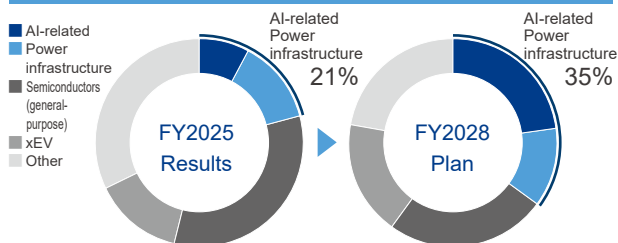
Strategic areas and markets	[Key Products]	[Phase 1 Results]	[Phase 2 Plan]	[Division Goals for FY2030]
Semiconductors (AI-related)	<ul style="list-style-type: none"> ● SNECTON ● Low dielectric tangent silica ● Spherical alumina 	<ul style="list-style-type: none"> ● Launched SNECTON for copper-clad laminates and interlayer insulating materials for high-speed communication devices (February 2025) ● Launched a next-generation filler plant (September 2025) 	<ul style="list-style-type: none"> ● Establish SNECTON, spherical silica, and spherical alumina as de facto standards in response to expanding markets for high-speed communications, including AI applications <ul style="list-style-type: none"> • Begin mass production at the in-house SNECTON plant at the Chiba Plant (from the end of 2026 onward) and consider capacity expansion ● Address expanding markets for direct-current power transmission, ESS, and other power infrastructure applications <ul style="list-style-type: none"> • Begin mass production of acetylene black at DSAM (scheduled for 2027) • Begin mass production following a 1.3-fold increase in DENKA ALSINK capacity (scheduled for the second half of 2027) 	<ul style="list-style-type: none"> ● Secure a dominant presence in megatrend fields (6G, electrification of mobility, renewable energy, semiconductors, and hydrogen) ● Develop new products with a view to 2040 ● Strengthen raw material supply chains (particularly silica stone and other key materials) ● Strengthen the quality assurance system (particularly for the semiconductor field) ● Operate businesses with an emphasis on ESG
Power infrastructure	<ul style="list-style-type: none"> ● Acetylene black ● DENKA ALSINK ● ANP 	<ul style="list-style-type: none"> ● Constructed an acetylene black plant in Thailand (DSAM) ● Began selling a high-reliability ANP grade for direct-current power transmission (application development) 		
xEV	<ul style="list-style-type: none"> ● Acetylene black ● Spherical alumina ● Silicon nitride powder 	<ul style="list-style-type: none"> ● Undertook construction to expand silicon nitride production capacity by 1.5 times (April 2025) 		

ICT & Energy

Net Sales Trends and Outlook



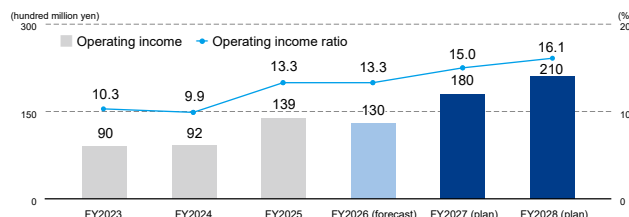
Net Sales Breakdown by Application



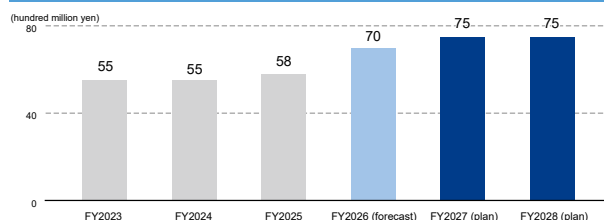
Share of total net sales (FY2025): 27%

Share of total employees (FY2025): 28%

Trends and Outlook for Operating Income/Operating Income Ratio



R&D Spending



Strategy for Phase 2 of the Management Plan "Mission 2030"

1) AI-related

With circuits becoming increasingly miniaturized and multilayered in generative AI data centers and other applications, the need for thermal management is growing.

→ We will expand sales of SNECTON, which has strong potential as a low-dielectric material, establish it as a de facto standard in the low dielectric materials market, and develop composite materials built around SNECTON.

See ▶ P16 for details

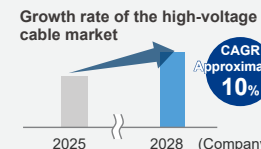
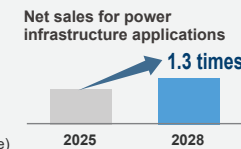
2) Power Infrastructure

The growing adoption of AI is driving the construction of new data centers and increases in their workloads, leading to a significant rise in electricity demand. We view the resulting expansion of the power infrastructure market as a major growth opportunity. By enhancing our related products and technologies and strengthening our supply capabilities, we will steadily capture this growing demand.

Acetylene black



High-voltage
cables
LiB (for ESS)



[High-voltage Cable Applications]

Demand growth driven by the shift to direct current and higher voltages

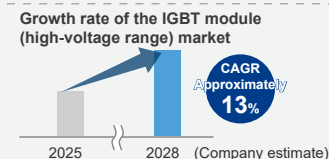
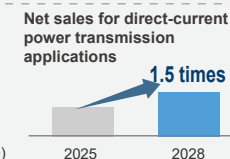
[Shift to ESS Applications]

Approach areas of demand in North America, China, Europe, and other regions
Energy storage trends for data centers in North America

DENKA ALSINK



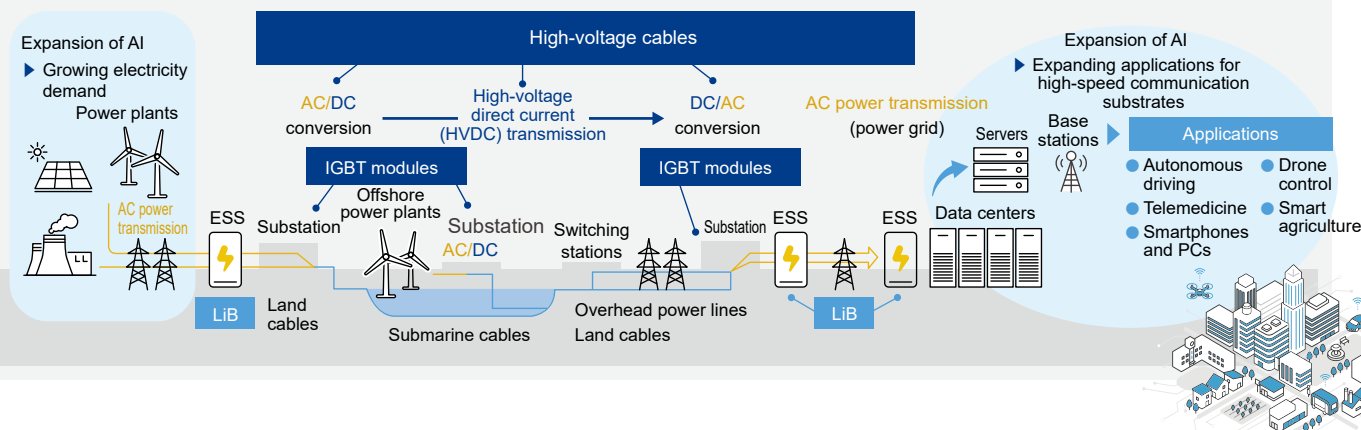
IGBT modules



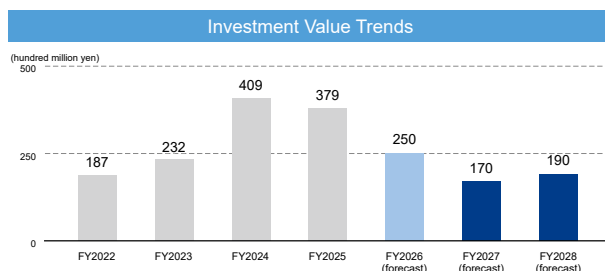
[For Direct-current Power Transmission]

Growing demand for equipment converting alternating current to direct current for enabling power transmission at higher voltages and currents

Relationship Between Power Infrastructure and AI-related Applications



ICT & Energy



For products such as spherical silica, spherical alumina, and silicon nitride, where production capacity has already been expanded, develop new applications and take other steps to generate new demand (achieving returns on upfront investments).

In Phase 2, carefully select investments to meet growing demand in AI and power infrastructure

- SNECTON Begin mass production at the in-house SNECTON plant at the Chiba Plant (from the end of 2026 onward) and consider capacity expansion
- Begin mass production of acetylene black at DSAM (scheduled for 2027)
- Begin mass production following a 1.3-fold increase in DENKA ALSINK capacity (scheduled for the second half of 2027)

SWOT Analysis

- A diverse product lineup capable of meeting a broad range of customer needs (various ceramic materials, high-performance organic materials)
- Strong market intelligence derived from the high market shares of our products
- A broad range of essential technologies, including high-temperature control, nitriding, spherical shaping, and calcining technologies

Strengths

- The growing importance of communications and advances in high-speed communications driven by AI, IoT, autonomous driving systems, and other technologies
- The shift toward a decarbonized society, including the expansion of xEVs and renewable energy

Opportunities

Weaknesses

- Growing financial burden attributable to capital expenditure due to rapid market expansion
 Countermeasure → Increase the utilization rates of existing facilities and their contribution to earnings
- Development capabilities spread too thinly across a large number of products
 Countermeasure → Optimize the portfolio and prioritize R&D

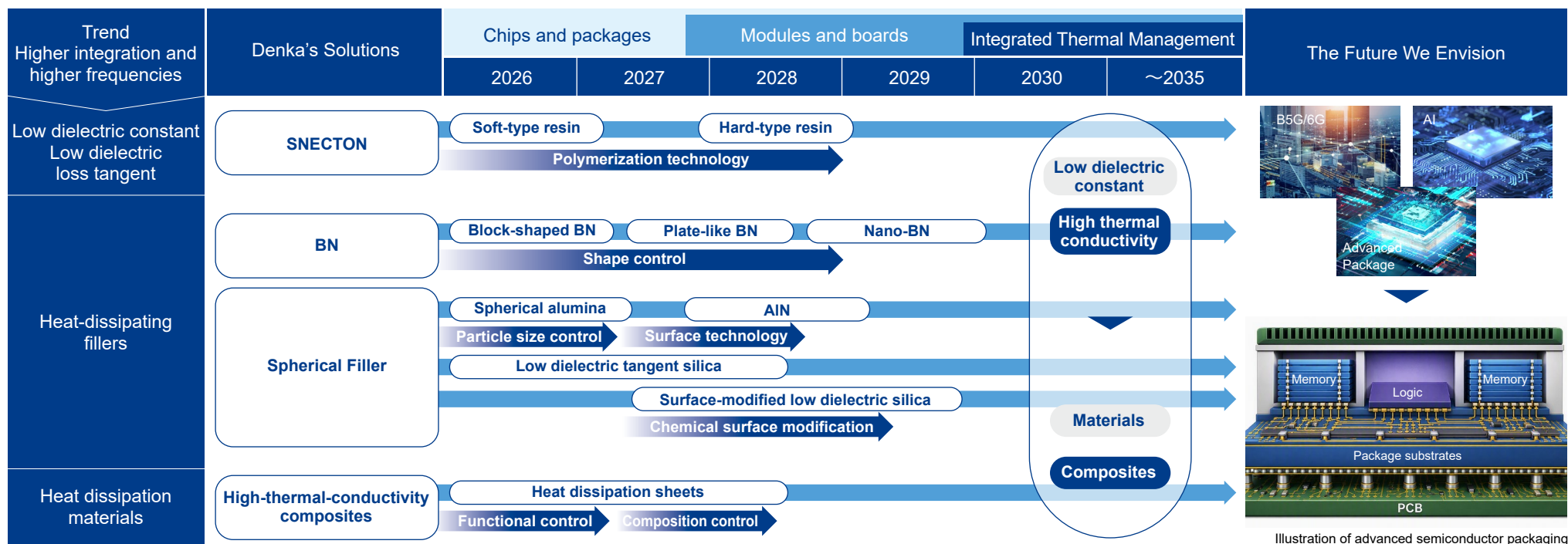
Threats

- Potential game-changing developments driven by new materials
 Countermeasure → Establish a quality assurance system aligned with market conditions and accelerate new product development
- A major shift in technological development trends due to factors such as the growing need for environmental solutions
 Countermeasure → Diversify information sources
- Increasing competition, particularly from companies in emerging countries
 Countermeasure → Deter new market entrants through a patent portfolio
- A drop in price competitiveness due to increased tariff costs
 Countermeasure → Reduce costs by effectively using lower-cost raw materials and pursuing production efficiency

Mechanism for Driving Growth | Extensive Technological Capabilities and Responsiveness to Market Needs Sustainable Growth in AI and Other Cutting-Edge Fields



ICT & Energy



Contributing to society through business

● Denka's Initiatives to Combine Low Dielectric Performance with Heat Dissipation

As semiconductor integration and operating frequencies increase rapidly, meeting the demands of faster communications and larger data volumes requires both low dielectric properties that reduce signal loss and high heat dissipation performance that enables efficient control of heat generation. We provide comprehensive solutions to these two critical challenges, drawing on the materials technologies that we have developed over many years.

SNECTON delivers excellent low dielectric properties, helping ensure stable signal transmission in high-speed communications. It also supports diverse applications by enabling a wide range of material designs, from soft to rigid resins. Shape-control technologies that advance boron nitride (BN) from block-shaped to plate-like and nanoscale forms also significantly improve thermal conductivity, contributing to efficient heat dissipation in semiconductor devices.

Various fillers, including spherical alumina and aluminum nitride, use particle size control and surface treatment technologies to optimize dispersibility and functionality, achieving both electrical and thermal performance. High-thermal-conductivity composites and heat dissipation sheets combining these materials support thermal management at the package level and improve overall product reliability.

By integrating core technologies such as polymerization, shape control, surface modification, and composition design, we deliver consistent value, from individual materials to composites. We will continue to enhance this technological foundation to improve the performance and reliability of advanced semiconductor packages for the 5G/6G era. As a materials partner supporting the next-generation information society, we are aiming to create sustainable value.

Healthcare

Strategy: Achieve steady growth in the existing diagnostics business and become a frontrunner in forming industry alliances (including M&A)

Message from the Division Head



Taro Inada

Executive Officer
Head of Life Innovation Division

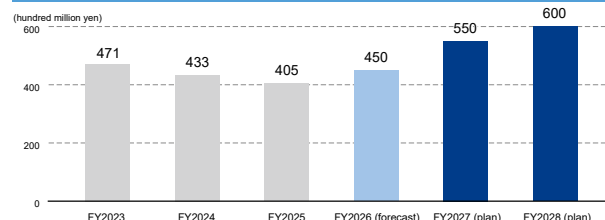
As the division responsible for Healthcare, one of our priority areas, we will rebuild our earning power in a rapidly changing business environment by continuing to implement necessary reforms while respecting our past successes. As highlighted in the special feature, we recently welcomed KAINOS Laboratories, Inc. into our Group. We will not only enhance synergies between the two companies to drive growth, but also promote collaboration among companies with technological expertise in Japan's in vitro diagnostics industry. We believe that such collaboration will strengthen the international competitiveness of Japan's high-quality in vitro diagnostic products. At the same time, we will strengthen our own overseas diagnostic agents business. One of our strategic pillars is to achieve steady growth in the diagnostic agents business as a foundation for becoming a frontrunner in forming industry alliances. We will move forward decisively to implement reforms without changing our core commitment to improving the quality of life of people worldwide, and will continue striving to be a business group that delivers high-quality products quickly.

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

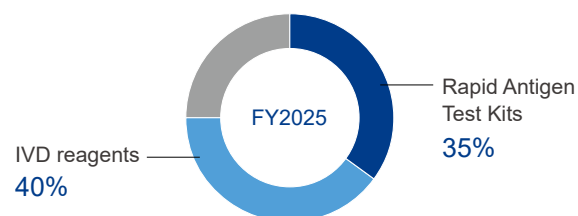
Strategic areas and markets	[Key Products]	[Phase 1 Results]	[Phase 2 Plan]	[Division Goals for FY2030]
Prevention	<ul style="list-style-type: none"> ● Influenza vaccines 	<ul style="list-style-type: none"> ● Began operation of a new facility for the manufacturing of undiluted influenza vaccines to ensure the early and stable supply of influenza vaccines in 2022 ● Improved supply stability by strengthening the production system ● Expanded market share despite a shrinking domestic market caused by changes in the market environment, including reduced vaccine uptake following the COVID-19 pandemic 	<ul style="list-style-type: none"> ● Position existing vaccines as a core business and increase market share and shipment volumes through earlier shipments and stronger distribution strategies ● Optimize costs and improve profitability through optimal production, higher capacity utilization, and greater automation ● Continue strengthening fundamental technologies of vaccine production and promote new vaccine development 	<ul style="list-style-type: none"> ● Establish a system for the early and stable supply of existing vaccines ● Develop new vaccines with demonstrated efficacy and safety to build a sustainable foundation for the vaccine business
Diagnosis	<ul style="list-style-type: none"> ● Rapid Antigen Test Kits / Clinical diagnostic reagents 	<ul style="list-style-type: none"> ● Added new production facilities at the Gosen Plant to meet growing demand for Rapid Antigen Test Kits and clinical diagnostic reagents (completed in May 2025) ● Secured supply capacity capable of responding, even in the event of a pandemic ● Shipments of simultaneous COVID-19/influenza test kits (combo kits) leveled off as COVID-19 infections declined ● Sales weakened in some overseas markets due to national medical cost containment policies, while sales in Japan, Europe, and the U.S. remained firm ● Brought clinical diagnostic reagent manufacturer KAINOS Laboratories, Inc. into the Group through a tender offer (TOB) (March 2026) 	<ul style="list-style-type: none"> ● In addition to expanding production capacity, strengthen production efficiency by digitalizing business, production, and logistics processes ● Strengthen sales capabilities in Japan and overseas and develop new sales channels ● Expand earnings by enhancing the product lineup ● Expand sales and strengthen business competitiveness through multifaceted collaboration with KAINOS 	<ul style="list-style-type: none"> ● Provide a variety of diagnostic agents and diagnostic systems with the keywords "quick, simple, affordable, highly sensitive, and multi-diagnostic" ● Establish a diagnostics business foundation capable of sustainable growth in domestic and overseas markets

Healthcare

Net Sales Trends and Outlook



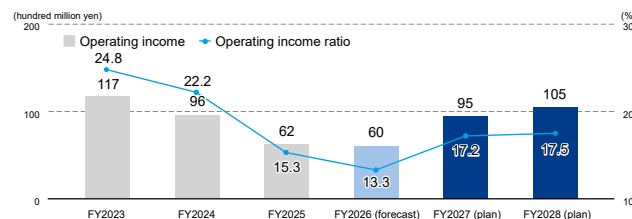
Share of Diagnostics



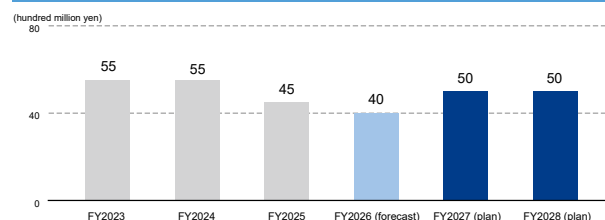
Share of total net sales (FY2025): 11%

Share of total employees (FY2025): 18%

Trends and Outlook for Operating Income/Operating Income Ratio



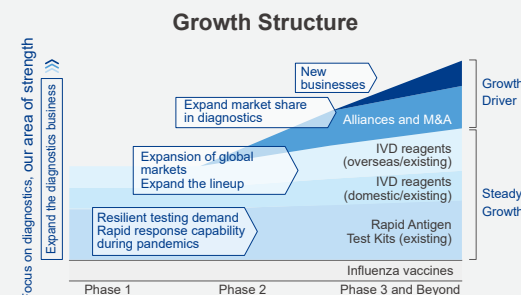
R&D Spending



Strategy for Phase 2 of the Management Plan "Mission 2030"

The Role of Phase 2

- Phase 2 builds on the business foundation established in Phase 1 to achieve both steady growth in the existing diagnostics business and business expansion
- Leverage alliances and M&A to build a foundation for new businesses in the future (Phase 3)



Basic Strategy for Phase 2

Achieve steady growth centered on IVD reagents

Position IVD reagents marketed in Japan and overseas at the core of the business and establish a stable earnings base supported by resilient testing demand

Meet growing demand with Rapid Antigen Test Kits

Leverage expanded production facilities to establish a system that can meet both resilient demand in normal times and sudden surges in demand during pandemics and other emergencies

Improve efficiency and optimize operations in the vaccine business

Optimize costs by reorganizing manufacturing facilities and increasing capacity utilization, aiming for stable operations even in an uncertain business environment

Accelerate growth through alliances and M&A

Use collaboration and alliances, primarily in diagnostics, to strengthen business competitiveness and accelerate growth

Maximizing the Benefits of Capacity Expansion

By leveraging the capacity expansions we have undertaken for vaccines, Rapid Antigen Test Kits, and IVD reagents, we will establish a production system that is capable of responding to sudden fluctuations in demand and ensure stable supply. We will enhance our profit-generating capabilities through production optimization and cost structure reforms.



Domestic Market: Expanding Share in a Mature Market

Capture stable demand in the domestic market

Although the domestic market is mature, testing demand remains resilient. Strengthen sales capabilities and focus on expanding market share

Strengthen competitiveness through collaboration with KAINOS

Achieve complementary capabilities in development, manufacturing, and supply to strengthen competitiveness in the domestic market

Expand adoption of new test items and improved products

Accelerate adoption of new test items and improved products to shift toward a higher-value-added product mix

Enhance reliability through stable supply

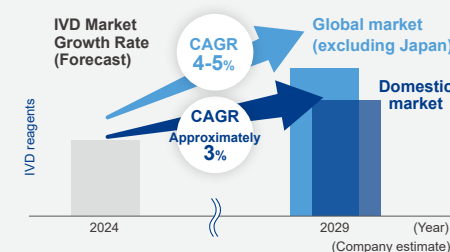
Leverage our stable supply system to earn the trust of healthcare professionals. Strengthen cost competitiveness through process reforms

Mature Market

Market Share Expansion

Overseas Markets: Expanding into the Growing IVD* Market

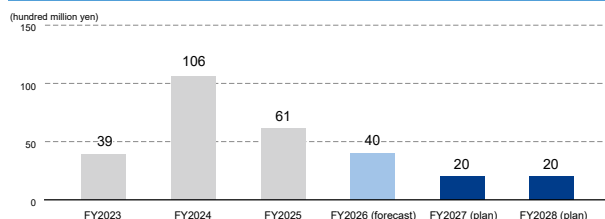
- Global IVD market will grow over the medium- to long-term
- Strengthen collaboration with partner companies
- Restructure the OEM/CDMO business
- Steadily expand into growth markets



* IVD: In vitro diagnostics

Healthcare

Investment Value Trends



Under the Management Plan "Mission 2030," we have steadily strengthened production capacity and our supply foundation with investments in bulk vaccine production facilities, which began operating in 2022, and in rapid diagnostic test kit and clinical diagnostic reagent production facilities at the Gosen Plant, which was completed in 2025. These investments have enabled us to respond quickly to supply needs and maintain stable operations even amid fluctuations in the infectious disease market, enhancing the competitiveness of our core business. Bringing KAINOS into the Group has also expanded our diagnostics product portfolio and business capabilities, broadening our options for growth. We will make full use of the facilities, systems, and partnerships established through these investments to accelerate achieving our earnings growth and greater business value.

SWOT Analysis

- A lineup of various Rapid Antigen Test Kits and diagnostic reagents developed in-house employing Denka's proprietary technologies
- Superior technological capabilities and robust production capacities backed by cutting-edge diagnostic agents and vaccine manufacturing facilities
- A robust network of industry-academia-government collaboration with a diverse range of partners to enhance Denka's own R&D capabilities
- Innovation arising from the integration of know-how in the fields of chemistry and healthcare, two very different fields, and marketing capabilities derived from a combination of customer bases in both fields
- Strengthened the diagnostics product portfolio and business foundation by bringing KAINOS into the Group

Strengths S

- Susceptibility of many infectious disease-related products to demand fluctuations attributable to changes in the magnitude of epidemics and types of disease
- Countermeasure → Expand the product lineup in areas other than infectious diseases, such as chronic diseases, and diversify the portfolio

Weaknesses W

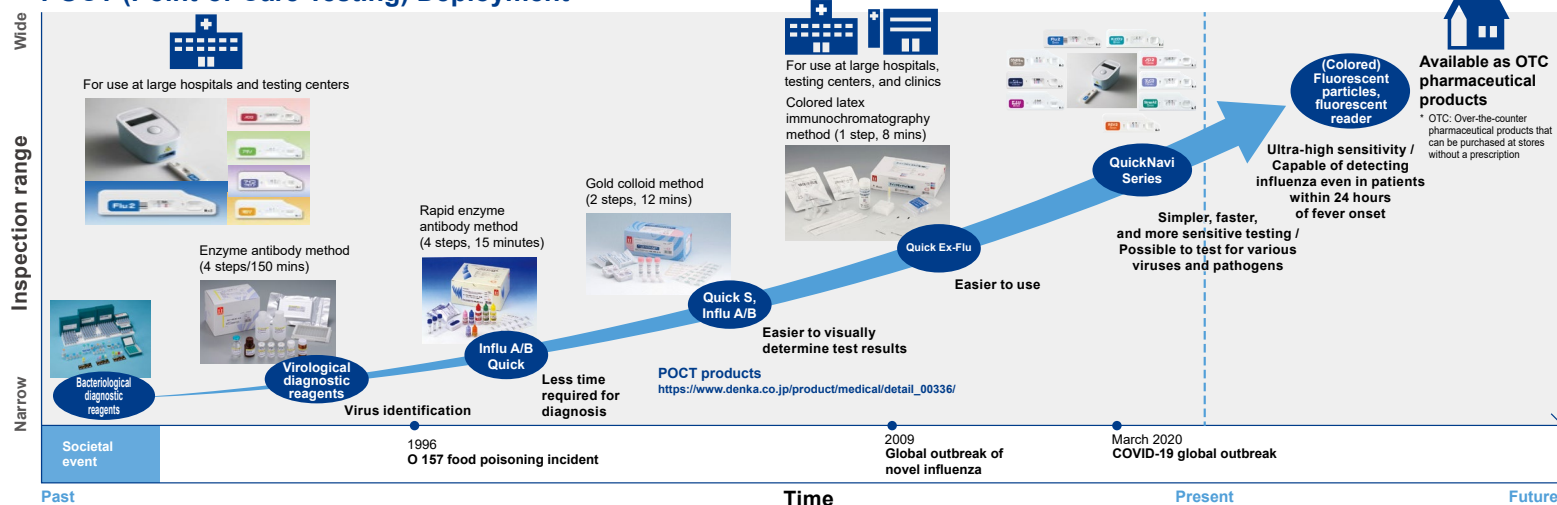
- Growing need for solutions supporting the prevention and early diagnosis of disease in countries around the globe
- Establishment of demand for rapid antigen diagnostic testing due to the Novel Coronavirus pandemic
- Growing demand for medical services tailored to the needs of personalized patients
- Widespread use of IoT and AI
- Possible emergence of novel types of business supported by government-led growth strategies (legal revisions and regulatory relaxation)

Opportunities O

Threats T

- Faster development of competing and alternative technologies in vaccines and diagnostics
- Countermeasure → Enhance Denka's proprietary technologies and strengthen competitiveness through alliances and other measures
- Risk of a sharp decline in demand as infectious disease outbreaks subside or fluctuate
- Countermeasure → Optimize production in response to supply and demand fluctuations, and expand products in areas other than infectious diseases
- Increasing market uncertainty due to medical cost containment policies and tighter regulations in various countries
- Countermeasure → Strengthen capabilities to respond to global regulations
- Rising costs due to higher raw material prices and supply chain instability
- Countermeasure → Diversify procurement sources, increase in-house production, and improve production efficiency

POCT (Point-of-Care Testing) Deployment



Contributing to Society through Business

We operate businesses for prevention, diagnosis, and treatment that support people's health and peace of mind.

<Main Contributions to Society>

- **Prevention of and Early Response to Infectious Diseases**
Help prevent the spread of infections with the stable supply of influenza vaccines and Rapid Antigen Test Kits (POCT)
- **Reducing the Burden on Healthcare Providers and Patients**

Support more efficient healthcare and reduce the impact on patients with rapid, simple diagnosis

- **Contribute to the Prevention of Lifestyle Diseases**

Support the early identification of health risks through ferritin and sd-LDL testing

- **Preparing for Pandemics**

Strengthen the POCT production system to also respond to emergencies

Continue working to create sustainable social value in healthcare and public health through our business activities.

* We are reviewing processes to stabilize production of the G47Δ viral preparations for cancer treatment

Healthcare

TOPIC | KAINOS Feature



Maximizing Synergies by Leveraging Both Companies' Channels and Technologies

To strengthen our business foundation and achieve sustainable growth in the Healthcare field, we conducted a tender offer (TOB) for KAINOS Laboratories, Inc., an IVD reagent manufacturer founded in 1975 that offers a distinctive portfolio of products centered on biochemical and immunodiagnostic reagents. By partnering with KAINOS, which has strengths in the IVD reagent field, we will advance integrated value creation ranging from the enhancement of R&D capabilities to the expansion of our sales structure. This feature showcases the strategic significance of this transaction and the synergies expected from it.

Main businesses and diagnostic test items of both companies

		Denka	KAINOS
IVD reagents	Biochemistry	Cholesterol	Kidney/liver function Diabetes
	Immunology	CRP/Allergies	Blood transfusion Tumor markers
Testing kits	Antigens	Influenza Coronavirus, etc.	
	Genetics		Coronavirus Norovirus, etc.
Test items: complementary			

01 | Background and Purpose

External environment and strategic issues

Japanese IVD reagent manufacturers need to improve their international competitiveness to survive

Japanese IVD reagent manufacturers generally possess high levels of technology, but many are relatively small in terms of sales. The business environment is also becoming increasingly challenging due to factors such as maturation of the domestic market and shrinking demand caused by the declining birthrate. We view stronger competitiveness through collaboration and integration among Japanese IVD reagent companies as essential to addressing these structural challenges.

Positioning and strategic significance of KAINOS

- First step toward becoming a leader in building industry alliances
- Expansion of the businesses of both companies, which have a highly complementary relationship

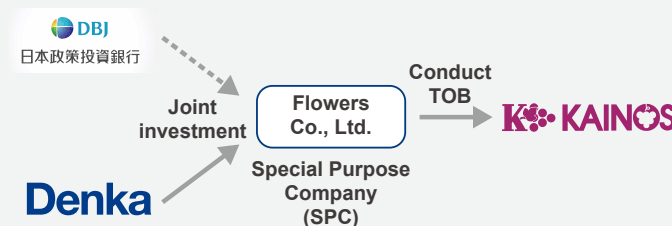
This offer is a strategic investment aimed at expanding growth areas and strengthening the portfolio of our IVD reagent business.

KAINOS develops distinctive products that address needs in medical settings across diverse testing fields, including biochemistry, immunology, genetics, and blood transfusion testing.

While Denka and KAINOS operate in the same overall IVD reagent category, their individual test items are complementary, and the alliance is expected to generate synergies.

02 | Investment Scheme

- For this offer, Denka established Flowers Co., Ltd. for the purpose of acquiring shares of KAINOS and conducted the TOB.
- Part of the acquisition is financed through a preferred-share investment from Development Bank of Japan Inc. (DBJ). The offer was assessed as contributing to greater competitiveness for both Denka and KAINOS as well as stronger supply capacity for IVD reagents in Japan.



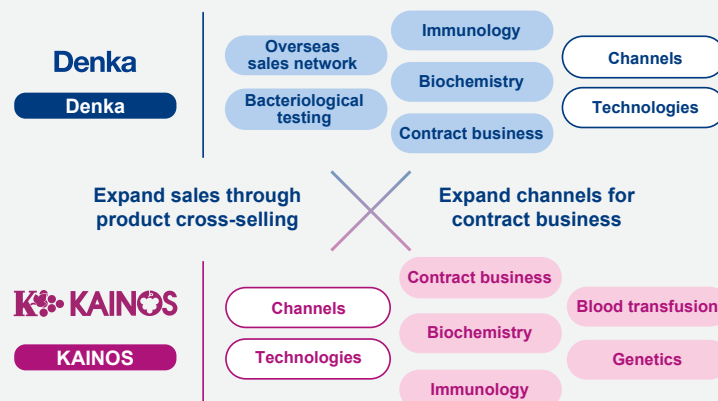
Healthcare

TOPIC | KAINOS Feature

03 | Expected Synergies

Sales synergies

Denka and KAINOS both offer IVD reagents for different test items, ensuring that their product lineups are complementary. This will enable each company to propose the other's products, which is expected to enhance our ability to offer broader customer solutions and expand sales. In the contract business, leveraging both companies' customer bases and sales channels is expected to broaden sales channels. Using Denka's overseas sales network is also expected to support expansion of KAINOS' products into overseas markets.



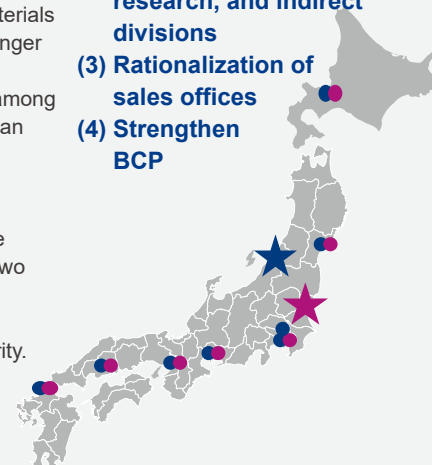
Cost synergies

The two companies have significant overlap in sales, logistics, research, and other locations, and rationalization that builds on this overlap is expected to generate synergies. Joint procurement of raw materials can deliver economies of scale and stronger purchasing power, while coordination of logistics functions, information sharing among sales offices, and optimization of R&D can improve efficiency, reduce costs, and accelerate development.

For production sites, we also anticipate greater supply stability by leveraging the geographically dispersed nature of the two companies' production networks and strengthening BCP (business continuity planning) through mutual complementarity.

- (1) Joint procurement of raw materials
- (2) Optimization of logistics, research, and indirect divisions
- (3) Rationalization of sales offices
- (4) Strengthen BCP

- ★ KAINOS production site
- ★ Denka production site
- KAINOS sales office
- Denka sales office



04 | Progress of Initiatives to Maximize Synergies

We are currently prioritizing and advancing cooperation in areas with high synergy potential and areas where early action is critical. By leveraging the strengths of both companies and strengthening their respective organizational capabilities, we will work to achieve value creation at an early stage.

05 | Toward Future Value Creation

This offer is a strategic initiative that will strengthen competitiveness and stabilize the supply base of Japan's IVD reagent industry, and will play a central role in the growth strategy of the Life Innovation business. Going forward, we will further deepen cooperation between the two companies and strengthen our business foundation and establish competitive advantages through effective operation of R&D, production, sales, and other functions. Through these initiatives, we will achieve the early realization of synergies and improve earning power, thereby contributing to the sustainable enhancement of corporate value.



(Left) Denka Company Limited, Ikuo Ishida, Representative Director, President

(Right) KAINOS Laboratories, Inc., Yukihiro Nagatsu, Representative Director and President

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.

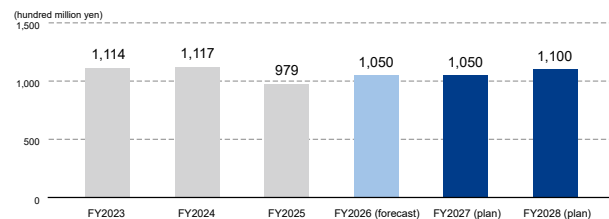
Strategies for Achieving the Goals of the Management Plan "Mission 2030" (Strategies toward 100% "Three-Star Businesses")

	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

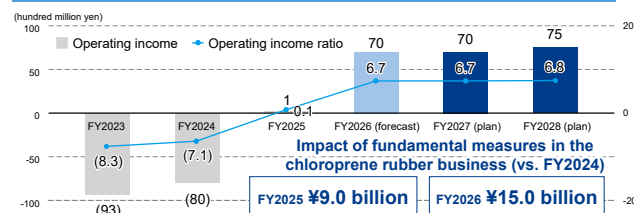
Sustainable Living

Elastomer & Infrastructure Solutions Division

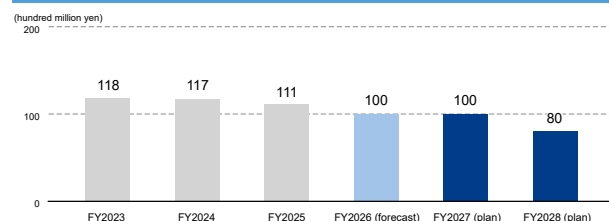
Net Sales Trends and Outlook



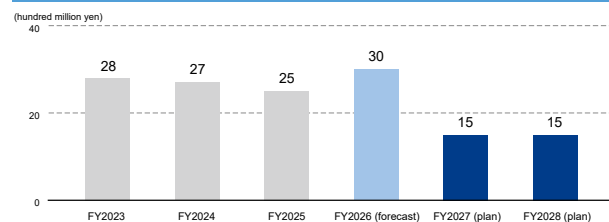
Trends and Outlook for Operating Income/Operating Income Ratio



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

- 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

Weaknesses

W

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

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

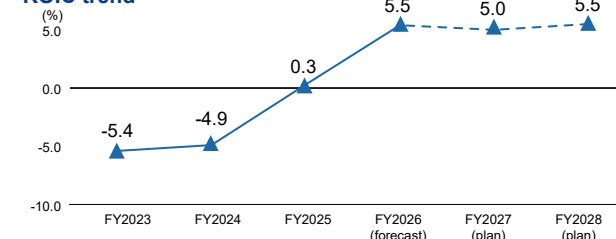
Decision to withdraw from the Denka ER business as part of efforts to optimize the business portfolio
(Reference) News release: "Withdrawal from the Denka ER Business," July 17, 2026

* 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

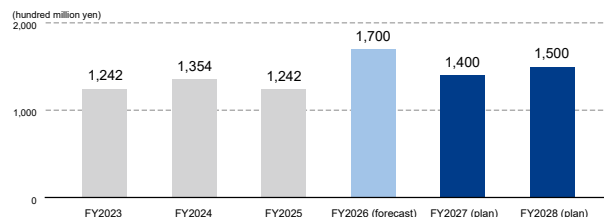
ROIC trend



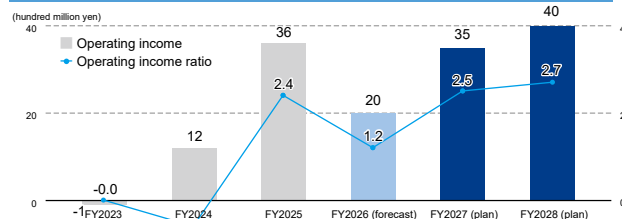
Sustainable Living

Polymer Solutions Division

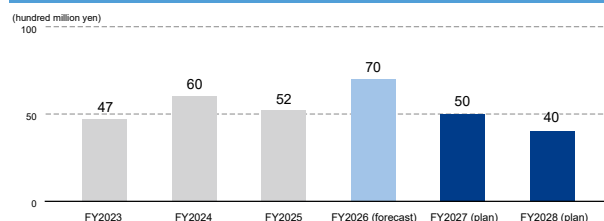
Net Sales Trends and Outlook



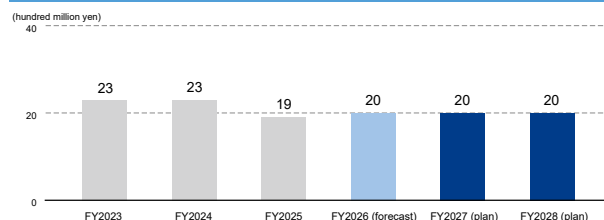
Trends and Outlook for Operating Income/ Operating Income Ratio



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

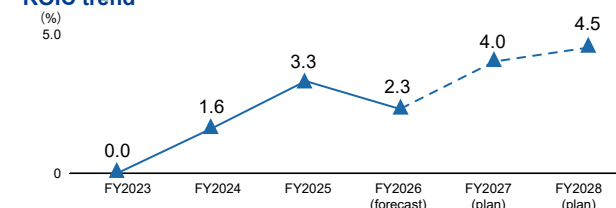
[Profitability]

- 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

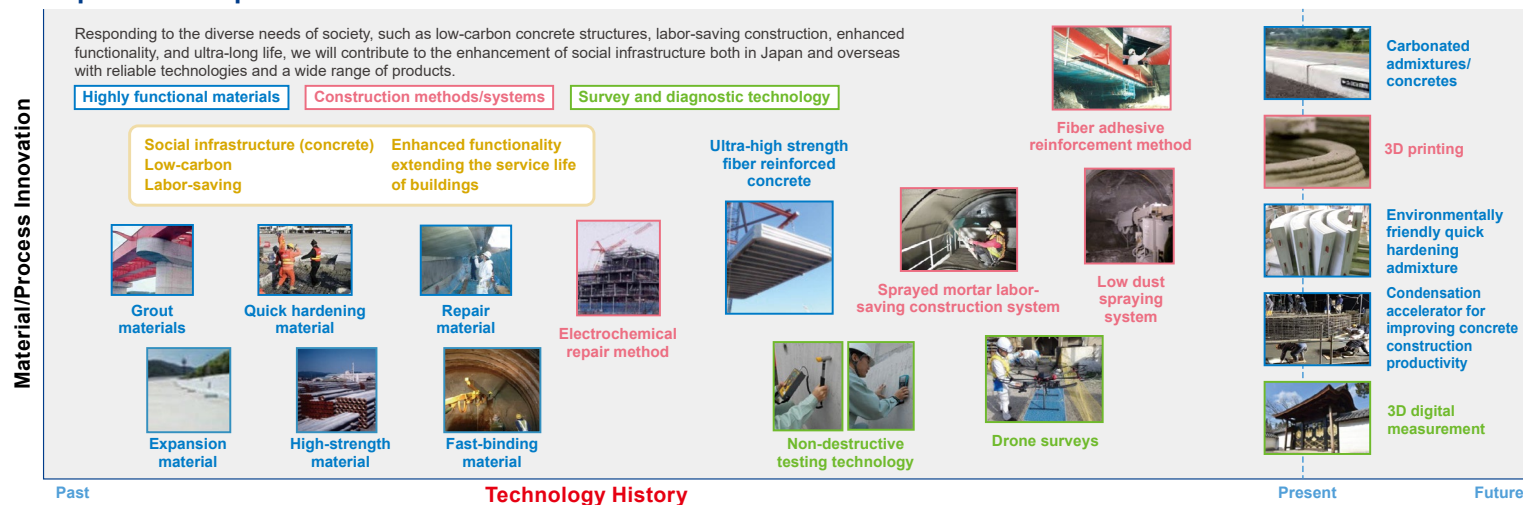
ROIC trend



Sustainable Living

Elastomer & Infrastructure Solutions Division

Expansion of special cement additive business



Contributing to Society through Business

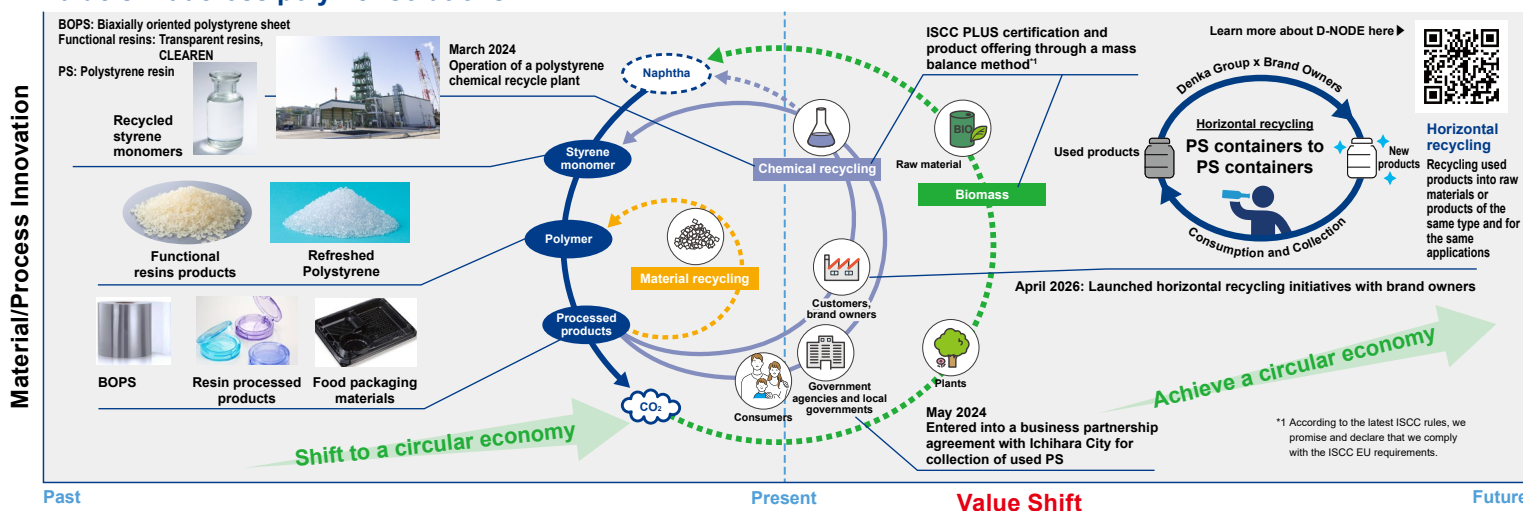
● Carbon Negative Concrete "CUCO" Project

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



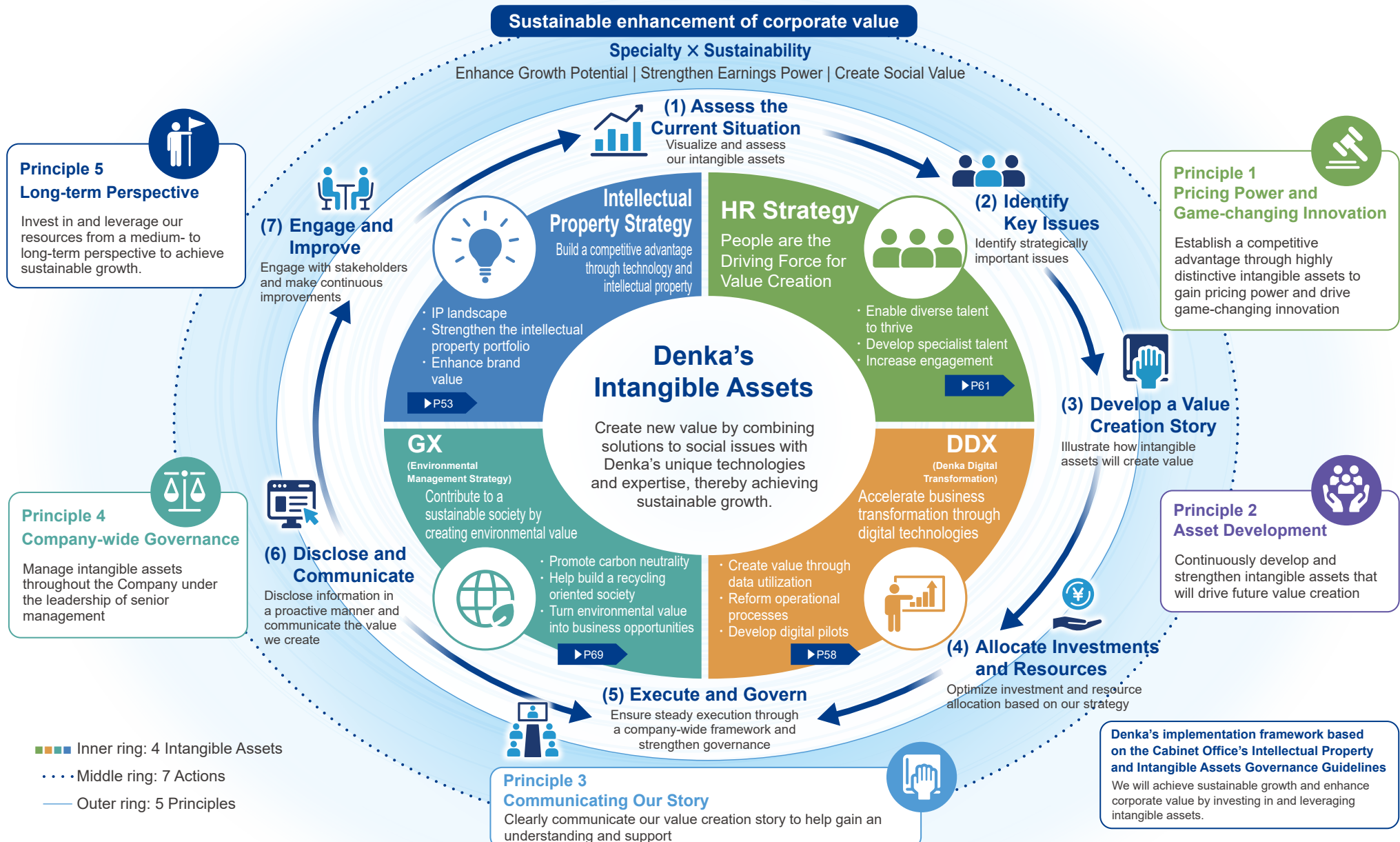
Contributing to Society through Business

● 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.

Value Creation through Denka's Management of Intangible Assets

4 Intangible Assets x 7 Actions x 5 Principles



New Business Development Division

Message



Masahide Yamada

Executive Officer, Head of New Business
Development Division

Our role is to continuously create and commercialize new businesses and products underpinning Denka in FY2030 and beyond.

To achieve this, we must advance three stages in parallel: proposing new businesses (sowing seeds), incubation (nurturing growth), and commercialization (reaping returns). We will work closely with the relevant business divisions, including the Production Technology Division, and each operating site.

Uncertainty, however, is an inherent part of new business development. We will always maintain the mindset of a contender, testing hypotheses based on objective data and logical inference to overcome uncertainty in new businesses and deliver significant results.

Research & Development Policy

We aim to improve R&D efficiency and significantly strengthen our product development capabilities. To this end, we will substantially improve R&D processes by leveraging generative AI, data science, MI/BI/PI, and laboratory automation.

Strategy in the Management Plan "Mission 2030" (Road Map for Achieving "Mission 2030")

[FY2025 Results]

Propose ten seeds for new businesses

Provide samples to prospective users in six research themes

Enhancement and promotion of R&D according to the megatrend

Discontinue approximately 10% of research themes
→ Concentrate resources on megatrends

[FY2027 Targets]

Begin commercializing new businesses (including sales of trial products)

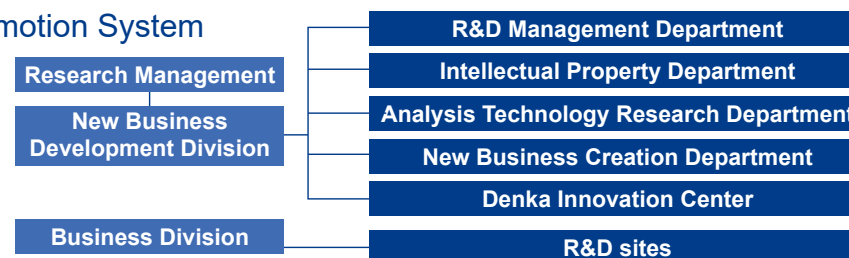
- Roll out certain laboratory automation
- Operate the R&D platform
- Begin using a database to manage research themes and resources

[FY2030 Target (desired state)]

Operating income of up to ¥3.0 billion

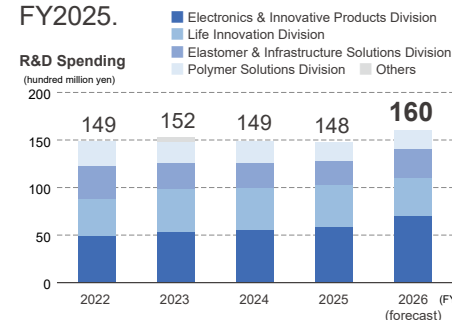
Establish a framework that continuously moves new businesses from proposal through incubation to commercialization

Promotion System



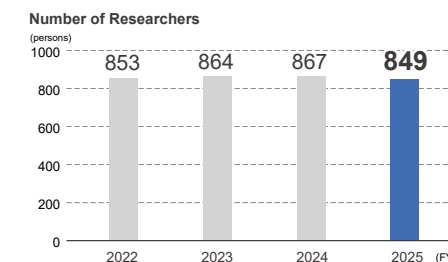
R&D Spending (Consolidated)

R&D spending averaged 15.0 billion yen per year from FY2022 to FY2024 and totaled 14.8 billion yen in FY2025.



Number of Researchers (Consolidated)

The number of researchers in FY2025 was 849.



Intellectual Property Initiatives

1 Intellectual Property Vision

MISSION

Provide high-value-added intangible assets to directly and indirectly increase the corporate value.

PURPOSE

To serve as a compass to guide to business value creation through merging IP and our specialties.

CORE VALUE

Specialty: Each individual becomes a human resource with unique value.
Diversity: Acknowledge and empathize with different backgrounds and viewpoints to grow together.
Co-creation: Respect each other and tackle work with integrity.

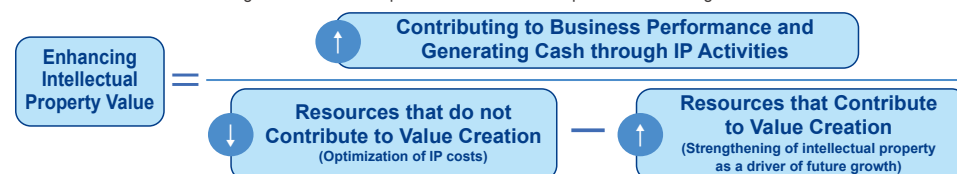
2 Activities to Maximize Intellectual Property Value

(1) Intellectual Property Strategy for Achieving Management Plan "Mission 2030"

We position intellectual property as a key management resource supporting business stability and sustainable growth, and we are working on strengthening it.

Our intellectual property activities previously focused on protecting research results and products under development. Today, we assign IP personnel to business and research divisions, where they work with the Intellectual Property Department in a three-way partnership. This has shifted our activities toward contributing to business value creation.

We also hold annual Departmental IP Strategy Committee meetings to discuss medium- to long-term IP strategies with the heads of each division and the relevant business and research units. Based on these discussions, we report to the Intellectual Property Strategy Council and the Board of Directors to promote IP portfolio management aligned with our business strategies. We are also optimizing our intellectual property holdings based on their contribution to value creation while strengthening the resources that will drive future growth. This will help contribute to business performance and generate cash.

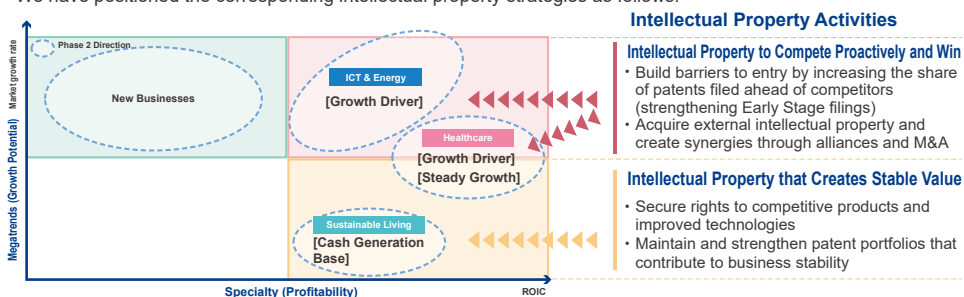


(2) IP Activities to Realize Business Strategies

In "Mission 2030" Phase 2, we have established the following strategies for each business area.

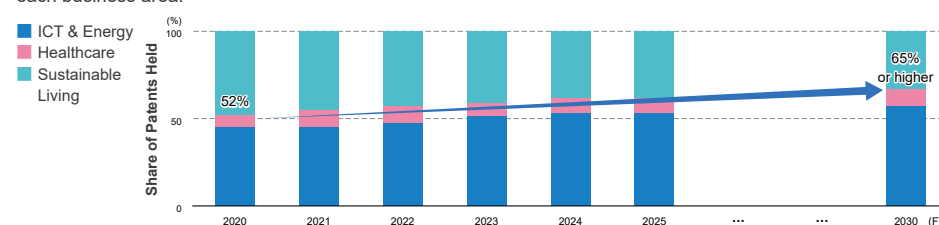
- **ICT & Energy:** Growth driver (growth investment area)
- **Healthcare:** Growth driver + steady growth (earnings expansion area)
- **Sustainable Living:** Cash generation base (portfolio restructuring area)

We have positioned the corresponding intellectual property strategies as follows.



We also continuously optimize our IP portfolio throughout the Company by selecting priority areas and concentrating resources, while shifting resource allocation toward strategic fields. As a result, the share of our patents in ICT & Energy and Healthcare has increased from 52% in FY2020, demonstrating progress in shifting our portfolio toward growth areas.

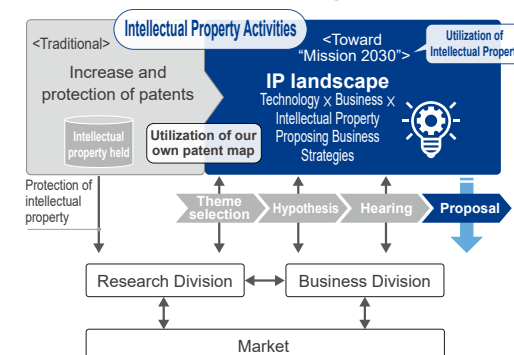
We will continue rebuilding our earning power through intellectual property initiatives tailored to the strategy of each business area.



(3) Utilization of IP Landscape: "Proactive Use of Intellectual Property"

As the importance of IP information has increased in Japan, the use of the IP landscape has become widespread throughout the intellectual property field from around 2018. We began our own activities in 2020.

Today, we use generative AI to analyze a broad range of IP information and propose business strategies that integrate technology, business, and intellectual property. In addition to providing information that supports M&A, we are exploring adjacent fields that build on the strengths of our existing businesses. Through these activities, we are working to make our intellectual property strategy a driving force for ongoing innovation.



3 External Recognition

Our intellectual property has earned high ratings: Denka ranked 11th in LexisNexis Patent Value Growth Ranking in 2025 and seventh in Patent Result Chemical Industry Patent Asset Size Ranking 2025. These results provide objective evidence of the strength of our intellectual property.

Technology Platform Diagram

Building on Our Core Technologies to Expand Value Creation and Shape the Future

The core technologies we have cultivated over many years are among the intangible assets that underpin Denka's value creation. Honed through our efforts to solve social challenges, these technologies have given rise to a wide range of businesses and products. We will integrate and further develop our core technologies and process and platform technologies to create new products and value, primarily in our three focus areas that we have aligned with megatrends.



New Business Creation Initiatives for 10 New Business Themes

We are continuously working to generate themes for new businesses, centered on ICT & Energy, Healthcare, and Sustainable Living. We are aiming to create value with commercialization in mind, by combining our core technologies with open innovation involving startups, academia, and others. We position these themes as part of our medium- to long-term strategy to support our business portfolio beyond fiscal 2030, and will pursue sustainable growth and strengthen our earnings base.

Hikari
Uchida

Denka Innovation
Center
New Materials
Research
Department



3. Next-generation High-heat dissipation Filler (Core Technology x Startup Collaboration)

Based on our core technologies, we are working with startups to enhance thermal conductivity and reliability and strengthen our competitive advantage. In addition to jointly developing boron nitride nanotubes (BNNT), we are specifically working to improve performance through diverse approaches, including the development of composite materials and surface modification technologies using coatings.

Ayako
Kakegawa

New Business
Creation Department



5. Aerospace Materials (Core Technology x Open Innovation)

As ecosystem development for space exploration accelerates around the world, we are advancing development of materials for extreme environments by evolving our distinctive core inorganic materials technologies through open innovation. With this, we are aiming to contribute to global space development.

Yuka
Yamashita

New Business
Creation Department



6. Materials for Beyond-next-generation Communications (Core Technology x Academia)

We are advancing development of next-generation resins with low dielectric constants and low dissipation factors in collaboration with academia, with an eye toward the commercialization of 6G after 2030. By advancing our proprietary core technologies, we aim to commercialize materials that reduce signal transmission loss in high-frequency bands and support the further evolution of high-speed communications.

Yuuya
Nakamura

Organic Materials
Research
Department



8. Applying Existing Materials to Biofunctional Materials (Core Technology)

We are advancing development of biofunctional materials by combining Denka's core expertise in organic, inorganic, and biotechnology fields. In addition to improving quality of life (QoL) in personal care, we are developing materials that support regenerative medicine in the cell culture field and generating themes that are expected to drive Denka's future businesses.

New Business Creation Department



Keigo
Kajiwara Takafumi
Harada Lee
Shin Yong

9. Digital Diagnostics (Core Technology x Startup Collaboration)

We are improving diagnostic accuracy and advancing disease management, by combining our core in-vitro diagnostic technologies with startups' digital and AI technologies. Through new value creation based on data, we are strengthening our ability to respond to medical needs.

ICT & Energy

Phase 2 (FY2026–FY2028)

1. Conductive polymer (CVC: Create Value)
2. High-performance, multi-functional resin (CVC: Ares Materials)
3. Next-generation high thermal conductivity filler (CVC: NaiEEL Technology)
4. Materials for next-generation energy

Cutting-edge thermal management
Advanced semiconductors and
power infrastructure

Phase 3 (FY2029–FY2030)

5. Aerospace materials
6. Materials for next-generation communications (academia)

2031–

Expansion into high-reliability fields:
Phased expansion of applications
in response to increasingly
demanding operating environments

Healthcare/Sustainable Living

Phase 2 (FY2026–FY2028)

7. Technology licensing
8. Application of existing materials to biofunctional materials (academia)
9. Digital diagnostics (CVC: Avice Health)

Strengthen and expand the
diagnostics and IVD reagent
business

Phase 3 (FY2029–FY2030)

10. CO₂ utilization technology (academia)

2031–

Expand into sustainable health and
personal care fields through application
of materials technologies

Production Technology Division

Technology — Process Reforms

Message from the Head of the Production Technology Division



Koji Nishimura

Executive Officer, Production
Technology Division

In FY2026, we established the Production Technology Division by integrating the functions of four departments: the Environment and Safety Department, Quality Assurance Department, Production Technology Department, and Engineering Department. We face important management challenges, including a drop in capabilities at production sites amid a shrinking population, safety management, and recent quality issues. These challenges call for a structural shift from optimizing individual functions and departments to optimizing manufacturing as a whole. This division integrates these functions: Environment and Safety set out the conditions for operations; Production Technology translates them into processes with high labor productivity; Engineering designs the equipment and competitive capabilities we will need in the future; and Quality Assurance builds stakeholder trust. We will treat the entire process, from conceptual planning and design to operation and maintenance, as a continuum and serve as the central function for achieving overall optimization.

In Phase 2 of Management Plan "Mission 2030," we will use the Production Technology Division's cross-functional expertise and data capabilities to further accelerate process reforms and digital transformation. By leveraging the power of integration to create new value and contribute to sustained profits, we will maximize investment returns with a focus on capital efficiency and strengthen earnings power.

Place the Utmost Priority on Safety

▶P86

Quality Assurance Management

▶P88

Initiatives for "Process Innovation" and "Factory DX" to Transform the Organization and Improve Productivity

The Production Technology Department is responsible for formulating and implementing a comprehensive technology strategy that links production technology with R&D to achieve our management plan. Based on our strategic road map, we will use data to select, revise, or discontinue initiatives and allocate resources. We will also strengthen management of fixed costs, including capital investment and labor costs, to support an efficient production structure and enhance corporate value.

As the declining birthrate, aging population, and shrinking workforce accelerate, we are committed to sustaining production with limited personnel. By making full use of digital technologies, physical AI, and other tools to fundamentally reform existing processes, we will transform our organization and improve labor productivity.

VOICE

Yuma Taketomi

Automating Manufacturing Processes

Production Technology Department, Omuta Plant

As the decline in the working population increases in severity, automating manufacturing processes through robotics is essential. In advancing automation, we aim to go beyond simply replacing existing methods. By focusing on fundamental process reforms, we seek not only to improve labor productivity but also to enhance and stabilize quality. We will continue working toward automation while boosting collaboration with manufacturing and other related divisions.

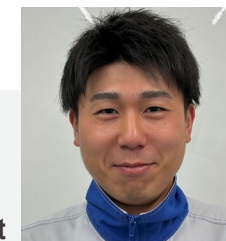


Kazuki Tenjin

Automating Expert Skills

Production Technology Department, Shibukawa Plant

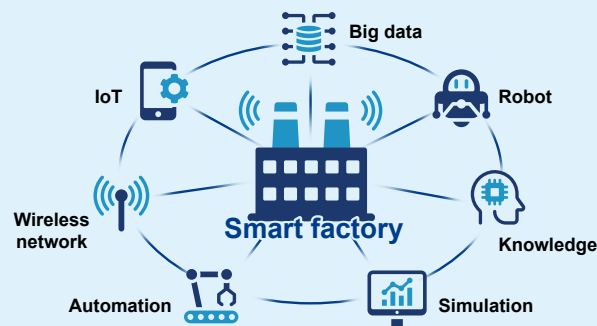
The Shibukawa Plant produces emitters supporting semiconductor miniaturization. Many processes here require expert skills, and the time needed to acquire these skills presents a challenge. In anticipation of a further decline in the workforce, we are reviewing tasks that depend on individual expertise and embedding expert skills into processes. Through automation, we are seeking to enable anyone to consistently produce products of the same quality. We will also work to make highly demanding tasks less dependent on specialized skills and examine mass production of products under development to strengthen our stable supply capabilities.



To Achieve the "Mission 2030" Management Plan Targets

[FY2025 Results]

- We selected products and plants to prioritize for process reforms, and are pursuing initiatives based on a strategy of selection and concentration. In FY2025, we made 50 investments in process reforms, primarily involving digital technologies, robotics, and new processes, advancing our efforts to improve productivity and strengthen competitiveness.
- We have defined our DX strategy for production sites as "achieving smart factories where manufacturing brings joy" and are promoting factory DX throughout the Company. After clarifying the desired state of Denka, we redesign operational processes, develop system concepts, and set KPIs needed to achieve our goals, ensuring that our initiatives deliver results.



[FY2027 Plan]

- We plan to implement approximately 180 process reform initiatives over the four years from FY2024 to FY2027, achieving 55% of our FY2030 labor-saving target. We will also review priorities and themes from the perspectives of business viability, labor-saving effects, and cost structure to achieve our goals.
- We will also promote information sharing of process innovation technologies, horizontal deployment, and the transition from individual optimization to overall optimization.

[FY2030 Target (desired state)]

- In a social environment where the declining birthrate and the aging population, and shrinking workforce are accelerating, we aim to improve labor productivity to achieve continuous production activities with limited human resources.
- We will promote smart factory initiatives by utilizing IoT, big data analytics, AI, and robotics technologies, aiming for factories that are equipped with innovative technologies and continue to evolve with the times.
- We will strengthen collaboration between divisions and promote process innovation with a focus on overall optimization, transforming organizations and business models to secure competitive advantage.

[Examples of initiatives]



(1) Production Reforms through the Digitalization of Expert Skills

We are automating manual tasks for electronic component manufacturing that depend on skilled workers. By digitizing the movements of experts and scientifically analyzing the various factors involved, we are working to reproduce and standardize their skills. This reduces reliance on specialized skills while improving productivity.



(2) Strengthening Quality and Production Management, and Labor-Saving

We are automating visual inspection processes in pharmaceutical production using AI image recognition technology. Highly accurate automated assessments that do not rely on human visual inspection further stabilize quality, while reduced staffing requirements improve efficiency and productivity.

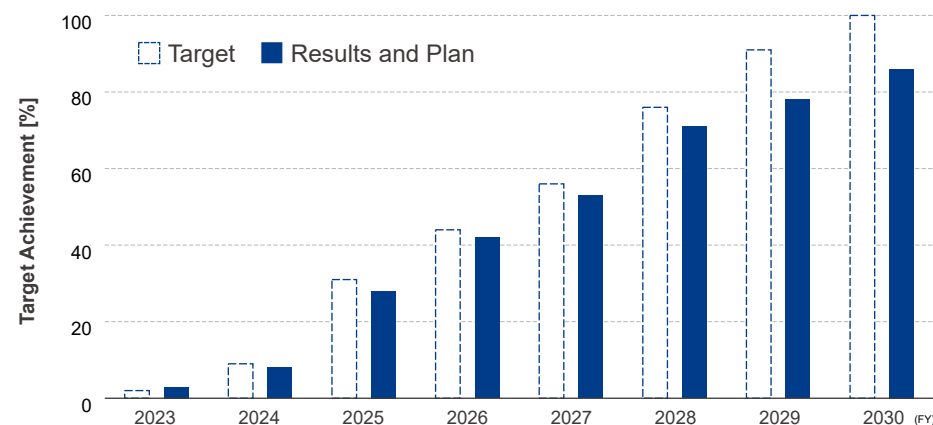


(3) Detecting Early Signs of Abnormalities in Production Processes

We are using digital technologies to ensure stable quality for electronic materials production. By digitizing on-site information, including production conditions, operating data, and quality data, we are working to detect abnormal trends early and use machine learning to identify the causes of quality defects.

Progress toward the Labor-Saving Target

(FY2030 target headcount reduction = 100)



DDX (Denka Digital Transformation) Driven by Management Plan "Mission 2030"

Enhancing customer satisfaction and creating new value

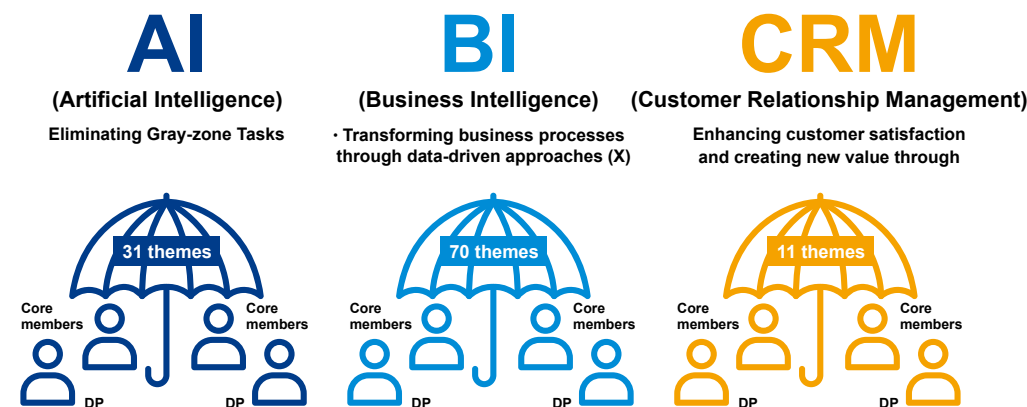
DDX: Our Vision and Progress

We are promoting Denka Digital Transformation (DDX) throughout the Company as a key initiative for achieving "Mission 2030." In FY2024, under our vision of "Make the world a better place as specialists by integrating digital technology and chemistry," we positioned DX as more than a means of improving operational efficiency. Our aim is to enhance corporate value by transforming business models and operational processes. Business divisions and corporate departments worked together to develop a DX strategy and a company-wide DDX road map.

To advance DDX, we are training employees with deep operational knowledge as Digital Pilots (DPs) and building a company-wide collaborative framework that covers everything from identifying initiatives to implementation and adoption. Some initiatives delivered tangible results in FY2025. In FY2026, we will build on these achievements, expand successful initiatives, and pursue further results. We will also accelerate operational transformation through generative AI and data utilization. In sales and marketing, we will strengthen sales DX with a focus on rebuilding earning power.



Three Projects for Promoting DDX



As of April 2026

1 Company-wide Participation

Rather than limiting these efforts to the division responsible for DX, we have established a framework that enables each of our five business divisions and 16 corporate departments to take the initiative.

The DX Support Section of the Digital Strategy & Innovation Department, which leads company-wide DX, works with core members appointed from all business divisions and corporate departments to implement DDX initiatives.

* DP: Digital Pilot. Personnel who lead digital utilization and DX promotion within the Company.

2 Maximum Results with Minimum Investment

While we will make essential investments, such as infrastructure development in a systematic manner, our policy is to make full use of existing ICT assets. We also ensure company-wide optimization by introducing common systems and applications throughout the Company, avoiding duplicate or triplicate investments.

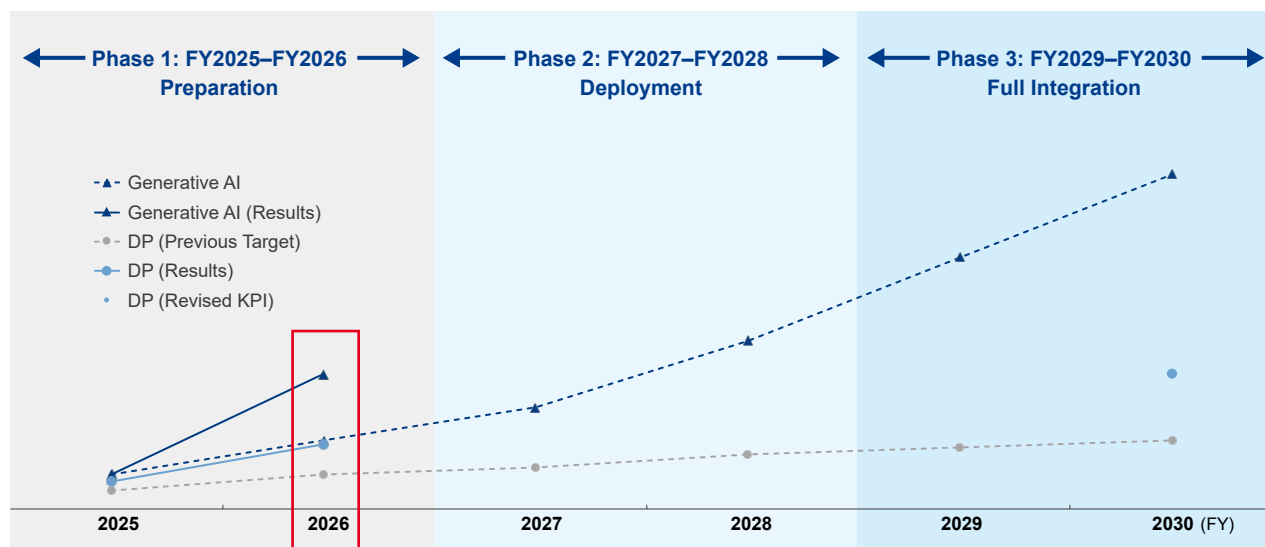
3 Progress through Dialogue and Governance

Appropriate management oversight and the Digital Strategy & Innovation Department's role in coordinating projects are important. Above all, however, our efforts place great importance on Empathy—one of our Core Values. The Digital Strategy & Innovation Department engages in more than 100 dialogues with workplace teams each year and has persistently worked to embed these initiatives at every site.

DDX Roadmap

To Achieve the "Mission 2030" Management Plan Targets

DDX Roadmap



DX KPIs and KGIs

KPI related to DX

We established KPIs to measure DDX progress in the second half of FY2024 and continue to use them today. We regularly assess each DDX initiative's results and contribution to solving problems against these KPIs. The findings inform decisions to reprioritize, revise, or discontinue initiatives and reallocate management resources. We have also raised our DP development targets in light of our progress, helping to accelerate talent development. Through these practices, DDX is steadily expanding while maintaining a focus on priority areas and delivering results.

FY2030 Targets

- Utilization of generative AI: 1,000 generative AI accounts
- Digital talent development: Train 400 DPs
- Sales departments utilizing CRM: 80%



Implementation Structure and Framework for Delivering Results

We have established DDX initiatives in all business divisions and corporate departments to promote DX across the Company. For each initiative, we clearly define the roles of DX producers, DX promoters, DX coordinators, and core members (operational staff, including DPs), who work with the DX Support Section to execute each initiative. With DPs who are familiar with operational knowledge taking the lead, we go beyond improving efficiency to create value through data and digital technologies.

Progress is made visible at three levels—workplace operations, management, and senior leadership—and monitored regularly against KPIs. In addition to the utilization of generative AI and DP development and participation, we focus on how much each initiative contributes to operational reform and better decision-making. We use these assessments to review priorities and allocate resources. We are also advancing data visualization and analysis through BI and other tools, while strengthening practices that translate analytical findings into decisions. This framework enables us to concentrate limited management resources on priority initiatives and maximize results.

Under this structure, DDX has moved from planning to execution, with a stronger focus on delivering results.

[FY2025 Results]

In advancing DDX, we not only deploy initiatives widely but also set clear priorities for implementation. Among the many initiatives, we identify priority areas and steadily execute those that can deliver results quickly, making our efforts more effective. In FY2025, 19 initiatives delivered results and 55 were being implemented to generate results. Many initiatives have thus moved into the implementation and tangible-results stages. We assess outcomes using indicators such as financial benefits and labor savings. One representative result is a reduction of approximately 68,000 work hours per year. This progress reflects our priority-based approach and demonstrates the steady transition of DDX from planning to execution.

Company-wide Deployment of Generative AI

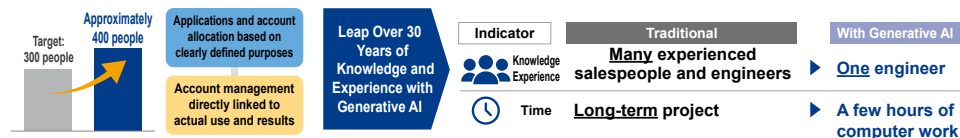
Following a trial two years ago involving approximately 100 employees, mainly in head office divisions, we rolled out generative AI throughout the Company last fiscal year. Its use is expanding across a wide range of daily tasks, including preparing documents, translating and summarizing text, searching internal information, and drafting emails. By the end of FY2025, approximately 400 employees had accounts, exceeding the initial target of 300.

Rather than providing accounts to all employees uniformly, we require applicants to clearly state their intended use. Our aim is to encourage actual use and results, rather than simply increasing the number of accounts. Even as access has expanded, approximately 95% of users continue to use the tools actively.

We are also accelerating efforts to create value by leveraging generative AI. New business development in the chemical industry relies heavily on specialized knowledge, experience, and professional networks. This creates a structural challenge for younger employees in turning their ideas into viable concepts. Guided by the phrase "Leap Over 30 Years of Knowledge and Experience with Generative AI!" we introduced generative AI into the process of generating ideas for new applications of existing materials. Using multiple prompts aligned with the evaluation process, approximately 40% of the ideas generated in FY2025 became candidates for consideration as development initiatives. Compared with traditional methods, this has significantly improved efficiency in terms of cost, staffing, and time.

This fiscal year, we will continue expanding the use of generative AI across a variety of internal operations, creating more opportunities to generate new value.

Company-wide Deployment of Generative AI



Nearly all account holders are active users

VOICE

While Japan has been lagging in developing generative AI itself, it is expected to demonstrate its strengths in applications connected to workplace operations and the physical world. We would like to incorporate generative AI into materials development as a tool that complements human expertise and judgment.

Kohei Nishino

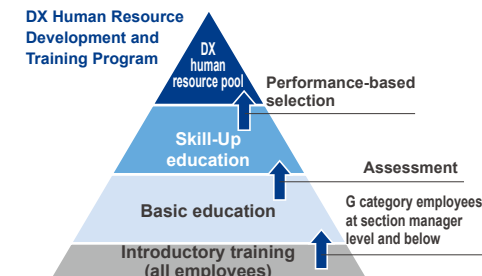
Electronics & Innovative Products Division /
Elastomer & Infrastructure Solutions Division /
Polymer Research Department, Polymer Solutions Division



Leveraging Digital Pilots

The number of Digital Pilots (DPs) leading DX is steadily increasing. In FY2026, 117 additional employees were certified, bringing the total to 186. When employees familiar with operational knowledge apply their DX expertise to transform operations and create new value, it directly boosts earnings power and competitiveness. Results from data utilization and operational process reforms are emerging across divisions, with DPs serving as the driving force behind workplace transformation.

To further support DPs, we provide follow-up training in generative AI and data utilization, both central to DDX. We will also provide training for core business operations, which form the foundation of our data, to accelerate initiatives in each field and extend them to workplace operations. In light of this progress, we raised our DP development target for achieving Management Plan "Mission 2030" from 200 to 400 employees. We will continue developing and leveraging DPs to accelerate DX with a focus on company-wide optimization and enhance corporate value in a sustainable manner.



VOICE

I feel that our company-wide DX efforts are increasing the flexibility of not only individual employees but also the organization as a whole. In safety, we aim to harness this strength by using a variety of data in real time to create new value: a system that anticipates hazards and prevents them from occurring.

Hiroaki Maekawa

Safety Management Section,
Environment and Safety Department,
Production Technology Division



IT Infrastructure

We are strengthening the infrastructure that supports the use of generative AI and other digital technologies. We are establishing governance measures, including rules for data use and access-rights management, while creating an environment that enables data to be used throughout the Company. This will provide a common foundation for company-wide data utilization. By consolidating data that had previously been dispersed, we will also support more advanced use of generative AI and data-driven decision-making.

Message from CHRO

Kei Hara

Managing Executive
Officer
Chief Human
Resource Officer
(CHRO)

Our ability to rebuild our earning power and achieve the Management Plan "Mission 2030" depends on the transformation of our human resources. Maintaining a competitive advantage ultimately depends on whether, in addition to having strong technologies and facilities, we have the people and organization capable of translating "Initiative," "Integrity," and "Empathy" into results. The reality, however, is that we have reached a point where we can no longer prevail in competition by continuing with conventional approaches. What is required of us now is a clear shift toward a "strong organization."

Unless we evolve into an organization with the sales capabilities to fully create customer value, the ability to formulate our own questions and derive solutions, and the ability to carry transformation through without being constrained by existing frameworks, we will not be able to rebuild our earning power. Going forward, a human resources strategy focused solely on "development" will not be sufficient. If individuals are unable to reach the required level, we must be prepared to review our systems, including assignments, evaluations, and promotions, and renew our human resources portfolio so that it is suited to a strong organization.

At the same time, we will ensure that systems are firmly in place to reward people who take initiative and deliver results, while accelerating the recruitment and development of core talent capable of leading transformation. We will continue to seek individuals who are unafraid to take initiative and individuals who can embrace diverse values and translate them into value creation. More importantly, we must build a "strong organization" that enables those individuals to fully demonstrate their capabilities. This is my most important responsibility as CHRO. We will review every aspect of our organization, systems, and culture and decisively implement the necessary reforms. There can be no enhancement of corporate value without the transformation of our human resources. By simultaneously promoting individual growth and organizational competitiveness, we will evolve into a company capable of sustainably generating earning power.

Roadmap to the Management Plan
"Mission 2030"

Mission

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.

Strategy for
"Mission 2030"
Phase 2

Rebuilding
earning power

"Initiative"
×
"Execution"

"Mission 2030"
Phase 3 and beyond

Target state

A strong organization
where self-directed
employees who take
on challenges and
execute them,
can fully demonstrate
their capabilities

Foundational Elements for Strategy
Execution and Human Resources Themes

Business continuity and the driving force
behind growth businesses

**Development of next-generation
leadership candidates**

Competitiveness of ICT & Energy and Healthcare
**Strengthen the human resources
foundation supporting business growth**

Diversity in decision-making and organizational
transformation capabilities
**Ratio of female managers/appointment
of diverse human resources**

Execution capabilities and a virtuous cycle for
individuals and the organization
Engagement score

Productivity and sustainable creation of results
Health-related indicators

Policies and Strategies

Policy

Strategy

1.
**Strengthening of
Human
Resources
Development
System**

Build the human resources foundation that supports the competitiveness of growth businesses by strengthening the human resources development system, including the development of future executive candidates, the establishment of a company-wide integrated education framework, and fostering a self-directed learning culture.

2.
**Promotion of
Diversity, Equity
& Inclusion**

By creating workplaces, systems, and a culture where people with diverse perspectives can thrive, we will incorporate diverse viewpoints into decision-making and strengthen the organization's ability to adapt to rapidly changing market conditions.

3.
**Health and
Productivity
Management
and Work Style
Reform**

Promote institutional reforms to create a "workplace employees want to return to tomorrow" and build an environment where employees can fully demonstrate their abilities, thereby improving execution capabilities and productivity.

Initiatives and KPIs toward the Target State

In the creation of human resources value under the "Mission 2030" management plan, we have identified "strengthening of human resources development system", "promotion of diversity, equity and inclusion", and "health and productivity management and work style reform" as key policies (materialities), and set medium- to long-term KPIs linked to each of our policies.

Policy	Key Phase 1 Initiatives	Phase 2 Plans and Measures
1. Strengthening of Human Resources Development System	<ul style="list-style-type: none"> Launched strategic personnel changes Reviewed human resource development programs Established Career Planning Committee Introduced system to support self-improvement Introduced subscription-based e-learning (for managers only) 	Developing Autonomous Talent and Enhancing Our Learning Infrastructure <div> Strengthening Human Resources Development <ul style="list-style-type: none"> Support for self-directed career development Integration with talent management Establishment of a unified company-wide training system </div> <div> New HR System (Investment in People) <ul style="list-style-type: none"> Professional career system Regionally restricted G category employees </div> <div> Next-generation Leadership Development <ul style="list-style-type: none"> Career Planning Committee </div>
2. Promotion of Diversity, Equity & Inclusion	<ul style="list-style-type: none"> Expanded recruitment portfolio Held a panel discussion event with Outside Directors x female managers Held Women's Career Journey events (ongoing) Established company-wide policy for promoting DE&I Work and Caregiving Balance Promotion Month 	Promoting Diverse Talent and Supporting a Balance between Work and Major Life Events <ul style="list-style-type: none"> Strengthen frameworks for developing diverse leaders Build awareness and create opportunities to appoint diverse talent <div> Global Task Force <ul style="list-style-type: none"> Develop global talent Recruit global talent </div> <div> Support for balancing work with childcare and caregiving, and raising awareness of support programs <ul style="list-style-type: none"> Training for managers Communication on support programs and legislative changes </div>
3. Health and Productivity Management and work style reform	<ul style="list-style-type: none"> Started in-house recruiting system Held town hall meetings and lunch gatherings by management Recognized as a Certified Health & Productivity Management Organization (White 500) for three consecutive years beginning in 2023 Completed smoking ban during working hours Held labor and management jointly sponsored walking contest (held annually since 2022) 	Promoting Health and Productivity Management and Increasing Engagement <ul style="list-style-type: none"> Continue holding health seminars and similar events <div> Investment in Facilities <ul style="list-style-type: none"> Expand communication spaces Office layouts that bring people together </div> <div> Strengthening Internal Communities <ul style="list-style-type: none"> Town Hall Meeting Cross-communication Roundtable discussions </div>

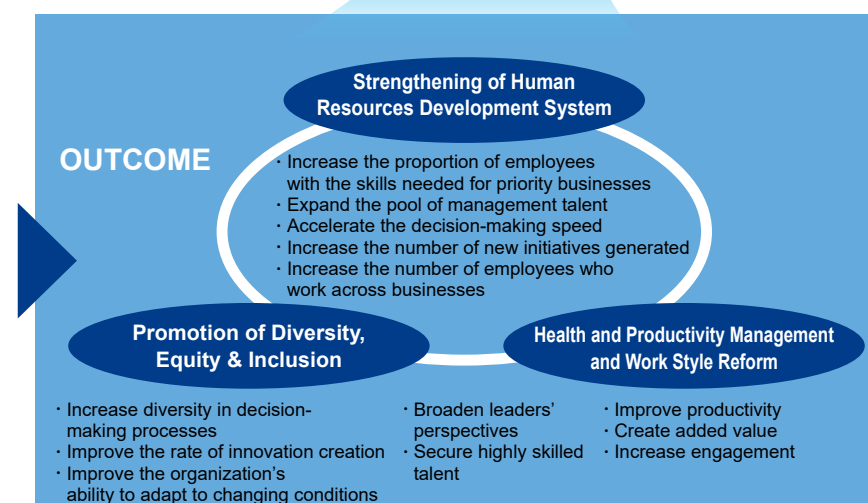
Contribute to
Higher ROE

Target state

A strong organization where
self-directed resources who take
on challenges and execute them,
can fully demonstrate their capabilities

Policy	KPI	FY2025 Results	FY2026 Targets	FY2030 Targets
1. Strengthening of Human Resources Development System	Provide training that employees find valuable	Conduct training satisfaction surveys and aim for a favorable rating. * Evaluated using NPS		
2. Promotion of Diversity, Equity & Inclusion	Ratio of women in managerial positions*1	6%	8%	15%
	Percentage of males taking parental leave	78%	80%	85%
3. Health and Productivity Management and Work Style Reform	Improve employee engagement	—	—	Visualization and ongoing improvement of engagement
	Reducing overtime hours	142 hours per employee per year	140 hours per employee per year	120 hours per employee per year
	Increasing the annual paid leave utilization rate	77%	80%	100%
	Employees maintaining an ideal body weight	63%	68%	80%
	Employees with high stress levels	13%	12%	10% or less
	Employees with good exercise habits	39%	40%	40%
	Reduction in the percentage of smokers	23%	21%	12% or less

*1 Calculated for regular employees only, excluding rehired employees and similar categories



Initiatives Toward the Target State

1. Strengthening of Human Resources Development System

Developing Autonomous Talent and Enhancing Our Learning Infrastructure

To achieve our human resources strategy, we are building a unified company-wide education and training framework. In Phase 1, we established mechanisms for learning. In Phase 2, we will build the organizational capabilities to translate learning into business results, developing autonomous talent and a strong organization.

Phase 1 initiatives (foundation development)

Development by Career Level

We have established a five-year development curriculum for younger employees to progressively acquire fundamental business skills required in any role, including critical thinking, engaging others, and logical communication. For managers, we provide training focused on role transitions to strengthen their ability to manage organizations and develop their team members.



Building Our Learning Infrastructure

We integrated our training platforms by introducing a learning management system (LMS). Centralized management of training records and learning hours ensures a data foundation that improves access to learning opportunities and supports the refinement and enhancement of our programs. The login rate in the first year reached 94.3%, helping establish use of the system throughout the Company.

94.3%

First-year LMS Login Rate

Promoting Self-directed Learning

We support self-directed learning through subscription-based e-learning for managers and our self-development support program. FY2025 was the first year of subscription-based e-learning, and learning hours exceeded twice the initial target. Going forward, we will focus on learning that directly supports day-to-day work. We will develop mechanisms that connect learning with solving operational challenges and delivering results, while encouraging use of the self-development support program to foster a culture where every employee continues to learn in proactive manner.

Results and effects

- Standardize and visualize the training infrastructure
- Improve younger employees' ability to perform their duties and solve problems
- Strengthen managers' ability to manage organizations and develop team members
- Foster a culture of self-directed learning

Phase 2 plans and measures (enhancement and expansion)

By using training data to improve development programs and making learning outcomes visible and shareable, we will extend the benefits of individual learning throughout the organization. Our aim is to develop self-directed resources capable of responding flexibly to a rapidly changing business environment and enhance corporate value in a sustainable manner.

Succession Planning (Career Planning Committee)

The Career Planning Committee systematically develops management talent capable of delivering business results and driving future growth. We will strengthen our business strategies by continuously developing and appointing people who are able to deliver business results, execute plans, and drive transformation. Through a system that fairly evaluates both challenges undertaken and results achieved, we will assign the right people in the right roles and optimize our talent portfolio, building a strong organization that can respond to changes in the business environment.

**Ability to Deliver
Business Results**

**Execution
Capabilities**

**Ability to Drive
Transformation**



Through these efforts, we will continuously nurture people who are able to deliver results today and grow our businesses in the future, achieving sustainable growth and enhancing corporate value.

Global Task Force

As business conditions and market structures change significantly, we are developing global talent capable of creating value across diverse environments, cultures, and markets. Through collaboration with overseas sites and different businesses and functions, we provide opportunities to solve problems while gaining an understanding of diverse values and business practices. This boosts employees' ability to adapt to change and drive business forward.

**Ability to Adapt
to Diversity**

**Global Management
Perspective**

**Ability to Respond
to the External
Environment**



By continuously developing these capabilities, we will cultivate people who are able to deliver results anywhere, strengthening the competitiveness of our growth businesses and enhancing corporate value in a sustainable manner.

Initiatives Toward the Target State

2. Promotion of Diversity, Equity & Inclusion

In Phase 1, we fostered an organizational culture and developed the foundations needed for diverse human resources to fully demonstrate their capabilities. In Phase 2, we will use diversity in decision-making and value creation to strengthen organizational transformation capabilities and competitiveness, thereby reinforcing the competitiveness of growth businesses.

Phase 1 initiatives (foundation development)

Strengthening Management Commitment

We formulated our DE&I Basic Policy and communicated it company-wide together with a message from the President, while also providing e-learning for all employees on DE&I and unconscious bias. In dialogue with management, we repeatedly discussed issues in promoting women's advancement, measures to increase the ratio of female managers, and practical examples from each division.

Executive sessions
(FY2025)

**4 sessions
in total**

"DE&I is not an HR initiative;
it is a management priority."



Career Development and Work-life Support for Female Managers

To increase the ratio of female managers, we promoted career development support and assistance in balancing work with life events.

Seminar for employees
returning from childcare leave

23

Number of participants (FY2025)

We sought to encourage participants to take a long-term perspective and proactively shape their own careers.

Seminar for newly
appointed managers

48

Number of participants (FY2025)

We sought to raise awareness of creating workplaces where employees can work in ways suited to their individual lifestyles.

Women's Career Journey
Held twice in total

(FY2025)

By having successful female employees share their careers and future aspirations, we provided younger female employees with opportunities to think about their own careers in a proactive manner.

Results and effects

- Fostered a shared understanding that DE&I is a management priority
- Expanded active involvement in promoting women's advancement
- Deepened understanding of support for balancing work and life
- Created more inclusive workplaces where diverse human resources can thrive

Phase 2 plans and measures (enhancement and expansion)

Going forward, based on the organizational culture and awareness reforms achieved to date, we will improve and expand our institutional framework. We will create an environment that supports diverse ways of working, strengthen support for balancing work with life events such as childcare, caregiving, and medical treatment, improve managers' management capabilities, and promote broader use of relevant systems. Through these initiatives, we aim to create a company where every employee can develop their own unique expertise and strive to become the best version of themselves.

3. Health and Productivity Management and Work Style Reform

In Phase 1, we developed the foundation for employees to fully demonstrate their capabilities with confidence. In Phase 2, we will enhance execution capabilities and productivity by maximizing individual and organizational performance through Health and Productivity Management and improved engagement.

Phase 1 initiatives (foundation development)

Town Hall Meetings/Lunch Gatherings

An employee engagement survey revealed that employees felt a psychological distance from management, so management held town hall meetings and lunch gatherings with younger employees. By expanding opportunities for dialogue with management, we are deepening understanding of management policy, encouraging changes in managers' awareness and behavior, and fostering a corporate culture where employees can speak up and take on challenges more easily.

Participant comments/reviews (excerpts)



"Understanding the background behind top management decisions helped me better understand and accept them."



"The executives' views on human resources helped inform my approach to management."

(Excerpts from participant survey)

Denka Wellness Week

To deepen understanding of Health and Productivity Management and encourage proactive health-promoting behavior, we designated a health week called "Denka Health Week" and held daily health seminars throughout the week.

Approximately
1,200 people
Number of participants in the Denka
Walking Event (June 2025)



Preventing Falls

In response to the high incidence of fall-related accidents, we held a walking assessment event at the Chiba Plant and provided exercise guidance based on the assessment results.

Approximately
100 people

Participants in walking assessment
event (FY2025/Chiba Plant)



Results and effects

- Deeper understanding of management policy
- Changes in managers' awareness and behavior
- Improved health awareness
- Fostered a stronger sense of organizational unity
- Fostered a culture that encourages employees to take on challenges

Phase 2 plans and measures (enhancement and expansion)

We will continue our company-wide health initiatives through seminars, building on our existing initiatives, to create an environment where every employee can fully demonstrate their abilities and to promote the health and well-being of employees and their families. Based on our analysis of employee health issues, we have identified lifestyle diseases, cancer, and mental health as key employee health challenges. We will work with the health insurance society and medical professionals, while implementing the PDCA cycle, to further enhance Health and Productivity Management. Beginning in FY2026, we will also conduct an engagement survey every year and continuously monitor the effectiveness and improvement status of various initiatives, including work style reform.

SPECIAL TALK —Human Resources Department Roundtable Discussion—

Many people are involved in helping each employee develop a successful career at Denka. Their work covers recruitment, human resources development, talent deployment, health and productivity management, payroll and benefits, and HR policy design. Six members of the Human Resources Department came together to discuss their respective roles and the shared commitment behind their work.



Experience to Date

Iijima (Labor Relations Group):

- Joined Denka in 2012. After working in general affairs and personnel at the Shibukawa Plant, transferred to head office in April 2026.
- Responsible for HR system design and labor-management consultations in the Labor Relations Group.

Tokunaga (Human Resources Development Promotion Section):

- Joined Denka in 2024. After handling HR operations in the General Affairs Section at the Omuta Plant, transferred to head office in January 2026.
- Responsible for training younger employees and Grade 7 employees.

Tsuchida (Wellness and DE&I Promotion Section):

- Joined Denka in 2020. Transferred from Sales Division to the Wellness and DE&I Promotion Section in April 2025.
- Mainly responsible for health and productivity management, as well as employee benefits and diversity promotion.

Furuyama (Personnel and Systems Group):

- Joined Denka as an experienced hire in 2023 and was assigned to the Human Resources Department.
- Responsible for organizational and personnel matters, and the operation and use of HR systems.

Sakai (Compensation and Benefits Group):

- Joined Denka in 2017. After working in sales administration, transferred to the Human Resources Department in 2019.
- Responsible for managing and administering social insurance and employee benefit programs.

Shimizu (Recruitment Group):

- Joined Denka in 2023. Worked in the Recruitment Group since joining the Company.
- Responsible for all aspects of new graduate recruitment, as well as hiring and contract management for temporary staff.

Human Resources Department Roundtable Discussion

Supporting the Workplace from Different Perspectives

Iijima: Today, I want to take a fresh look at the work we do at the Human Resources Department. We have different responsibilities within the same department, but our work is actually quite closely connected, isn't it?

Shimizu: I agree. As someone in charge of recruitment, an employee's first day is a milestone, but it certainly doesn't feel like the end of our work. Even compared with when I joined in 2023, recruitment methods and channels have become much more diverse. Every year, we keep thinking about how to best communicate what makes Denka an attractive place to work at. I also handle hiring and contract management for temporary staff, always trying to bring in the people our workplaces need at the right time.

Tokunaga: And that's where we take over.

Shimizu: That's exactly how it feels (laughing). I send them off thinking, "I'll leave them in your hands from here on."

All: (Laughing)

Tokunaga: We provide training under our development policy of helping people to "be the best they can." But holding training sessions isn't an end in itself. Can employees put what they've learned into practice at work? That is what matters most to me. So we check the impact of training afterward and use the findings to improve the content.

Shimizu: Being responsible for recruitment, we're also interested in how people are doing after they join the Company. It makes me really happy when someone says, "Here's what I'm working on now."

Furuyama: By the time it comes to that stage, their careers begin to overlap with our work too.

Iijima: That's true. Helping people make the most of their abilities is really an extension of recruitment and development.

Furuyama: I agree. We invest in recruiting and cultivating people, but that effort is wasted if they don't have an environment where they are able to use their abilities. We discuss possibilities with each division, asking questions like, "Could this person thrive in a different department?" or "Would this team give them

more room to apply their strengths?" HR systems and data management provide the foundation for that work.

Tokunaga: During training, we sometimes notice that someone is demonstrating a particular strength. It is rewarding when those insights lead to a suitable placement and help that person succeed.

Furuyama: Exactly. Recruitment, development, and talent deployment may look like separate jobs, but they're all connected within an employee's career.

Iijima: Since transferring from the plant to the head office, I've become more aware of those connections too. People work differently at plants and at the head office, and even the same policy can be received differently. So when I work on HR policies, I always ask myself, "Will this really be easy for people to use at their workplaces?"

Tsuchida: I think health is part of that continuity too. No matter how many opportunities people have to grow, it's difficult to keep performing at their best if they aren't healthy. Together with health checkups and stress checks, we also hold Denka Health Week and walking events.

Iijima: So raising awareness among younger employees is one of your priorities?

Tsuchida: Exactly. I think it's important for people to be mindful of their health every day, rather than waiting until a problem arises.

Sakai: I handle payroll and benefits, and I think being able to work with peace of mind is fundamental. People expect their pay to be accurate every month. They also expect social insurance to be available when they need it.

Tsuchida: Making sure these norms are available is important.

Sakai: It is. Consistently meeting those expectations creates an environment where employees are able to focus on their work without worry.

Iijima: I noticed something after listening to you all today—at first, I thought we'd each be talking mainly about our own responsibilities. But as the conversation went on, we all ended up talking about employees.

All: (Nodding)

Iijima: Our roles are different, but we're working toward the same goal. The work each of us does connects to support each person's growth and success. That's how we keep passing on the baton.



Human Resources Department Roundtable Discussion

How Do We Carry the Baton into the Future?

Iijima: So far, we've talked about how our work is connected. How do we carry that baton forward from here? When I hear the president talk about "self-directed resources" and "earning power," it makes me wonder what kind of people Denka will need in the years ahead. What would you all like to focus on going forward?

Shimizu: For recruitment, securing diverse talent with an eye on the future will become increasingly important. New graduate recruitment and experienced-hire recruitment play different roles, and both are essential to the Company's growth.

Furuyama: I think maintaining that balance is also important. We look to new graduates for their future growth potential, and to experienced hires for fresh perspectives and expertise. When people with those different strengths work together, I think it generates a new buzz of energy within the organization and leads to innovation.

Tsuchida: That idea of diverse talent is linked to DE&I too. It's not enough simply to have employees with different values and backgrounds—we also need an environment where each person can thrive as themselves.

Shimizu: I agree. That's why I'd like us to use new recruitment channels, such as employee referrals and rehiring former employees, to connect with more people who are able to bring diverse experiences and values.

Tokunaga: And once people join, it's equally important to create an environment where they can keep growing. For that process, we'd like to encourage more people to learn and take on challenges on their own initiative. Of course, we won't just say, "Please learn on your own," and leave it at that (laughing). We want to create an environment where everyone is able to keep learning in a proactive manner, so employee growth drives the Company's growth. I'd like to boost that positive cycle even further.

Sakai: For people to take on challenges on their own initiative, it's important to have an environment where they can work with peace of mind.

Alongside responding promptly to legislative and policy changes, I'd like to focus on helping employees understand the programs that are available to them. I want to make the information they need easier to access, so they are able to make use of those programs with confidence.

Iijima: That means encouraging more people to take on challenges and creating an environment where they can do so need to go hand in hand.

Furuyama: In creating such an environment, I'd also like to make greater use of HR data. We can make each employee's experience, expertise, and skills visible and use that information in placement and development decisions. That will help us find the best fit for both individuals and the organization.

Tokunaga: When we can see each person's strengths and experiences, it's also easier to plan their development.

Tsuchida: Health is essential if people are to keep performing at their best. I'd like to expand our efforts to improve health literacy, creating an environment where employees take an active interest in their own health and can continue contributing over the long term.

Sakai: Policies and health have that in common—it is not enough for the Company just to provide support. Employees need to understand it themselves.

Tsuchida: Exactly. I want to create an environment where everyone is able to thrive as themselves throughout their long career.

Iijima: Through this discussion, I can see that while our future priorities differ, they all come back to the same question: how can we bring out the full potential of every employee?

Recruitment, development, and talent deployment, supported by health and productivity management, payroll, and benefits. We connect those efforts to ensure that every employee can thrive over the long term. That's our role.

To achieve that, I think combining people, systems, and digital technologies will become even more important. By listening closely to workplace feedback and unspoken needs, applying them in our policies, and actively using data and AI, we want to make our human resources management even more valuable.

Bringing out the full potential of people and organizations, and creating an environment where autonomous talent can thrive. I believe that is the mission of the Human Resources Department in supporting the achievement of Management Plan "Mission 2030."



Sustainability Management Promotion Structure

The Denka Group has identified materiality (important management issues) related to sustainability and, within the Management Plan "Mission 2030," has set KPIs and targets for the "three growth strategies (Business Value Creation, Human Resources Value Creation, Management Value Creation)" and is working to resolve these issues.

Message from the Officer in Charge of Sustainability Promotion



Masanobu Kosaka

Director, Managing Executive Officer,
CTO, and Officer in Charge of
Sustainability Promotion

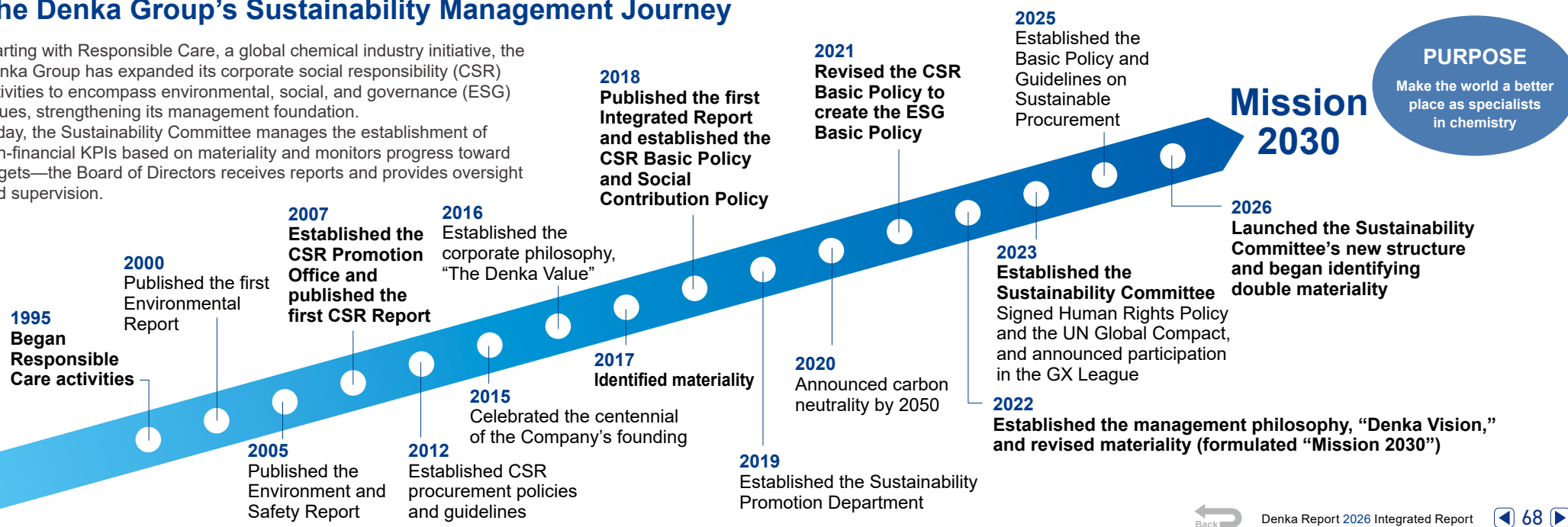
We established the Sustainability Committee in FY2023 to enable the entire Denka Group to pursue and implement initiatives addressing sustainability issues over the medium- to long-term in a proactive manner. The committee reviews reports on activities aimed at achieving the non-financial KPIs and targets set under the growth strategies of "Mission 2030." It reports the results to the Board of Directors and incorporates the resulting discussions and recommendations into each initiative.

In FY2026, we are making major changes to our structure to further enhance the committee's effectiveness, including establishing a Sustainability Promotion Liaison Meeting under the committee to lead the Group's response to the 2026 revision of the Corporate Governance Code and the SSBJ sustainability disclosure standards, and we have also started reviewing our materiality. Under the supervision of the Board of Directors, we will operate the committee with the agility and execution capabilities needed to address the Denka Group's sustainability issues.

The Denka Group's Sustainability Management Journey

Starting with Responsible Care, a global chemical industry initiative, the Denka Group has expanded its corporate social responsibility (CSR) activities to encompass environmental, social, and governance (ESG) issues, strengthening its management foundation.

Today, the Sustainability Committee manages the establishment of non-financial KPIs based on materiality and monitors progress toward targets—the Board of Directors receives reports and provides oversight and supervision.



Pursuit of Sustainability/Denka's Environmental Management

FY2026 Environmental Policy

Basic Policy

Based on its ESG Basic Policy, the Denka Group promotes decarbonization management toward achieving a sustainable society. As a measure against global warming, we are reducing CO₂ emissions, targeting a 60% reduction from FY2013 levels by 2030 and carbon neutrality by 2050. In FY2026, when GX-ETS (emissions trading system) begins, every employee will act with greater environmental awareness. We will create environmental value through decarbonization and strengthen product competitiveness while promoting effective use of resources, continuing zero-emission waste management, and considering reductions in hazardous waste and water use, thereby earning the satisfaction and trust of stakeholders.



Green Transformation (GX) Human Resource Development

- Improve GX literacy
Conduct GX study sessions

Related materiality

Achievement of carbon neutrality

Sustainable cities and
fulfilling daily lives

Environmental conservation
and minimization of
environmental impact



Process Reforms, Promotion of Energy Conservation, and Profitability

- Promotion of improvement activities that contribute to CO₂ reductions in each workplace and formulation of CO₂ reduction plans for target products.
- Reduction of electricity and energy use and consideration of new electricity plans

Related materiality

Achievement of carbon neutrality

Sustainable cities and
fulfilling daily lives



Appropriate Response to Information Disclosure

- Initiatives to achieve selection as an ESG investment target and promotion of environmental information disclosure requirements
- Addressing natural capital and biodiversity issues and promoting nature conservation activities
- Monitoring of CO₂ emissions and establishment of an operating policy for the emissions trading system (GX-ETS)

Related materiality

Achievement of carbon neutrality

Sustainable cities and
fulfilling daily lives

Environmental conservation
and minimization of
environmental impact



Strengthening the Supply Chain

- Promote customer understanding of the higher costs associated with reducing product CO₂ emissions reduction in products
- Strengthening product competitiveness and designing systems for environmentally friendly products
- Improvement of raw material and product transportation and storage, review of packaging materials, and investigation and consideration of switching to low-carbon raw materials

Related materiality

Achievement of carbon neutrality

Sustainable cities and
fulfilling daily lives



Setting and Promoting Targets for Effective Resource Use and Reductions in Hazardous Substances, etc.

- Continuation of zero-emission waste and further reduction of waste through valorization, etc.
- Promote understanding of hazardous substance emissions, water use, wastewater discharge, and other environmental impacts, and encourage consideration of reduction measures.

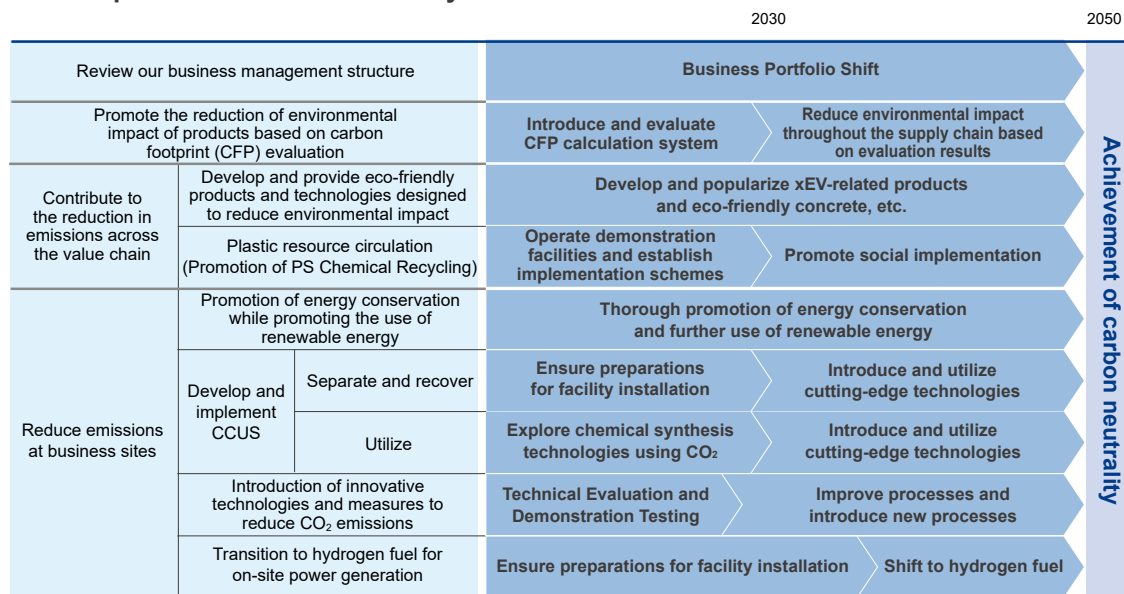
Related materiality

Environmental conservation
and minimization of
environmental impact

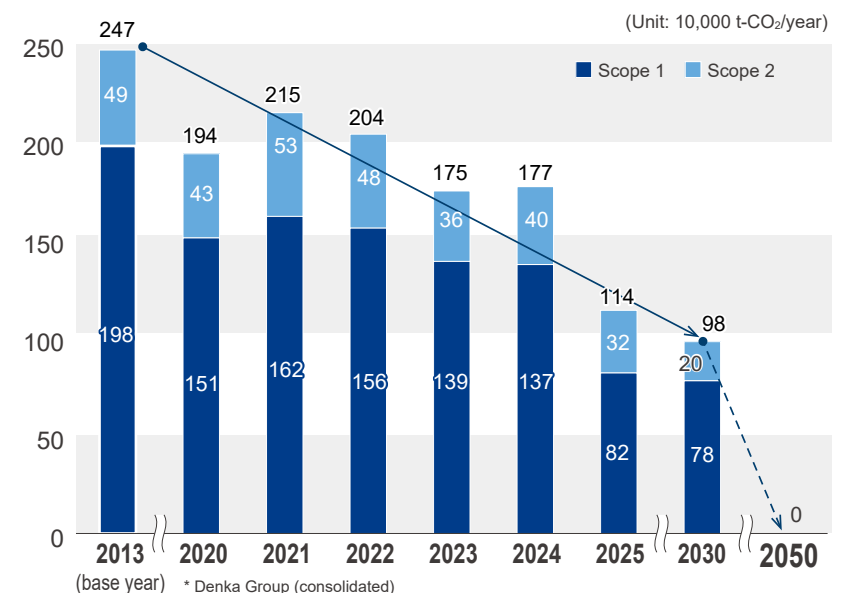
Carbon Neutrality

For CO₂ emissions attributable to our company (Scope 1 and 2), we are aiming for a 60% reduction from FY2013 levels by 2030 and for carbon neutrality by 2050, so we will strive to convert raw materials, fuel, and processes, and to expand our energy conservation and use of renewable energy. We will also work to reduce Scope 3 emissions through cooperation with upstream and downstream business partners, and develop and provide eco-friendly products and technologies designed to reduce environmental impact by leveraging Denka's distinctive technologies. In addition, as a company subject to the emissions trading system, we continue to promote CO₂ reductions. We will work toward carbon neutrality through management under the system and use of market mechanisms.

Roadmap Toward Carbon Neutrality



Medium- and Long-Term Targets for Reducing Greenhouse Gas Emissions (Scope 1 + 2)



Regarding Scope 3 Emissions

Scope 3 emissions in FY2025 were about 57% of total emissions (Scope 1+2+3). We are actively promoting collaboration with business partners toward achieving carbon neutrality. These initiatives were recognized in CDP's Supplier Engagement Assessment, and in 2025 we received the highest "Leader" rating (A score) for the first time. We will continue steadily reducing Scope 3 emissions by collecting CFP (carbon footprint) information from suppliers, setting reduction targets, switching to low-carbon raw materials, developing and expanding sales of environmentally beneficial products, reducing waste, and taking other actions.



Promoting GX Talent Development

As part of efforts to strengthen our organization toward carbon neutrality, we have started developing GX talent. First, to assess the current level of employees' GX literacy, we conducted an assessment compliant with the GX Skill Standard for approximately 1,850 employees, including members of management. Based on the results, going forward we will formulate and implement a systematic development plan and accelerate human resources development.

Climate-Related Disclosures

Since expressing support for the TCFD recommendations in September 2020, the Denka Group has worked to enhance its climate-related disclosures in line with the TCFD framework. Following the disbanding of the TCFD in October 2023, its role was taken over by IFRS S1 and S2 issued by the International Sustainability Standards Board (ISSB). The development of sustainability-related financial disclosures is advancing internationally, including the establishment of SSBJ sustainability disclosure standards in Japan. In light of this transition in disclosure standards, the Denka Group will continue to analyze and assess the business risks and opportunities associated with the transition to the low-carbon society and decarbonized economy set forth by the Paris Agreement. Guided by the four pillars of governance, strategy, risk management, and metrics and targets, we will also enhance the quality of our disclosures to meet sustainability-related disclosure standards.

Governance

For details on our sustainability promotion structure, please refer here. [▶P34](#)

Strategy

We are analyzing scenarios regarding the risks and opportunities of climate change, and we will continue verifying anticipated effects and countermeasures over the medium- to long-term. Through analysis, we will quantitatively ascertain business risks and opportunities for the Denka Group, and will incorporate these into our management plan and business strategies. We have also introduced an internal carbon pricing system that anticipates fossil fuel levies and similar charges. For our most recent environmental investments, we have set the price at ¥10,000/t-CO₂ and use it as a criterion for assessing profitability and other investment decisions.

Risk Management

Risks related to climate change are managed as a priority risk in Denka's risk management system. [▶P91](#)

Metrics and Targets

In our management plan "Mission 2030," we have set non-financial KPIs for achieving carbon neutrality, and are managing our progress.

CO₂ emissions (Scope 1+2) reduction rate...2030: 60% (compared to FY2013) 2050: 100%

Maximum renewable power generation output: 2030: 150 MW

Climate Change-related Risks and Opportunities Based on Scenario Analysis

■ Risks ■ Opportunities

Category		Risk/opportunity event	Approach to calculating impact		Impact		Applicable Division	Main related business sites	Countermeasures
					Medium term (2030)	Long term (2050)			
1.5°C	Laws/regulations	Increased costs due to rising carbon taxes	Calculation of amount of carbon tax based on the carbon price projections of the IEA's WEO, taking GHG emissions in FY2022 as a reference point	Calculation of the cost share if decarbonization measures are not taken	¥43 billion	¥77 billion	All divisions	Omi Plant	・ Expansion of clean energy, support for energy conservation, and introduction of new technology
				Calculation of the cost share if decarbonization measures are taken (reduction of CO ₂ emissions (Scope 1, 2) by 60% by 2030, and 100% by 2050, from FY2013 levels)	¥21 billion	¥0			
	Products/services	Growth in demand for products that contribute to decarbonization (silicon nitride, acetylene black, spherical alumina)	Calculation of increase in sales based on market growth rate, using sales results from FY2022 as a reference point	¥19 billion	—	Electronics & Innovative Products Division	Omuta Plant	・ Augmentation of production facilities in line with increased demand	
		Growth in demand for products that contribute to solving the food crisis (biostimulant fertilizers)	Calculation of increase in sales based on market growth rate, using sales results from FY2022 as a reference point	¥0.1 billion to ¥1.0 billion	—	Elastomer & Infrastructure Solutions	Denka Azumin Co., Ltd.	・ Introduction of new products and expansion of sales ・ R&D on products with even higher functionality	
Growth in demand for products which make effective use of CO ₂ (LEAF concrete for CO ₂ capture and fixation)		Calculation of increase in sales based on sales plan	¥0.1 to 2 billion	—	Elastomer & Infrastructure Solutions Division	Omi Plant	・ Introduction of new products and expansion of sales ・ R&D on products with even higher functionality		
3 to 4°C	Markets	Increased raw material and fuel costs due to rising naphtha prices	Calculation of cost increase due to price inflation rate, taking the fuel purchase amount for FY2022 as a reference point (IEA WEO)	¥-4.0 billion to ¥6.0 billion	¥-5 to 12 billion	Polymer Solutions Division	Chiba Plant	・ Promotion of recycling resources through chemical recycling of used polystyrene, and development/sale of biomass- derived raw material products such as resins containing eggshell	
		Increased raw material and fuel costs due to rising natural gas prices	Calculation of cost increase due to price inflation rate, taking the fuel purchase amount for FY2022 as a reference point (IEA WEO)	¥-6.0 billion to ¥1.0 billion	¥-8 to 1 billion	All divisions	Omi Plant, Chiba Plant	・ Reduction in usage through process electrification ・ Energy conservation through optimization of production flow	
	Physical risks	Increased damage to production facilities and suspension of production activities due to intensification of natural disasters	Calculation based on increase in annual rainfall and risk of flood damage at business sites near oceans and rivers	¥1 billion or less	¥1 billion or less	All divisions	Omuta Plant	・ Review and strengthening of facility maintenance measures	
	Products/services	Growth in demand for products (vaccines and diagnostic reagents) that contribute to the prevention and diagnosis of infectious diseases	Calculation based on market growth rate, using sales results from FY2022 as a reference point	¥17 billion	—	Life Innovation Division	Gosen Plant	・ Strengthening R&D and introducing new technology ・ Augmentation of production facilities in line with increased demand	

Participation in the GX Future Consortium

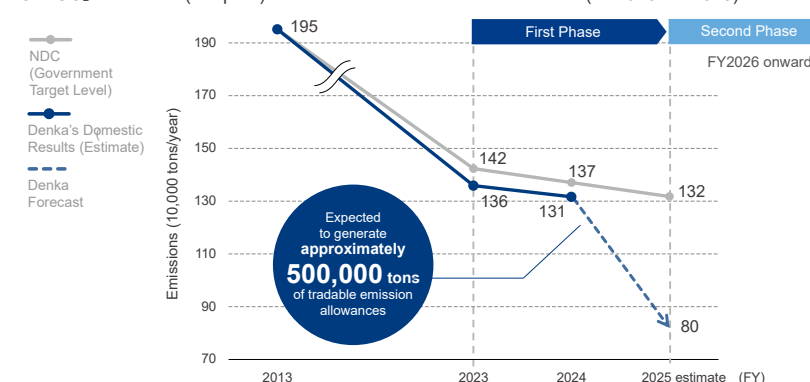
Denka joined the GX Future Consortium in April 2026. We will work toward carbon neutrality through this initiative, which aims to lead implementation of GX throughout society and create a virtuous cycle of decarbonization and economic growth.



GX-ETS (Emissions Trading System): Outlook for Phase 1

Emission reductions are progressing as planned toward achieving carbon neutrality by 2050. Under GX-ETS Phase 1 (FY2023–FY2025), we expect to generate approximately 500,000 tons of tradable surplus emission allowances. By continuing to reduce emissions in Phase 2 and beyond, we will contribute to carbon neutrality across society.

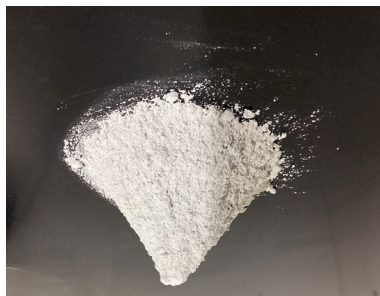
Our CO₂ Emissions (Scope 1) and Emission Allowances in Phase 1 (FY2023–FY2025)



Initiatives for Environmentally Conscious Products and Technologies

Carbon Cement Additive "LEAF"

"LEAF" actively reacts with CO₂ and fixes it. By incorporating it into "CO₂-SUICOM," CO₂ is absorbed and fixed as the concrete hardens, enabling a net reduction in CO₂ emissions from the cement manufacturing process.



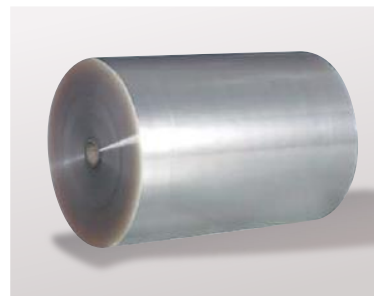
SNECTON

"SNECTON" is a hydrocarbon-based insulating material for high-speed communications boards that provides high reliability for printed circuit boards used in data centers and communications equipment. Its low dielectric properties are expected to reduce power consumption by lowering electrical signal loss (transmission loss).



Biomass BOPS

"BOPS" is a biaxially stretched polystyrene resin sheet with transparency, rigidity, and food safety properties and is widely used mainly for food containers. "Biomass BOPS," to which biomass feedstock is allocated using the mass balance method, is Denka's first biomass product using this method.



* The mass balance approach is a method in which raw materials with certain characteristics are mixed with those without such characteristics during processing and distribution, and those characteristics are allocated to a portion of the product according to the amount of the specific raw material used.

Water Resource Management and Water Risk Initiatives

Recognition of Water Resources

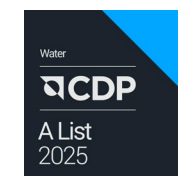
Water resources are an important management foundation for our Group, supporting production activities and hydroelectric power generation. Flood and drought risks associated with climate change are important issues that can affect business continuity, and we promote appropriate management that takes into account both our dependencies on and impacts on water resources.

Specific Initiatives

To reduce water use at major plants, we recycle cooling water through measures such as installing water treatment facilities and cooling towers. As part of our water risk assessment, we have also continuously assessed water stress and flood and drought risks at each site using WRI Aqueduct since FY2021.

CDP Water Security

Our Group identifies water-related risks and opportunities and discloses relevant information through its responses to the CDP Water Security questionnaire. Our initiatives have been recognized with the highest A score for two consecutive years.



Expansion of Renewable Energy Sources and Introduction of Power Generation Technologies with Low Environmental Impact

We are working to expand renewable energy and promote energy conservation toward achieving carbon neutrality by 2050. Centered on our own hydroelectric power generation, with more than 100 years of experience, we combine diverse methods such as solar power generation to balance reduced environmental impact with stable supply while optimizing our power-source portfolio.

1 Outlook for Our Renewable Energy Generation Capacity

We are increasing the use of renewable energy, including solar power generation, with hydroelectric power generation as our foundation. Under the Management Plan "Mission 2030," we have set a maximum renewable energy generation capacity of 150 MW as a non-financial KPI and are advancing initiatives toward decarbonization. In recent years, we have accelerated expansion by diversifying procurement methods, including consideration of on-site PPA arrangements at sites in Japan and overseas. Meanwhile, at the Omi Plant, we stopped the associated biomass power generation facility following our withdrawal from the cement business. Taking these changes into account, we will balance stable supply with optimization of the power mix and continue to optimize our energy mix.

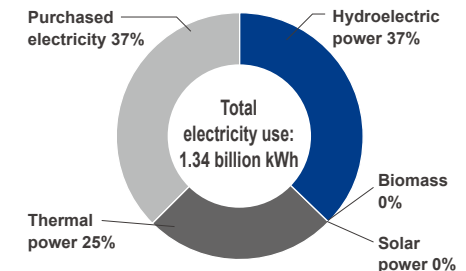
Outlook for Our Renewable Energy Generation Capacity

(Maximum output: MW)

	FY2024	FY2025	FY2030
Hydroelectric power	140	140	140
Solar power, etc.	7	5	10
Total	147	145	150

* The above figures include 50% of the power output from power plants run by Kurobegawa Electric Power Company (a joint venture co-owned by Denka and Hokuriku Electric Power Company).

FY2025 actual power-source mix



2 Solar Power Generation Initiatives

We are expanding solar power generation at sites in Japan and overseas to increase the use of renewable energy. In FY2025, a solar power generation facility with a capacity of approximately 1.2 MW began operating under an on-site PPA model at the Chiba Plant. We are also considering new installations under the on-site PPA model at multiple sites in Japan and overseas. By selecting optimal installation methods based on the location and electricity demand of each site, we will expand solar power generation and promote the decarbonization of electricity.

* Power Purchase Agreement (PPA): A system under which a power producer installs and operates a solar power generation facility on Denka's premises and supplies the electricity generated to Denka.



Solar power generation equipment that began operating at the Chiba Plant



Solar Power Generation PPA at Overseas Site (Vietnam)

3 Energy Conservation Initiatives

We promote energy conservation through equipment improvements and operational optimization. We have improved energy efficiency through large-scale capital investments, including the installation of high-efficiency gas turbines at the Omi Plant and the Chiba Plant. With fewer large-scale projects in recent years, each site is reassessing its energy use and strengthening improvement efforts by identifying and implementing individual initiatives. Going forward, we will combine day-to-day improvement activities with equipment upgrades to achieve both lower energy use and higher productivity.



Gas turbine power generation facilities at the Omi Plant, which began operation in 2020



Gas turbine power generation facilities at the Chiba Plant, which began operation in 2022

4 Denka's Hydroelectric Power Generation Initiatives

For more than a century, we have positioned hydroelectric power generation as an important management resource and used it as a core component of our in-house power generation. We have interests in 17 hydroelectric power plants near the Omi Plant, including those owned by a joint venture, with a total generating capacity of 140.3 MW, making our hydroelectric power generation capacity one of the largest in Japan. These facilities provide a stable supply of electricity and make a major contribution to decarbonization as clean power sources that emit no greenhouse gases.

In recent years, we have also undertaken the development of new power sources, including the start of operation of the New Omi-gawa Hydroelectric Power Plant in FY2020 and the New Himekawa No. 6 Hydroelectric Power Plant of Kurobegawa Electric Power Company in FY2022, thereby expanding our generating capacity.

Going forward, we will continue to position hydroelectric power generation as the core of our power generation portfolio and promote its development and use.

Number of power
plants

17

* Includes plants owned
by a joint venture

Maximum generating
capacity

140.3_{MW}

* As of March 2026, including Denka's share of the
generating capacity of plants owned by the joint venture



Oami Power Plant (exterior)



New Omi-gawa Hydroelectric Power Plant (interior)

How Run-of-river Hydroelectric Power Generation Works



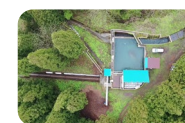
1. Weir

This is the intake point located upstream of the power plant where water is drawn from the river.



2. Settling basin

The flow of the water is slowed, allowing pebbles and sand to settle.



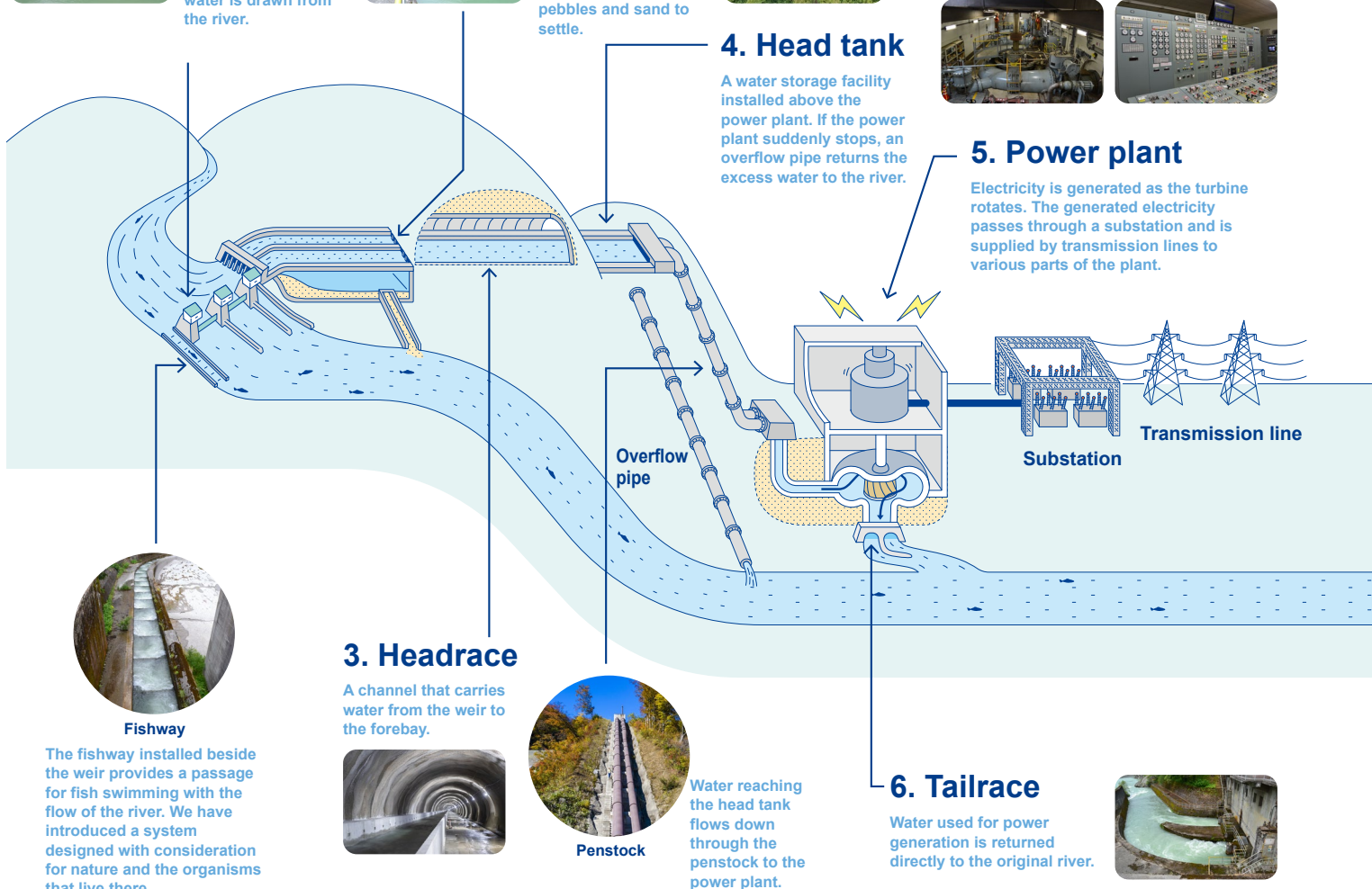
4. Head tank

A water storage facility installed above the power plant. If the power plant suddenly stops, an overflow pipe returns the excess water to the river.



5. Power plant

Electricity is generated as the turbine rotates. The generated electricity passes through a substation and is supplied by transmission lines to various parts of the plant.



Fishway

The fishway installed beside the weir provides a passage for fish swimming with the flow of the river. We have introduced a system designed with consideration for nature and the organisms that live there.



3. Headrace

A channel that carries water from the weir to the forebay.



Penstock

Water reaching the head tank flows down through the penstock to the power plant.

6. Tailrace

Water used for power generation is returned directly to the original river.



Biodiversity-Related Disclosures — Scoping to Assess

The Denka Group has set forth "Reduce environmental impact and preserve/protect biodiversity" in our ESG Basic Policy, and is working hard to understand the environmental impact of our business activities, and to avoid, and mitigate risks, while promoting activities cognizant of preserving and improving biodiversity in the surrounding area of the production and research facilities. As part of these efforts, we have been organizing information, conducting field surveys, analysis, and implementing evaluations in line with the "LEAP Approach"* recommended by the Task Force on Nature-related Financial Disclosures (TNFD) since September 2022.



Catchment area of a hydroelectric power plant

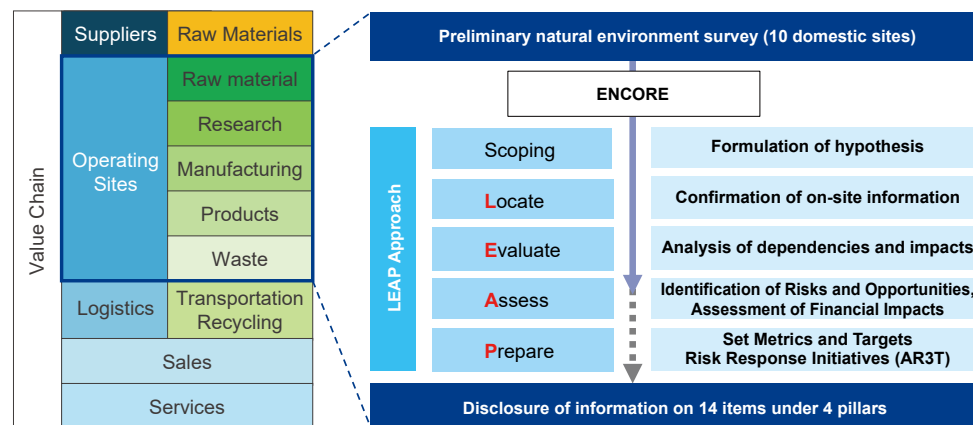
* LEAP approach: An integrated approach for scientifically evaluating contact points and dependency relationships between business activities and nature, as well as impacts, risks, opportunities, and other nature-related issues

Governance

The Group manages nature-related issues under the supervision of the Board of Directors. The Sustainability Committee deliberates on and makes recommendations regarding policies, targets, KPIs, and key initiatives. ▶ P34

Strategy

We first reviewed our operations across ten directly managed production and research sites in Japan. Preliminary surveys at each site identified regional differences in the characteristics of natural capital. Following the LEAP approach, we then used ENCORE* and other tools to organize and analyze each site's dependencies and impacts on nature based on scientific evidence, and assessed which sites should receive priority attention based on their business importance. This assessment identified the Omi Plant as a priority site due to its significant overall dependencies and impacts on nature.



* ENCORE: A tool that allows users to filter by sector and sub-industry to identify and assess the degree of dependence on and impact on nature

Participation in initiatives



◆ TNFD Forum

Denka became a member of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, an international initiative on biodiversity, in August 2024.

◆ Keidanren Nature Conservation Council

We joined the Keidanren Nature Conservation Council in October 2024, and undertake biodiversity-related social contribution activities through the Biodiversity Declaration Initiative.

The Omi Plant's Material Dependencies and Impacts on Nature

We examined key pathways of nature-related dependencies and impacts at the Omi Plant, our priority site, and identified materiality (important management issues) through three scenarios to inform our analysis of risks and opportunities and the setting of metrics and targets.

ENCORE Analysis (Heat Map of Dependencies and Impacts) ■ Very High ■ High ■ Medium ■ Low

Operating Sites	Main Business Activities	Dependency						Impact						
		Water Flow Regulation	Water Supply	Water Purification	Purification of Solid Waste	Genetic Material	Education and Research Services	Water Usage	GHG Emissions	Emissions of Non-GHG Air Pollutants	Discharge of Pollutants into Water and Soil	Discharge of Nutrient Pollutants into Water and Soil	Generation and Release of Solid Waste	Disturbance
Omi Plant (Including the Tomi Plant)	Calcium carbide													
	Organic chemicals													
	Special cement additives													
	Hydroelectric power													
Chiba Plant	Styrene resins													
Omuta Plant	Heat dissipation materials													
Shibukawa Plant	Adhesives and temporary bonding materials													
	Heat dissipation substrates and electronic devices													
Iseaki Plant (Including the Ota Plant)	Styrene resin sheets													
Bibal Plant	Corrugated pipes													
Gosen Plant	Vaccines and diagnostic reagents													
Innovation Center	Basic research													

Nature-related Risks and Opportunities

We recognize that nature-related risks and opportunities arise from dependencies and impacts on natural capital. We therefore analyzed and identified risks and opportunities from both perspectives: those affecting our Group and those arising from the impacts of our business activities on the environment and society.

For the assessment, with reference to the TNFD's "Guidance on Scenario Analysis," we developed hypotheses about possible future worlds and assessed them along two axes: "likelihood* (feasibility*)" and "severity* (impact*)."

* Likelihood: The possibility that a risk will occur in a future world based on scenario analysis

* Severity: The degree of financial impact that a risk may have on the company in the future world

* Feasibility: The possibility that an opportunity will materialize in a future world based on scenario analysis

* Impact: The degree of financial impact that an opportunity may have on the company in the future world

Financial Impact Assessment

For the financial impact assessment, the severity of risks and the impact of opportunities are assessed quantitatively through estimates using Denka's actual data, assumptions, public parameters, and other information related to the listed items, or through quantitative assessments based on the scope of impact.

In addition, the likelihood of risks and feasibility of opportunities are assessed qualitatively in consideration of cases at Denka and projected trends under each scenario.

Setting Response Measures, Evaluation Indicators (KPIs), and Targets

In our FY2025 initiatives, we identified priority materialities (key management issues) by assessing the significance of nature-related risks and opportunities and estimating their financial impacts at the Omi Plant, which we designated as a priority area. In formulating response measures, we adopted the "AR3T Framework*" advocated by SBTN and organized initiatives in stages from avoiding and reducing impacts to restoring and regenerating nature, and ultimately contributing to system transformation. We will also set indicators (KPIs) and targets to evaluate these initiatives.

* AR3T Framework: Avoid, Reduce, Restore & Regenerate, and Transform

Future Initiatives

Going forward, we will implement highly effective measures to address the priority issues identified at the Omi Plant. We will accelerate the transition to a nature-positive future and the development of sustainable business models toward achieving our materiality theme of "Environmental conservation and minimization of environmental impact," while also considering the expansion of these efforts across the value chain (upstream and downstream).

Risks and opportunities related to dependencies identified at the Omi Plant

TNFD classification		Risk/opportunity events analyzed	Scenario	Assumptions used to calculate impact	Financial impact	Countermeasures
Transition	Regulation	(1) Increased transition costs associated with compliance with regulations on river ecosystem conservation	• Power generation losses caused by suspension of water intake during renovation work at hydroelectric power plants	• Renovation cost (yen/time) × number of projects (times) + construction days (days) × generation volume (kWh/day) × electricity unit price (yen/kWh)	Medium	• Adoption of run-of-river hydroelectric power generation
	Policy	(1) Increased costs for Scope 1 and 2 emissions due to the introduction of a carbon tax (2) Increased cost burden due to introduction of an emissions trading system	• Increased cost burden from carbon tax applied to Scope 1 and 2 • Increased compliance costs due to emissions regulations	• Scope 1 and 2 emissions (t-CO ₂) × carbon tax (yen/t-CO ₂ e)	Large	• Strengthen initiatives for sustainable hydroelectric power generation and promote its use • Expand electricity derived from renewable energy • Promote energy conservation through the development of proprietary technologies and products
Physical	Chronic	(Indirect damage) (1) Instability in power generation due to reduced river flow and deteriorating water quality caused by a decline in the water-retention capacity of river basins	• Reduced water intake and lower power generation due to changes in annual precipitation • Increased Scope 1 and 2 emissions due to increased use of purchased electricity and in-house thermal power generation to compensate for the decline in hydroelectric power generation	• Power generation volume (kWh) × annual decline in capacity utilization rate (%) • Replacement power generation (kWh) × unit price of electricity from thermal power generation (yen/kWh)	Small	• Maintain water sources and conserve and protect forests that contribute to water recharge • Collaborate with local governments and forestry cooperatives to undertake forest conservation and maintenance activities that contribute to water-source recharge
	Acute	(Direct damage) (1) Increase in the number of hydroelectric power plants affected by water-related disasters, including landslides and sediment inflows, and in the number of days of operational shutdown (2) Increased restoration costs for hydroelectric power plants	• Increased repair costs or operational shutdowns at hydroelectric power plants due to landslides in river basins, and changes in power generation during shutdown periods • Lower earnings due to reduced plant production resulting from suspension of hydroelectric power generation • Increased costs for repairing landslide damage and preventing recurrence	• Repair cost (yen/time) × number of affected cases (times) + restoration days (days) × generation volume (kWh/day) × electricity unit price (yen/kWh) * Because the number of hydroelectric power plants affected varies depending on the location of the damage, the financial impact is calculated separately for each affected location. An expected-value calculation is required.	Medium	• Review assumed disaster levels and promote maintenance measures in preparation for increasingly severe disasters • Conserve and maintain forests that contribute to soil stabilization • Comprehensive review and revision of BCP
Corporate performance	Market	(1) Shift to clean energy through ownership of hydroelectric power plants (2) Promote RE100 at business sites	• Benefits from reducing purchased electricity through in-house generation using company-owned hydroelectric power plants	• Power generation (kWh) × unit price of electricity from thermal power generation (yen/kWh)	Large	• Increase hydroelectric power generation capacity • Consider hydrogen production technologies using hydroelectric power and use of hydrogen as an energy source
	Reputation	(1) Securing green financing through environmentally conscious and sustainable initiatives (2) Attracting investment through changes in reputation among ESG investors	• More favorable terms for financing through green bonds, sustainability-linked loans, and other instruments • Continued initiatives to reduce environmental impact can earn favorable evaluations from ESG investors and attract investment	• Amount of financing from ESG-related instruments (yen) × rate of increase associated with an improved score (%)	Medium	• Promote installation of water intake weirs and fishways designed with consideration for biodiversity • Conserve and maintain water-source conservation forests, promote revegetation through afforestation at mine sites, and disclose environmental information with a high degree of transparency

Large: ¥10 billion or more Medium: ¥1 billion or more Small: less than ¥1 billion

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



Toshio Imai Chairman and Representative Director

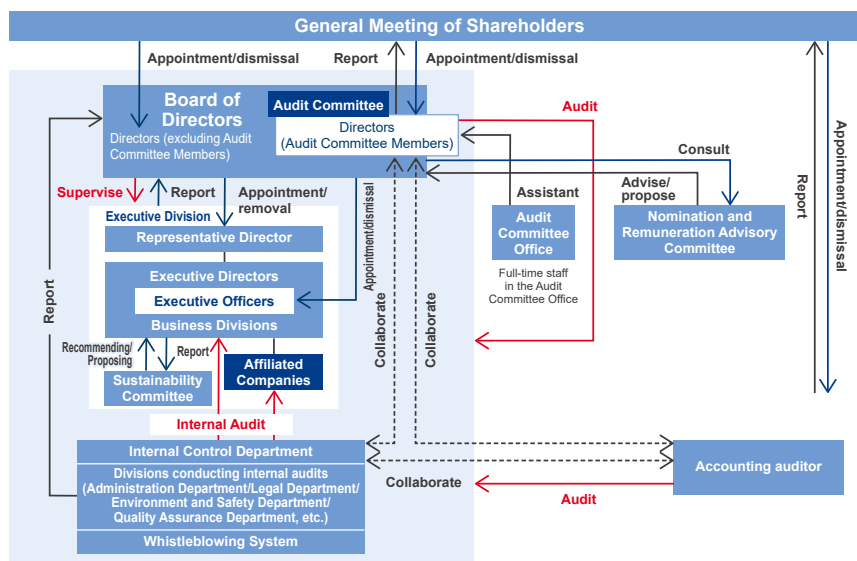
Our Board of Directors aims to fulfill its fiduciary duty and accountability to shareholders and has worked to strengthen its structure and effectiveness since establishing the "Denka Corporate Governance Guidelines" in 2015 and transitioning to a Company with Audit & Supervisory Committee in 2019. Under 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.

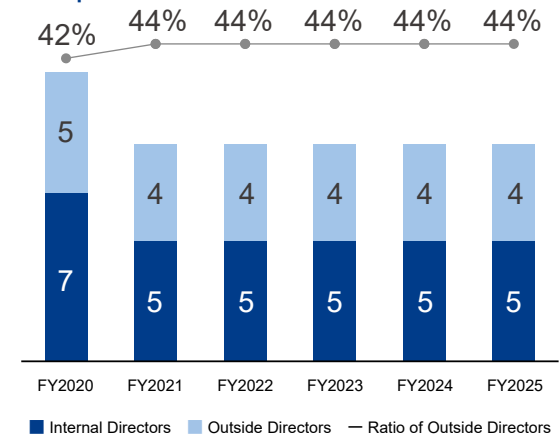
Our View on the Appointment of Directors

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.

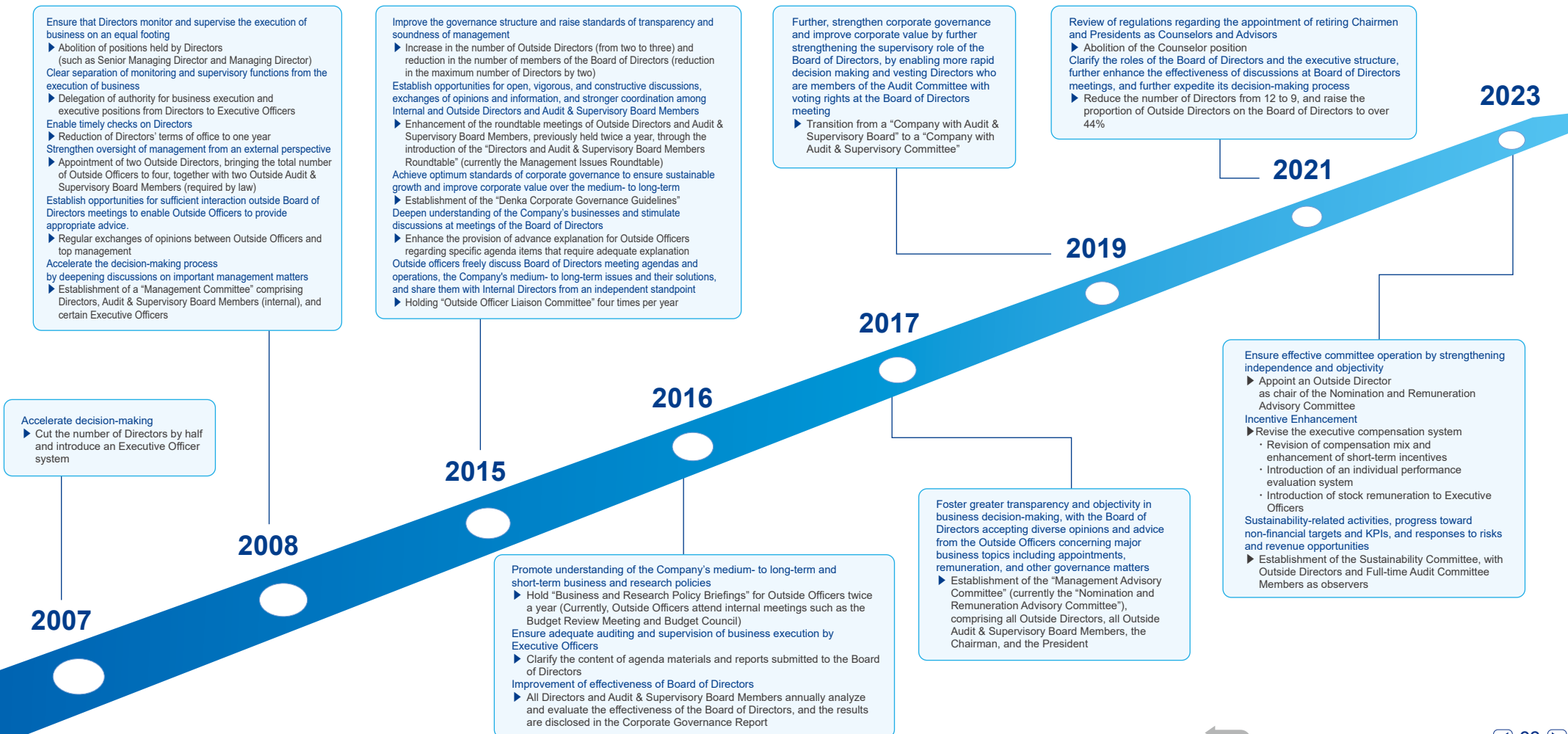
DX

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

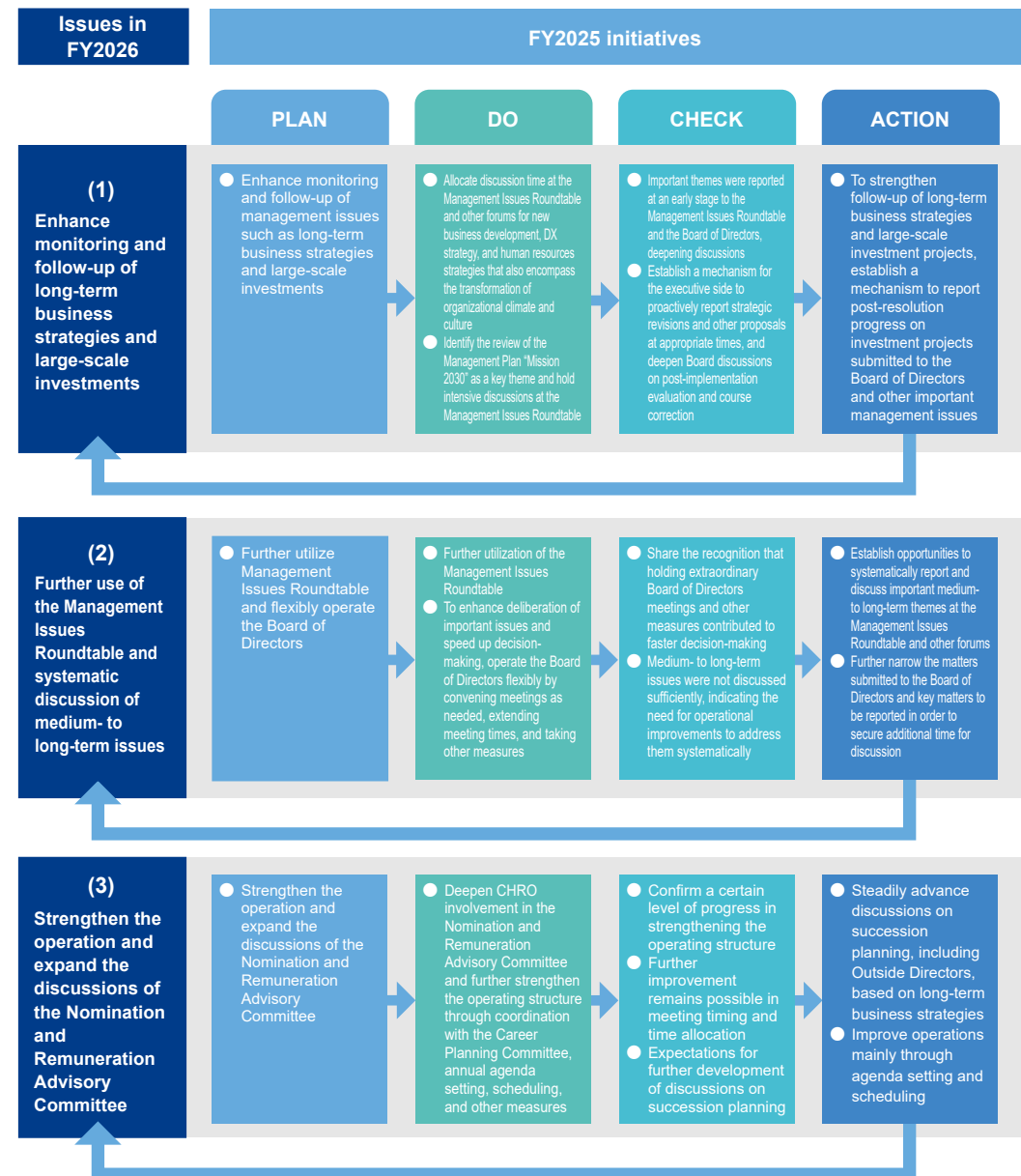
The results of FY2025 confirmed that the frequency and duration of Board of Directors meetings and its composition (balance of knowledge, experience, and capabilities, ratio and diversity of Independent Outside Directors) were appropriate, and that the Board properly monitored and supervised business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

[▶ P34](#)

■ 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.

Place the Utmost Priority on Safety

1 Basic Policy

Basic Policy

At Denka Group, all officers and employees* understand and practice that workplace safety, health, and facility safety and disaster prevention are the top priorities in all production-related activities.

* All officers and employees: All officers, employees, and temporary staff of the Denka Group, and contractors and their employees

We have recently established the "Denka Group Occupational Health and Safety Policy" and revised the company-wide basic policy. We have also set out behavioral guidelines that all Denka Group officers and employees must follow to ensure occupational health and safety, and published them on our sustainability website.

2 FY2026 Occupational Health and Safety Management Plan

Occupational Health and Safety Management Plan

1. Occupational accident frequency rate of 0.2 or less

- 1) Prevent behavior-related accidents (inattention and rule violations) by improving non-technical skills and promoting continuous learning
- 2) Conduct systematic workplace inspections (patrols and verbal safety reminders) and corporate audits to improve the work environment

2. Zero serious accidents

- 1) Implement measures focused on high-energy hazards to prevent accidents and their recurrence
- 2) Improve process safety throughout the Company by reviewing and rebuilding the safety foundation

3. Initiatives toward Denka's vision for the future

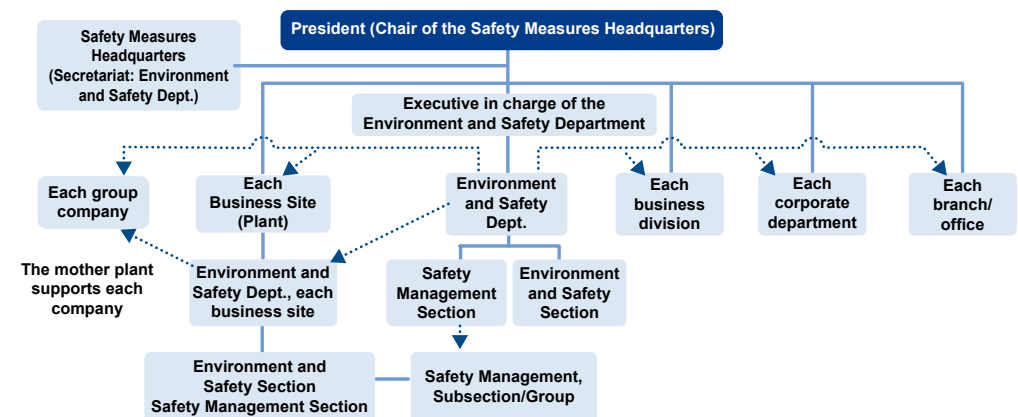
- 1) Identify issues and establish, implement, and operate rules and systems
- 2) Use digital technologies and DX to improve the efficiency and accuracy of occupational and process safety management

3 Safety Management System and PDCA

(1) Safety Management System

A Safety Measures Headquarters, headed by the President as the Chair, has been established, with safety management specialists assigned to the Environment and Safety Department (the secretariat) to audit, confirm, and support safety management throughout the Group.

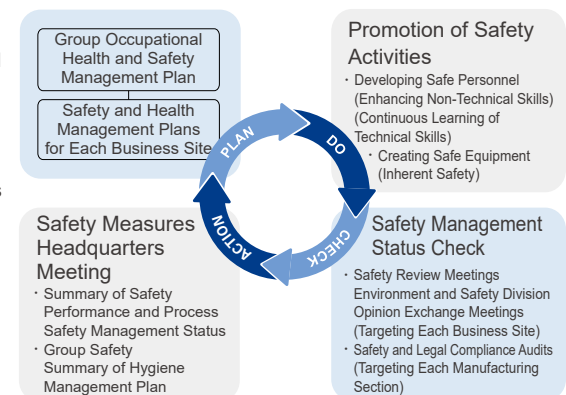
In addition, to provide detailed support to domestic and overseas group companies, we have introduced a mother plant system, in which the Environment and Safety Department of the mother plant visits each company to address safety management issues.



(2) Safety Management PDCA

Based on the group-wide annual occupational health and safety management plan, each business site prepares its own annual plan in line with this and promotes various safety activities.

We review activities at safety review meetings and environment and safety division opinion exchange meetings. The Safety Measures Headquarters meeting then reviews the findings, identifies issues, and incorporates them into the occupational health and safety management plan for the following year, creating a framework for continuous improvement in safety management.

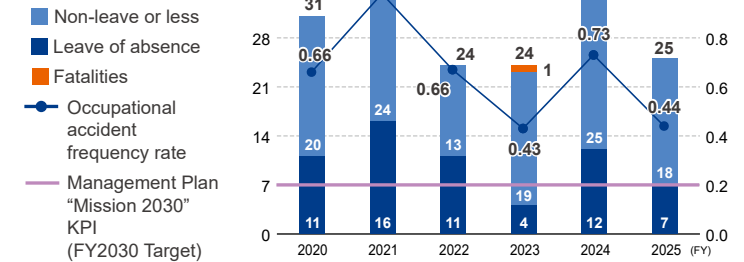


Place the Utmost Priority on Safety

4 Number and Frequency Rate of Occupational Accidents

The number of occupational accidents in FY2025 was 25, a decrease of 12 from FY2024. Of these, seven were accidents resulting in leave from work, and the occupational accident frequency rate, our KPI, improved to 0.44. By accident type, intensive prevention efforts reduced "caught in or entangled" accidents from seven to four, while "falls or collisions" decreased from six to two, with these reductions contributing to the decline in total accidents. We will continue working to reduce occupational accidents through people-focused measures that improve non-technical skills and equipment-focused measures that make equipment inherently safe.

Trends in Number and Frequency Rate of Occupational Accidents



5 Initiatives That Place the Utmost Priority on Safety

(1) Initiatives to Enhance Non-technical Skills

Two years ago, we began training instructors throughout the Company to prevent occupational accidents, incidents, and abnormal events. Through this initiative, we aim to create an organization where employees put into practice the ability to notice hazards, make sound judgments, speak up, and report abnormalities and stop work when necessary.

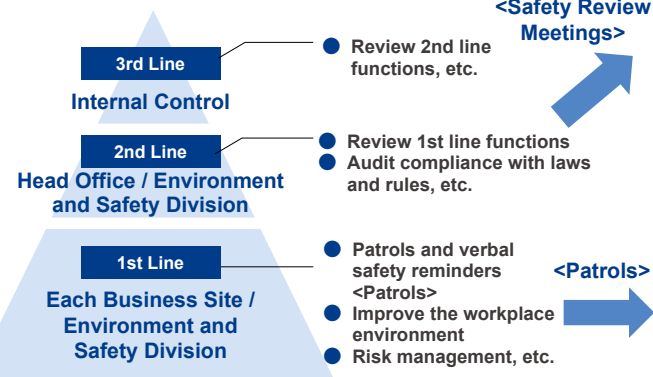
In FY2026, we will therefore move from training to practice by sharing examples of small-group activities and strengthen communication through columns and other content on the company-wide portal.



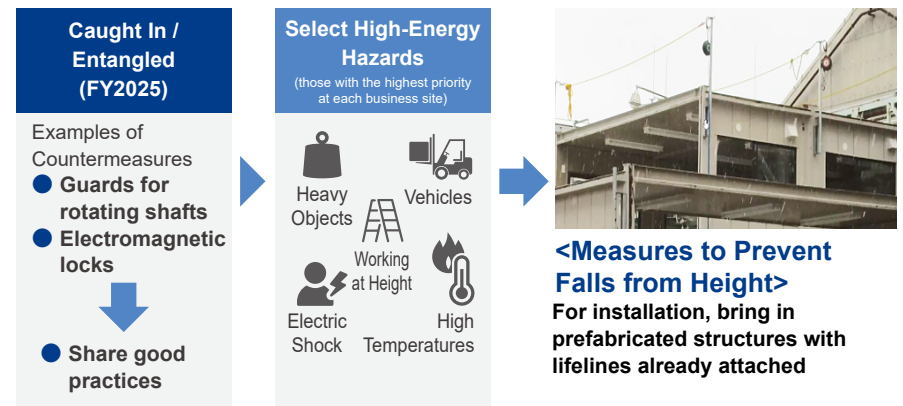
(2) Systematic Workplace Inspections and Corporate Audits

Leveraging the Three Lines framework, we work to improve the workplace environment through inspections and audits.

<Safety Review Meetings>



(3) Comprehensive Inspections and Countermeasures Focused on High-Energy Hazards



(4) Safety Management DX Initiatives

We have introduced SpectA KY-Tool, an AI-powered safety management solution, to strengthen on-site safety management and improve operational efficiency.

Using occupational accident data and our own case histories, the tool automatically identifies potential risks based on site photographs and work descriptions. This digitizes and enhances hazard prediction activities that previously relied on experience.

It helps employees recognize risks and prevent accidents, while reducing administrative work such as document preparation, allowing supervisors to focus on their core responsibilities of safety patrols and guidance.

Through these efforts, we will create safe, sustainable workplaces and strive to earn even greater trust from our business partners and society.

Quality Assurance Management

The Denka Group handles a diverse product lineup covering everything from organic chemistry, such as synthetic resin and resin processing, to inorganic chemistry using methods such as highly functional powder control technology, and bio-related fields such as bacteria/virus incubation and antibody/antigen production technology. We have established a quality policy that aligns with our management plan "Mission 2030," and we are conducting quality assurance activities for our broad range of products.

Quality Policy (FY2026)

The Denka Group's top priority is to firmly establish zero serious quality accidents and eliminate misconduct. We will strengthen quality risk management across the entire value chain, including research, manufacturing, outsourced operations, purchasing, and delivery. By transforming our organizational culture and applying scientific approaches and digital technologies, we will provide products and services that customers are able to rely on, build trust with all stakeholders, and contribute to new value creation.

To Achieve the "Mission 2030" Management Plan Targets

[FY2025]

◇ Design of Quality-related Systems

- Established and revised quality-related systems underpinning Denka's quality assurance, including the Quality Assurance Policy and guidelines for responding to quality compliance issues.
- Promoted internal activities to raise awareness of these systems and firmly embed them in our operations.

◇ Stronger Auditing and Monitoring

- Conducted quality audits of domestic plants, business divisions, and eight Group companies, verifying that their quality assurance functions were operating properly.
- Progressively improved systems requiring refinement to make quality assurance more robust.

◇ Reliable Response to Quality Issues (Product Safety and Quality Improvement Activities)

- Completed corrective action for all quality issues identified through efforts to address the quality misconduct that came to light in 2023. We will maintain and improve these measures as part of our routine quality assurance activities.

[FY2028 Plan]

1. Promoting and Improving Quality Management

- Complete the establishment and operational implementation of the quality assurance systems scheduled to be formulated by FY2027.

2. Providing Safe, Stable, High-Quality Products and Services

- Improve at least three indicators used to monitor psychological safety and the extent to which a quality-focused culture has taken root, compared with FY2025.

[FY2030 Targets]

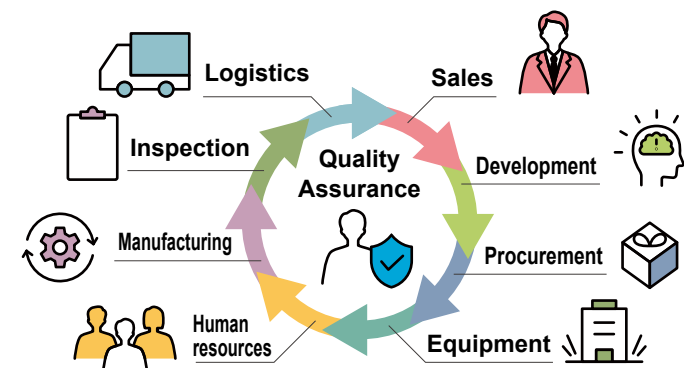
Zero Serious Quality Incidents

(Serious quality accident: A quality accident requiring a meeting of the Crisis Response Headquarters)

Quality Assurance Management

1 Initiatives for Quality Improvement and Customer Satisfaction

Market quality requirements and product-specific laws and regulations are becoming increasingly stringent. As part of our efforts to address these, we are systematically implementing quality gate management through design reviews. We are working together to address issues identified in the market environment, product design, and manufacturing processes, and to provide products that are highly evaluated by stakeholders.



2 Chemical Substance Management/Product Safety

We ensure strict compliance with domestic and international laws and regulations on chemical substances, such as Japan's Chemical Substances Control Law and the EU's REACH Regulation. We comprehensively collect information on new and amended legislation, and promptly share it internally through our intranet. To ensure that employees are fully informed and understand the requirements, we have also launched chemical substance consultation sessions focused on practical issues, further strengthening our regulatory compliance framework.



Held in February 2026
Chemical substance consultation session at the Omuta Plant

3 Promotion of Quality Roundtable Meetings by Management

To prevent a recurrence of the quality misconduct that came to light in May 2023, we are creating more opportunities for dialogue between management and workplace employees.

<Roundtable Discussions with Management>

- Town Hall Meeting
- Quality Roundtable Meetings
- Opinion Exchange Meetings

Through these initiatives, we aim to ensure that workplace perspectives are reflected in management decisions and foster a corporate culture with a high level of psychological safety.

4 Strengthen Quality Compliance Education

To strengthen compliance with quality standards, we are providing quality compliance education to employees. This fiscal year, we used SmartSkill Campus, our newly established in-house training system, to improve the rollout and adoption of this training at the head office and Group companies. We will continue to improve training content and delivery methods, and review our programs to further embed compliance throughout the Group.



5 Improvement of Quality Management System and Management Level

Requests and comments from customers regarding the quality of our products are managed company-wide through the "Quality Management System" for quality improvement and the "Chemical Substance Management System" for managing chemical information. We plan to upgrade the Chemical Substance Management System using DX in FY2026. By making management more accurate and comprehensive, we will strengthen our framework to ensure that nothing is overlooked.

We will continue to enhance our management practices, further improve quality, and ensure product safety so that we are able to provide products and services that our stakeholders can trust.

Risk Management

Message from the Executive Officer in charge of the Internal Control Department, Legal Department, Administration Department, and Secretary Department.



**Akinori
Adachi**

Executive Officer

The Denka Group promotes integrated risk management as a foundation supporting management decisions so that it can enhance corporate value in a sustainable manner, even amid increasing uncertainty in the business environment. Our Group comprehensively identifies and evaluates risks that may affect business activities from multiple perspectives, including finance, business, environment, safety, compliance, and information security. We then identify key risks that management should prioritize and clarify response policies, management indicators, and the structure of responsibility. We consider risk management not simply an initiative of a particular division, but part of the management foundation in which all officers and employees participate proactively. By combining greater risk sensitivity at the operational level with management's broad perspective and judgment, we strengthen preparedness for risks during normal times and maintain a structure capable of responding rapidly and systematically when crises occur. Through regular reviews, we verify the appropriateness of risk content, priorities, and management methods and continuously improve them in response to changes in the business environment and societal expectations. Through these initiatives, the Denka Group aims to achieve stable and sustainable growth, by both reducing risks and creating growth opportunities.

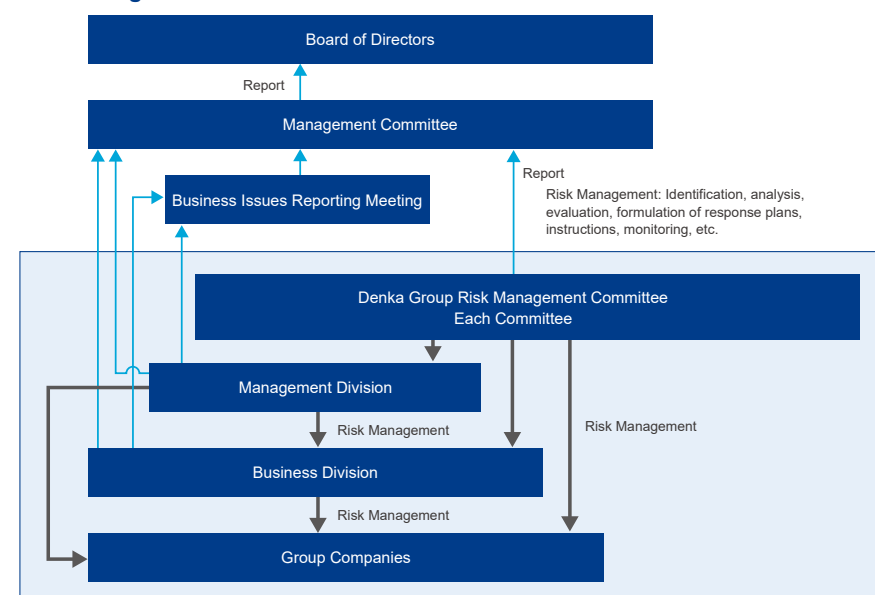
Denka's Approach to Sustainability and Risk Management

Denka's Board of Directors recognizes that responding to the various social issues related to sustainability is an important management issue that leads to both risk reduction and revenue opportunities. To that end, we formulated the "Denka Group ESG Basic Policy," strive to put into practice the ten principles of the United Nations Global Compact in its four areas, and respond appropriately to risks through initiatives such as strengthening the Group-wide compliance system and taking on the challenge of creating new businesses to solve social issues. Furthermore, the Sustainability Committee, chaired by the President, monitors the progress of various sustainability initiatives and shares best practices. Denka strives to enhance corporate value over the medium- to long-term through these activities related to sustainability.

Denka's Risk Management Structure

Denka's Board of Directors recognizes that risks and strategy are inseparable and is working to create an environment in which each Executive Officer can take appropriate risks, while at the same time developing the Group-wide risk management structure. To achieve this purpose, the Management Committee and the Business Issues Reporting Meeting, both of which are held monthly, discuss risk management, including the identification and evaluation of various risks that may affect Group management and measures to control such risks, while also taking into account economic value, including profitability. In addition, various risks in the business divisions, including the status of achievement of business plans, are continuously monitored. Cross-organizational committees conduct specialized risk management for risks related to legal matters, capital investment, the environment, health and safety, quality control, startup investment, and other areas. Furthermore, Denka's management divisions manage the risks under their respective jurisdictions across the Group based on Group-wide common rules and other relevant standards. In addition, each business division manages its division-specific business risks and dispatches Directors and other personnel to Group companies to manage the business risks of each company in consultation with Denka's management divisions. Denka is working to further strengthen the Group-wide risk management structure based on the concept of integrated risk management. The Denka Group Risk Management Committee selects and identifies risks and opportunities at the Group management level as "priority risks," evaluates their level of impact, formulates measures, and monitors progress, thereby strengthening the Group's ability to respond to priority risks. As part of these efforts, we published the Denka Group Management Handbook, which sets out the ideal state of various operations based on the concept of Group internal control, and are continuously working to strengthen and appropriately operate the Group-wide internal control system.

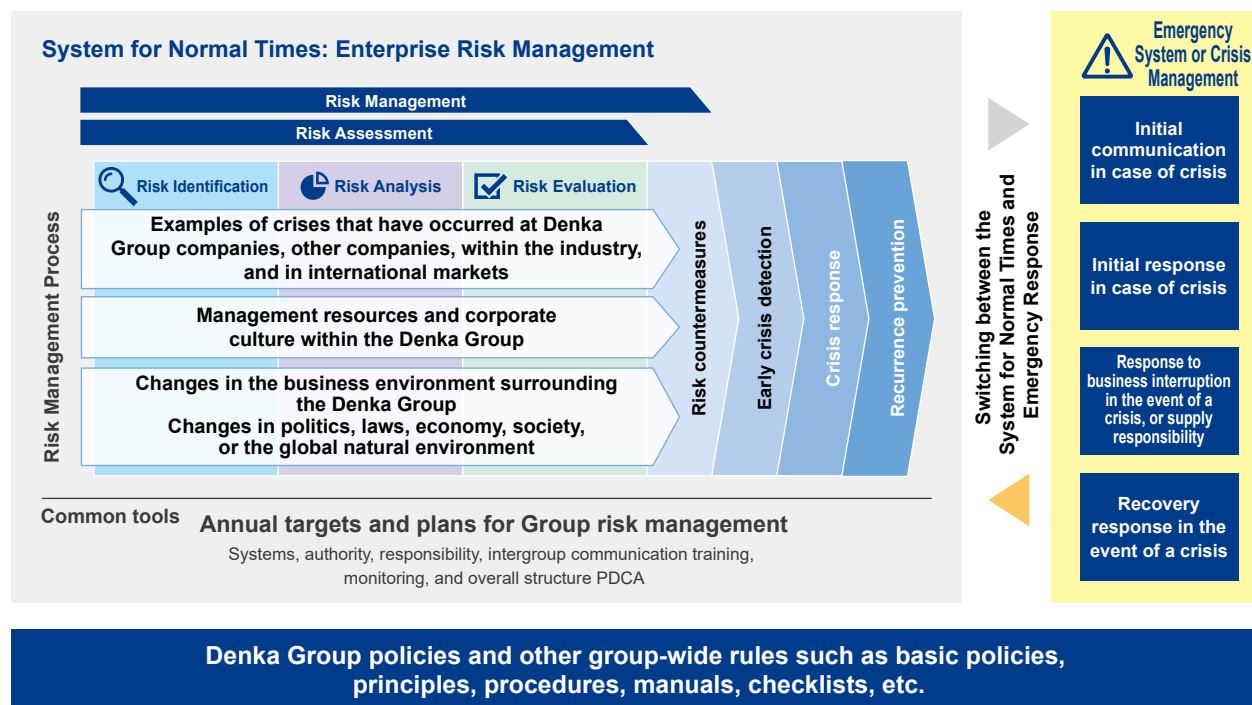
Risk Management Structure under Normal Conditions



Enterprise Risk Management Initiatives

The Denka Group is working to strengthen its cross-organizational enterprise risk management system in the face of increasing uncertainties surrounding its business. The Denka Group Risk Management Committee chaired by the President identified priority risks by visualizing, analyzing, and evaluating risks that require cross-organizational management based on impact, frequency, and other factors. Management policy is determined based on these priority risks, and various year-round monitoring activities are conducted, such as implementing measures to enhance the communication network during disasters and conducting real-time disaster response training involving the management team from the Head Office and senior managers of plants. By increasing the effectiveness of countermeasures through trial and error, Denka will strive to improve corporate value over the medium- to long-term for stakeholders by reducing impacts of risk exposure on its business performance and minimizing its capital costs. In FY2025, we reviewed business continuity plans and developed the Basic Crisis Management Guidelines and the Head Office Initial Disaster Response Manual in response to identified priority risks.

Denka Group has been continuously improving its enterprise risk management system but is currently working on risks related to safety and quality assurance in response to such issues that occurred in 2023. The Group is engaged in addressing organizational and operational systems, ensuring psychological safety, and reforming the corporate culture with the Environment and Safety and Quality Assurance departments taking the lead.



List of Priority Risks and Their Risk Owners

Major category	Medium classification	Small classification	Risk owner
Business risks	Disasters	Earthquake disasters (earthquakes and tsunamis)	Administration Dept.
Business risks	Accidents/ crimes	Serious crimes committed against the Company by third parties. (terrorist attacks, arsons, threats, etc. in Japan)	Administration Dept./ Environment and Safety Dept.
Management risks	Business environment (social, economic, political)	Inability to export or expand business operations due to geopolitical risks	Corporate Planning Dept.
Management risks	Business environment (social, economic, political)	Economic crises, economic fluctuations, and exchange rate fluctuations	Accounting Department/ Financial Strategy Department
Management risks	Affiliated companies (Group companies, etc.)	Failure of group governance	Internal Control Department
Business risks	Disasters	Climate change risks (cold and heat waves, droughts, long rains, irregular climates, etc.)	Sustainability Promotion Dept.
Business risks	Accidents/ crimes	Operational accidents (fires, explosions, etc. at plants)	Environment and Safety Dept.
Business risks	IT/information management	Disruptions to information systems caused by cyberattacks and unauthorized access	Digital Strategy & Innovation Department
Business risks	Products/ services	Incidents caused by quality defects in products or services (product accidents, drug-induced injuries, large-scale food poisoning, foreign matter contamination, large-scale product recalls, etc.)	Quality Assurance Dept.
Business risks	Violations of or noncompliance with laws and regulations	Concealment, falsification, and false reporting of information (product counterfeiting, falsification of quality, performance, and data, concealment of occupational accidents, etc.) Violations of laws and regulations in Japan and overseas, contracts, and internal regulations ⇒ Global compliance	Legal Department/ Internal Control Department

Denka's Risk Management Activities

Denka Group has established the Basic Guidelines for Crisis Management as a basic rule for responding to emergencies in the event that a risk that could have a significant impact on the management of the Denka Group materializes. Based on this guideline, each management department develops appropriate initial response rules, rules for the centralized aggregation of information, and rules for communication with the internal and external stakeholders as well as formulating countermeasures according to crisis scenarios in preparation for such crises. In order to minimize risks that could affect business continuity, such as information leaks caused by cyber-attacks, Denka has established common Group policies such as the Denka Group Information Security Policy, and the Group is implementing initiatives related to information security, including the protection of personal information. Also, with regard to risks in connection with product quality, which is important for a manufacturer, to minimize risks that may affect business continuity, Denka has established the Denka Group Quality Issue Response Policy and is implementing initiatives across the entire Group. If a crisis occurs, the CEO is to decide whether to establish a crisis task force in accordance with the seriousness of the incident based on the Basic Guidelines for Crisis Management. The relevant departments work closely together and, when necessary, obtain the advice of outside experts to conduct various investigations, analyze causes, and formulate various countermeasures to prevent recurrence. Since fiscal 2023, Denka has been working to strengthen the risk management system of the entire Group based on the concept of Enterprise Risk Management.

Denka Group Management Handbook

Denka distributes the Denka Group Management Handbook to Group companies in Japan and overseas to strengthen overall risk management and internal control of the Group.



List of Risks and Locations of Articles Describing Our Response

Classification	Summary of Major Risks	Page	Page number for articles
Business management	Awareness of management issues and social issues related to sustainability	▶ P10-15	Message from the President
		▶ P32-35	Materiality, sustainability management promotion structure
	Execution of the management plan and financial strategy, business environment (economic crisis, economic/foreign exchange fluctuations, geopolitical risks)	▶ P20-24	Financial Strategy
		▶ P25-28	Management Plan "Mission 2030"
	Corporate governance, group governance	▶ P77-85	Management Value Creation
	Responding to changes in the business environment, natural disasters	▶ P38-50	Messages from division heads, business strategies
Risk management & compliance	Risk management, accidents/crimes	▶ P90-93	Risk Management
Accidents & disasters	Operational accidents, safety, health and disaster prevention	▶ P86-87	Place the Utmost Priority on Safety
Quality & product liability	Issues caused by poor product/service quality, information coverups, falsification, false reporting	▶ P88-89	Quality Assurance Management
Information systems	Overall information system error due to cyber-attacks and unauthorized access	Sustainability Site (web)	Governance/compliance with laws and regulations/thorough corporate ethics/information security management
		▶ P58-60	DX Strategy
	Digitalization, DX	▶ P56	Process reforms
Environmental management	Climate change, abnormal weather, reduction of environmental impact, and biodiversity	▶ P69-76	Pursuing sustainability
HR strategy	Employment, DE&I, human resource development, health management	▶ P61-67	Human Resources Value Creation
Respect for human rights	Human rights violation risks	▶ P94	Initiatives to Respect Human Rights
Protection of intellectual property	Protection of intellectual property	▶ P53 Sustainability Site (web)	Governance/compliance with laws and regulations/thorough corporate ethics/intellectual property management
Protection of personal information	Protection of personal information	Sustainability Site (web)	Governance/compliance with laws and regulations/thorough corporate ethics/information security management
Supply chain	Export trade management	Sustainability Site (web)	Governance/compliance with laws and corporate ethics/export security trade control
	BCP (Business Continuity Plan)	Sustainability Site (web)	Governance/corporate governance/BCP
	Procurement risks	Sustainability Site (web)	Society/procurement/Denka Group Basic Policy and Guidelines on Sustainable Procurement
Communication	Responsible Dialogue with Stakeholders	▶ P98-100	Dialogue with Stakeholders

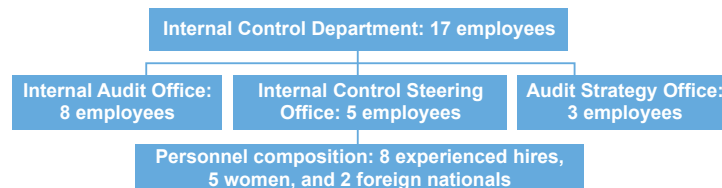
Denka Group Internal Control

Basic Policy

The Company is committed to improving the non-financial value of the entire group by enhancing internal control, improving business processes, reducing risks, and preventing fraud. The Internal Control Department is organized to lead the force, and we envision becoming a professional team that is trusted by stakeholders inside and outside the company by carrying out three activities: implementing assurance, giving advice, and assisting activities, all on a PDCA basis. As one of the non-financial KPIs in the Management Plan "Mission 2030", we have set a goal of completing the establishment of a structure of internal controls (Internal Control Framework) within the group by 2030, which packages standardized internal control initiatives.

Promotion System

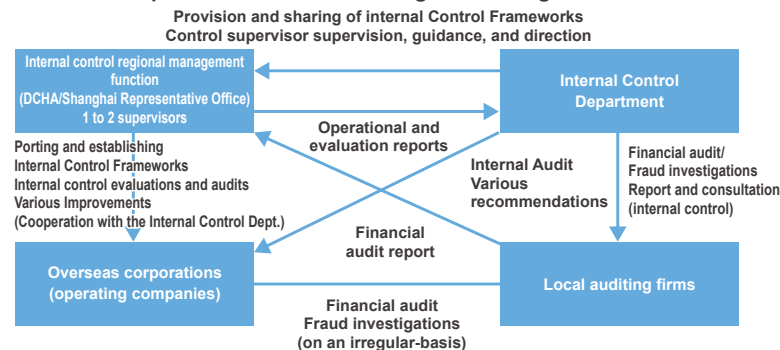
The Internal Control Department comprises the Internal Audit Office, which is responsible for assurance activities such as control evaluation, auditing, and advice; the Internal Control Steering Office, which supports and assists the construction of internal controls by the first line (workplace operations such as sales and manufacturing); and the Audit Strategy Office, which promotes DX and examines the approach to innovative audits. The Internal Control Department is actively promoting career hiring and transforming into an organization with diverse values that are not bound by gender, age, or nationality.



Overseas Corporate Internal Control Regional Management Structure

Internal control functions have also been organized within regional headquarters companies in Singapore and China, and are working with the Internal Control Department to strengthen the Group's control.

Overseas Corporate Internal Control Regional Management Structure



Road map in the Management Plan "Mission 2030"

	[FY2025 Results]	[FY2026 Plan (Interim Targets)]	[FY2030 Targets]
Internal control framework	(1) Implementation completed (Completed in FY2025) Total: 24 companies (2) In progress Total: 3 companies	Implementation completed: 26 companies, 2 sites (*Number of companies reporting completion)	Establish internal control framework for all Group companies
Enterprise Risk Management (ERM)	<ul style="list-style-type: none"> Introduced an Enterprise Risk Management (ERM) system to centrally manage group-wide risks. Identified and selected the Denka Group's "priority risks (10 items)." Started BCP formulation at Gosen Plant "Tokyo metropolitan epicentral earthquake disaster" <p>Creation of initial response manual Securing communication means in emergencies (in cooperation with the Digital Strategy & Innovation Department)</p>	<ul style="list-style-type: none"> Strengthening the functions and authority of the head office second line (head office management divisions) via ERM Institutionalizing a "group management mindset" through a shift in mindset via ERM (from a single-entity management-oriented approach to group management-oriented approach) 	<ul style="list-style-type: none"> Qualitative improvement of "group control and group management" through strengthening the functions and authority of the head office second line (head office management divisions) Strengthening the management foundation supporting group management (e.g., building information infrastructure to promote group-wide information sharing and systems for detailed risk assessment)

Overview of Internal Control

1 Adoption of the Three Lines of Defense

Our company's internal control system is composed of three lines of defense: the first line is the risk owners (sales and manufacturing sites, etc.), the second line is the management department that provides control support and monitoring to the first line, and the third line is the internal audit departments that evaluate and assure the effectiveness of controls.

2 Achievements (Number of Audits and Support for Internal Control Development)

In FY2025, under J-SOX, we evaluated 10 companies for company-level controls (CLC) and 3 companies for process-level controls (PLC) as key sites, and actively conducted voluntary audits covering 14 business processes, including personnel management, information management, and quality management. In addition, 5 group companies, mainly overseas, have started to establish internal controls using the Internal Control Framework, with evaluation of six companies completed, including one company that started last year.

3 Awareness and Dissemination of Internal Controls

The results of internal control evaluations and audits are also shared with relevant management departments (second line) and major group company executives, and a wide range of items are discussed and reported, such as significant findings, specific actions to be taken, and good examples of effective controls.

The Denka Group's Initiatives to Respect Human Rights

We make respect for human rights the foundation of our business activities and work to address human rights issues throughout the supply chain.

The Denka Group promotes human rights due diligence based on its Human Rights Policy. We are identifying and assessing human rights risks at our sites in Japan and overseas and across our supply chain. We are also working to ensure respect for human rights through prevention and mitigation measures and the establishment of reporting channels.

March 2025

Revised the Denka Group Human Rights Policy

Taking into account the OECD Guidelines for Multinational Enterprises (2023 edition), we aligned our policy with the Denka Group Corporate Ethics Policy and the Denka Group Standards of Business Conduct, which were revised at the same time, strengthening a consistent framework for respecting human rights across the Group.

<Revisions>

- Clarified the groups protected against discrimination and the employment relationships where fair treatment must be ensured
- Added a policy of equal pay for equal work
- Explicitly stated that wages supporting stable livelihoods will be paid without discrimination
- Added policies to prevent overwork and reduce overtime hours

Identifying Key Human Rights Risks for the Denka Group

In FY2025, we surveyed 14 Group companies in Japan and overseas to identify human rights risks. Together with the results of surveys of our domestic plants and business sites that began in 2023, these findings reaffirmed the following as key human rights risks across the Group. We will consider corrective measures to reduce these risks.

- Forced labor and child labor**
(at customer companies and raw material production sites)
- Occupational health and safety**
(within our operations and at suppliers)
- Bullying and abuse of authority at the workplace**
(within our operations and at on-site contractors)
- Working hours** (within our operations)
- Freedom to relocate**
- Rights of indigenous people and local residents**
- Consumer safety and the right to know**



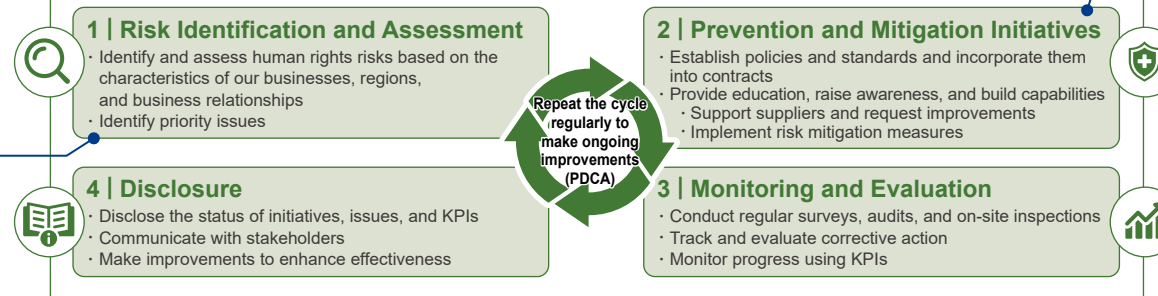
1. Policy and Governance (Management Commitment)

- Endorse the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the ILO core conventions, and the OECD Guidelines for Multinational Enterprises
- Make respect for human rights a fundamental principle of corporate conduct and ensure its implementation throughout the Group



Put the Policy into Practice

2. Human Rights Due Diligence (DD) (Ongoing Process)



3. Remedy (Grievance Mechanism)

We will provide appropriate remedies where due diligence could not prevent a problem or where adverse impacts have occurred.

Expanding the Grievance Mechanism

In FY2025, the Denka Group revamped its reporting system to expand its grievance mechanism. We established an external reporting channel that can be used not only by employees, but also by suppliers and other parties throughout our supply chain. By identifying and responding to human rights concerns and potential risks, we are advancing our efforts to respect human rights.

Other FY2025 Results

Example: Conducted ESG surveys of suppliers and held interviews on human rights issues in FY2025.



Supplier assessment coverage*1

100% (FY2030 target: 90%)



Individual interviews with low-scoring suppliers*2

67% (FY2030 target: 100%)

*Primarily online interviews



Supplier endorsement rate

100%

(Percentage of companies that endorse Denka's supply chain policy and guidelines)



Human rights training participation rate among Denka Group employees

100% (FY2030 target: 100%)

* Denka Group

*1 Based on the CSR Procurement Self-Assessment Questionnaire developed by Global Compact Network Japan (UNGC).

*2 Individual interviews with suppliers that received low scores in the survey described in *1.

Policy on Strategic Shareholdings

As a general rule, Denka does not hold strategic shareholdings, in light of the need to improve capital efficiency. However, Denka will hold such shareholdings if it judges that such holdings will contribute to the establishment of stable business relationships and the maintenance and strengthening of business alliances in line with its growth strategy, thereby contributing to the enhancement of the Company's corporate value over the medium- to long-term. In accordance with this holding policy, we conduct a comprehensive review of such shares from various perspectives, including the financial condition of the issuer, the volume and economic rationality of transactions with Denka, and a comparison with our cost of capital. We describe the purpose of holding each such shareholding in our Annual Securities Report and continue to review such holdings every year. In FY2025, we reviewed the purpose of holding each such shareholding, including from the perspective of capital efficiency, and promoted reductions. As a result, the number of strategic shareholdings as of the end of March 2026 decreased by 12 from the end of the previous fiscal year to 33, and their value as a percentage of consolidated net assets decreased by 0.09 percentage points from the end of the previous fiscal year to 6.33%.

Trends in Strategic Shareholdings

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Number of issues	93	90	70	54	45	33
Total balance sheet amount (Millions of yen)	33,243	34,034	29,956	22,848	19,786	21,460
Total net assets (Millions of yen)	270,036	292,094	300,351	316,915	308,296	338,826
Percentage of consolidated net assets	12.31%	11.65%	9.97%	7.21%	6.42%	6.33%

Number of Strategic Shareholding Issues and Total Balance Sheet Amount as of March 31, 2026

	Number of issues	Total balance sheet amount
Unlisted shares	31 issues	3,247 million yen
Listed shares	2 issues	18,212 million yen

Issues with declining number of shares held in FY2025

	Number of issues	Total sale proceeds related to the decrease in the number of shares
Unlisted shares	12 issues	359 million yen
Listed shares	2 issues	11,608 million yen

Litigation Against Our U.S. Subsidiary

Since 2018, multiple lawsuits (20 cases as of March 31, 2026) have been brought against Denka's U.S. subsidiary, Denka Performance Elastomer LLC ("DPE"; Denka's stake in DPE is 70%), and DuPont de Nemours, Inc. and its affiliates (collectively, "DuPont") in the 40th Judicial District Court for the State of Louisiana, United States, and remain pending.

The plaintiffs (a total of 7,308 as of March 31, 2026) allege in the lawsuits that they have suffered physical, property, and emotional harm as a result of chloroprene monomer emitted from the chloroprene rubber manufacturing plant located in the State of Louisiana, United States (DuPont began operating the plant in 1969, and DPE acquired it from DuPont in November 2015). In the lawsuits, the plaintiffs are seeking damages of no more than US\$50,000 per plaintiff from DPE and DuPont. DPE will continue to respond appropriately in the legal proceedings.

On April 9, 2024, the United States Environmental Protection Agency announced new air emission regulations for chemical substances applicable to chloroprene rubber manufacturing facilities, including DPE, and published them in the Federal Register on May 16 of the same year. The regulations require chloroprene rubber manufacturing facilities in the United States to substantially reduce emissions of chloroprene monomer, an intermediate raw material, by implementing various emission control measures. In response to these regulations, DPE filed a petition with the United States Court of Appeals for the District of Columbia Circuit on May 16, 2024, seeking review of the regulations. On July 10, 2024, DPE also filed a petition with the U.S. Court of Appeals for the Fifth Circuit seeking confirmation of the legal validity of the Louisiana Department of Environmental Quality's (LDEQ) approval of a two-year extension of the period for compliance with the regulations. Both matters remain pending before their respective courts, but as of the date of this report, proceedings in both cases have been stayed by order of the courts.

For details, please refer to the news releases* posted on Denka's corporate website.



<https://www.denka.co.jp/news/>

* News releases dated June 19, 2019; February 14, June 8, June 19, August 7, and December 17, 2020; March 2, June 22, and July 20, 2021; April 28, June 17, and October 28, 2022; January 13, March 6, and April 21, 2023; and April 17 and July 10, 2024.

Denka Group Compliance

Basic Policy

The Denka Group broadly defines "compliance" as adherence to laws, contracts, internal regulations, and social norms. The Denka Group Ethics Committee, established by the Board of Directors and chaired by the President, oversees compliance efforts across the entire Group. Under the Committee, the Head Office management divisions promote the planning and implementation of various preventive measures to address compliance risks relating to corporate ethics, laws and regulations in general, the environment, quality, occupational safety and health, human rights, and other areas. These measures include collecting information on the latest laws and regulations, judicial precedents, and cases involving other companies; establishing and revising internal regulations, including Group-wide common rules and company-wide regulations; providing education and training; and conducting monitoring and audits. In addition to the activities of the Head Office management divisions, each business division, each business site, and each Group company works to reduce compliance risks in their respective areas on an ongoing basis, including through collaboration with outside experts. Based on the spirit of our Core Values of "Initiative," "Integrity," and "Empathy," the Denka Group will continue to work diligently to ensure thorough compliance, with all officers and employees throughout the Group treating compliance as their own responsibility.

Compliance Promotion System

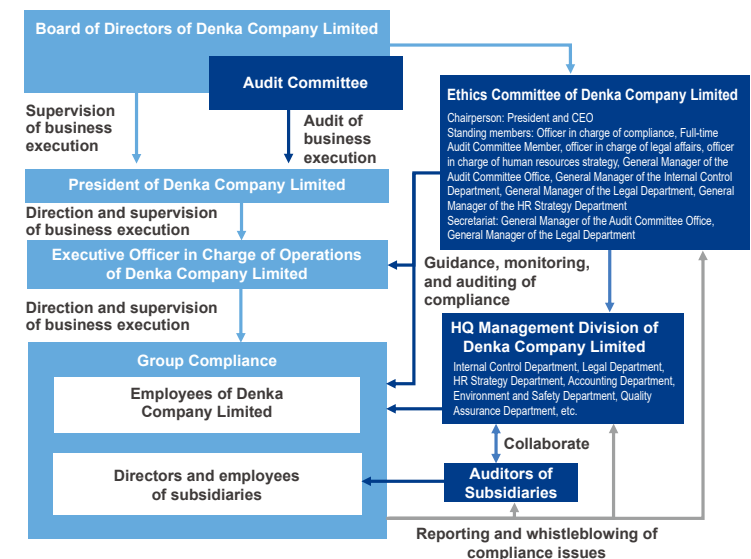
The Denka Group has established the "Denka Group Corporate Ethics Policy" through the Company's Board of Directors as its highest-level regulation governing compliance. This policy aims to ensure that all officers and employees of the Denka Group practice compliance, thereby maintaining and securing the trust of society and ensuring the sustainable development and continuity of the entire Group. To achieve this, the policy stipulates the code of conduct to be observed by all officers and employees, the organizational structure, the responsibilities of relevant officers and employees, and the establishment of a whistleblowing system. Based on this Policy, the Company's Board of Directors established the Ethics Committee, chaired by the President. The Committee oversees the Group's overall compliance initiatives, including confirming the progress of compliance promotion activities and the status of responses to issues, and deliberating on activity plans for the following fiscal year. At the same time, the Company's Board of Directors appoints an Executive Officer responsible for promoting compliance (the Chief Compliance Officer (CCO)). The CCO assists the President, who chairs the Ethics Committee, and directs and supervises compliance promotion activities conducted by Head Office management divisions, including the Legal Department, which serves as the secretariat of the Ethics Committee, the Internal Control Department, and the HR Department. Through this Corporate Ethics Policy and the organizational structure and responsibilities stipulated therein, we are working to strengthen the compliance framework throughout the Denka Group in Japan and overseas.

Denka Group Standards of Business Conduct

The Denka Group has established the "Denka Group Ethics and Legal Compliance Guidelines: Denka Group Standards of Business Conduct," which further specifies the standards of conduct that all officers and employees are required to observe under the Denka Group Corporate Ethics Policy. The Guidelines set out global standards of conduct that all officers and employees of Denka Group companies are expected to follow in putting the Group's management philosophy and values into practice and serve as a guide to ethically and legally appropriate conduct. The Guidelines cover basic rules for conducting business appropriately, environmental conservation and safety, fair transactions, export regulations and economic sanctions, insider trading, personal information management, quality compliance, management of confidential information and intellectual property rights, exclusion of antisocial forces, prevention of corruption, and respect for human rights, including compliance with labor laws. They are distributed as booklets (in Japanese, English, and Chinese) for all officers and employees to use as a guide in their daily work.

Compliance Awareness and Education

To thoroughly establish a compliance-first system and corporate culture, the Denka Group designates every October as "Compliance Reinforcement Month," during which a message from the President is distributed, and the Ethics Committee conducts activities such as e-learning training, surveys, and obtaining compliance pledges from all officers and employees of the Group. More than 6,000 employees across all business sites completed the e-learning conducted in FY2025. In addition, the Legal Department, which serves as the secretariat of the Ethics Committee, identifies key compliance risks based on the results of the surveys, holds seminars on the relevant areas, and disseminates information via the intranet as needed.



Standards of Business Conduct Booklet (English version)



Various materials used for compliance training in FY2025

Compliance Initiatives

Whistle-Blowing System "Denka Group Helpline"

To ensure more reliable compliance management throughout the group and to promptly identify and correct compliance issues at group companies, the Denka Group has established the "Denka Group Corporate Ethics Policy" and the "Denka Group Whistle-blowing Policy." Based on these regulations, the Ethics Committee has established and operates the group-wide whistle-blowing system, the "Denka Group Helpline."

Officers and employees of each Group company in Japan and overseas, regardless of the contract type, such as temporary employees, etc., their family members within the second degree of kinship living with them, and retirees as stipulated by the Whistleblower Protection Act of Japan, can report compliance issues to the Denka Group Ethics Committee at any time using the Denka Group Helpline anonymously or with identifying information, in Japanese, English, or Chinese language.

The Denka Group Ethics Committee not only has multiple contact points for receiving reports (the committee secretariat as the internal contact point; Nishimura & Asahi and specialized businesses serve as the external contact point), but also has stipulated the obligations in the group-wide whistle-blowing regulations for officers and employees to keep the identity of the whistleblower confidential and to prohibit retaliatory actions against whistleblowers, and the strict punishment for violations of these obligations.

The Legal Department, which serves as the Ethics Committee Secretariat, also works to maintain trust in and promote use of the reporting system by ensuring that these points are thoroughly communicated through various compliance training programs. These initiatives have encouraged active use of the Denka Group Helpline and contributed to enhancing the effectiveness of compliance across the Denka Group. From FY2025, a new reporting channel has also been established for supply chain-related business partners of Denka Group companies to report issues related to human rights.

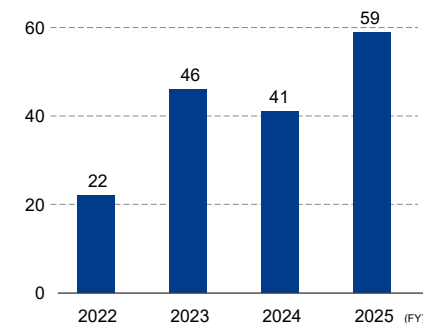
Response to Misconduct

Denka established a basic regulation for handling compliance violations in August 2022 to fairly and appropriately address compliance issues reported through the internal reporting system, management channels, and other routes. The regulation set forth specific provisions concerning internal reporting of compliance issues, investigation systems, procedures for reviewing cases in which an issue has been identified, and measures for internal communication regarding as corrective actions and measures to prevent recurrence. If a compliance issue arises in the Company, an internal investigation team investigates the issue in accordance with the regulations, and work to promptly resolve and correct the issue, including by taking disciplinary action where necessary.

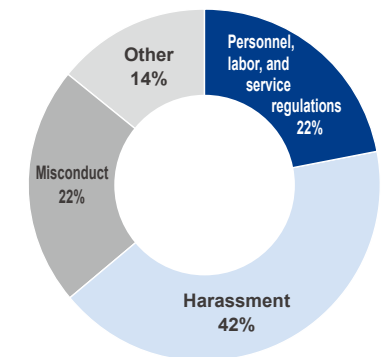
Handbook for employees on using the whistleblowing system



Trend in the Number of Reports (cases)

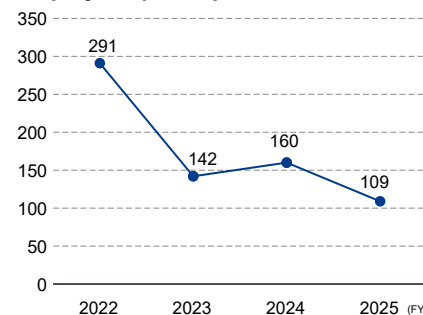


Breakdown of Internal Reports (Cumulative from FY2019–FY2025)



* Classification is based on the content of the report at the time of receipt and does not necessarily reflect the recognized facts.

Trend in the Number of Consolidated Employees per Report (persons/reports)



Breakdown by Location in FY2025 (cases)

	Misconduct	Harassment	Personnel, labor, and service regulations	Other
Head Office	2	5	4	3
Research facilities and plants	7	12	3	
Group Companies	4	6	6	3
Unknown		2		2

Dialogue with Stakeholders

1. Creating Value through Dialogue with Our Stakeholders

The Denka Group considers maintaining responsible dialogue with stakeholders an integral part of the process of understanding expectations regarding the Group's social responsibility, contributions to society, and enhancement of corporate value. It is also set forth in the Denka Group ESG Basic Policy under "Information Disclosure and Constructive Dialogue with Stakeholders." The diagram below illustrates the significance of each form of dialogue and the value it creates.



Cycle of Value Creation through Dialogue

We reflect expectations and requests identified through dialogue with diverse stakeholders in our business activities and management decisions, thereby contributing to the sustainable enhancement of corporate value.


Incorporated into business strategies and R&D


Incorporated into human resources strategies and organizational culture


Contribute to solving environmental and social issues


Strengthen governance and advance risk management

2. Examples of Dialogue with Stakeholders

	Objective/Themes	Means
 Customers	<ul style="list-style-type: none"> ■ Providing safe, high-quality products that satisfy our customers and appropriate information. ■ Forging relationships built on trust through sincere communication with our customers 	<ul style="list-style-type: none"> ■ In-person and online meetings with customers ■ Providing technical services ■ Conducting customer satisfaction surveys
 Business Partners	<ul style="list-style-type: none"> ■ Promoting open innovation and building good relationships with our business partners to ensure co-existence and shared prosperity across the entire supply chain. 	<ul style="list-style-type: none"> ■ Face-to-face and online meetings with suppliers ■ Announcement of our Partnership Building Declaration
 Local Communities	<ul style="list-style-type: none"> ■ Actively participating in the formation of more habitable local communities and contributing to their development as a good corporate citizen. ■ Maintaining sound political and administrative relations and fostering a relationship of trust with society. 	<ul style="list-style-type: none"> ■ Comprehensive disaster prevention drills ■ Facility tours and resident briefings ■ Interaction with local residents and dialogue ■ Participation in local events ■ Educational support ■ Social contribution activities

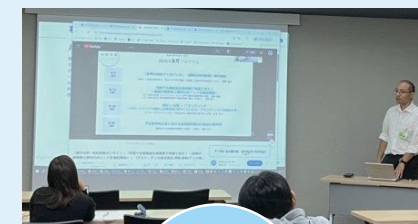
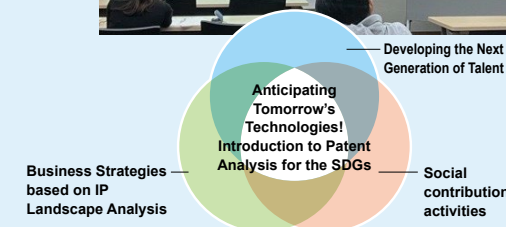
Holding "Introduction to Patent Analysis Seminar" at Kyoto University Graduate School

Denka provides ongoing support to educational institutions as part of its efforts to develop the next generation of talent and its social contribution activities. In September 2025, we held a three-day seminar for students and university staff at the Medical Innovation Center of Kyoto University Graduate School.

With members of the Intellectual Property Department serving as instructors, participants explored "alternative meat," a technology related to the SDGs. They used patent databases to create patent maps and develop hypotheses, researched supporting information, and presented the results of their IP landscape analyses.

Participants responded positively, with comments including: "I really enjoyed gaining practical experience that closely resembled the work of an intellectual property division" and "I learned how to analyze information by drawing on the strengths and accounting for the weaknesses of press releases, academic papers, and patents."

We will continue to use IP landscape analysis based on patent analysis to anticipate emerging technologies and guide our businesses strategically. Through seminars for educational institutions, we will also pursue activities that develop the next generation of talent and enhance our corporate value.



Denka Group Employees

- Reflecting the opinions of employees to promote the creation of a healthy and comfortable workplace for all members of the Denka Group.

- Visits by and dialogue with the President
- Use of internal portal sites
- Conducted Employee Awareness Survey

- Labor-management council
- Town Hall Meeting
- Lunch Meeting

Town Hall Meetings Held

To foster a corporate culture where it is easy to speak up and take on challenges regardless of position, we hold "Town Hall Meetings" that facilitate communication between management and employees. In FY2025, the President visited locations nationwide, sharing his aspirations and values as President while interacting with employees.



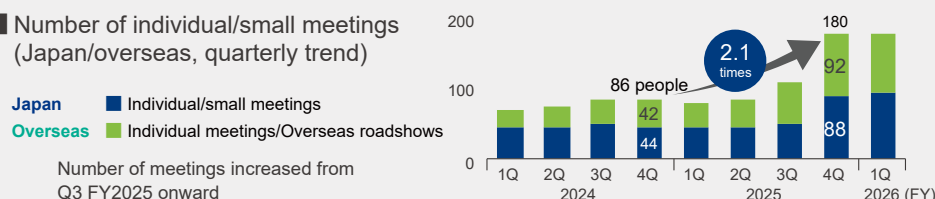
Denka Electronic Materials Dalian Co., Ltd.

Objective/Themes

- Actively, effectively, and fairly disclose financial and non-financial information and ensure credibility through constructive dialogue.
- Strengthen the Group governance structure and enhance overall corporate value.
- Meetings with institutional investors and securities company analysts (FY2025) (Excluding General Meeting of Shareholders, Financial Results Presentation, Management Briefings, and Briefing for Individual Investors)



- Number of individual/small meetings (Japan/overseas, quarterly trend)



- Main Topics of Dialogue, Matters of Interest to Shareholders, and Areas of Expanded Disclosure

- Latest status of AI-related products
- Policy and progress of portfolio transformation
- Management policies and initiatives for Phase 2 of the Management Plan "Mission 2030"
- Capital allocation (shareholder returns, strategic investments, R&D, financial leverage, etc.)
- Outlook for future growth businesses and investment plans

- Feedback to Management and Board of Directors

- Shareholder opinions obtained through dialogue are fed back to management and the Board of Directors, and to relevant departments
- When there are matters with many shareholder opinions, feedback is provided as needed



- Incorporating Dialogue and Feedback into Management

- Since 2025, we have held management briefings as opportunities to communicate our management strategy. (Previously, management strategies were communicated as topics at financial results briefings)
- The management briefing for Phase 2 of "Mission 2030" was held in February 2026.
- Meetings with Top Management are held to provide opportunities for direct dialogue among major institutional investors and analysts, the President, and the officer responsible for IR.

Means

- General Meeting of Shareholders (once a year)

Improve the content of convocation notices and other materials for General Meeting of Shareholders to increase the level of disclosure.
Provide live streaming for shareholders unable to attend in person and enable the exercise of voting rights via the Internet using personal computers, etc.

- Financial Results Presentation

(4 times a year: approx. 80 - 120 participants each)

The President and senior management provide quarterly briefings on financial results and growth strategies to institutional investors and securities company analysts. (Financial results briefings for the media are also held twice a year.)

- Briefings for individual investors

(once per year: 44 people in-person and 333 online participants)

The officer in charge of IR holds briefings for individual investors in a hybrid format, combining in-person and online participation, to explain management plans and overview of the business.

- Management Briefings

(twice a year: approximately 90–110 participants each)

The President and senior management explain management strategies and the progress and challenges of major businesses to institutional investors and securities company analysts. (Briefings for the media are also held twice a year.)

- Meetings with Institutional Investors and Securities Company Analysts (cumulative total: 512 participants)

- Individual meetings/small meetings (226 in Japan and 206 overseas)
The Corporate Communications Department conducts interactive dialogue with institutional investors and securities company analysts at individual meetings or small meetings to discuss financial results, management plans, and other details.
- SR meetings (twice a year: 23 participants in Japan and 2 overseas)
The Administration Department conducts dialogue with major domestic shareholders (institutional investors) to discuss our initiatives centered on governance and business challenges.
- Meetings with Top Management (once a year: 14 participants in Japan)
The President and the officer responsible for IR meet directly with major institutional investors and analysts to answer management-related questions and hold discussions.
- Plant tours (2 times a year: 2 locations in Japan) (19 participants in Japan, 1 overseas)
Hold plant tours for institutional investors and analysts from securities companies to explain the characteristics of products and each plant
- Overseas roadshows (2 times a year: 21 overseas participants)
The officer responsible for IR holds dialogue with overseas institutional investors in the Americas, Europe, and Asia on management plans, business models, R&D, shareholder returns, ESG, and other topics.



**Shareholders
and Investors**

Denka's 11-Year Financial Summary

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Summary Statement of Income (million yen)											
Net sales	369,853	362,647	395,629	413,128	380,803	354,391	384,849	407,559	389,263	400,251	384,247
Operating income	30,634	25,844	33,652	34,228	31,587	34,729	40,123	32,324	13,376	14,413	26,225
Ordinary profit	27,022	23,158	31,499	32,811	30,034	32,143	36,474	28,025	5,474	7,623	19,295
Profit attributable to owners of parent	19,472	18,145	23,035	25,046	22,703	22,785	26,012	12,768	11,947	(12,300)	15,695
Financial Position (million yen)											
Current assets	161,876	168,902	184,129	190,730	198,452	200,726	218,164	251,793	265,447	270,455	260,075
Total assets	443,864	454,944	473,799	483,827	501,448	526,035	557,646	592,158	616,244	655,524	681,006
Current liabilities	147,537	144,190	158,043	154,047	160,807	155,062	166,679	164,457	171,557	230,501	185,096
Net assets	216,071	227,487	242,780	250,481	254,014	270,036	292,094	300,351	316,915	308,296	338,826
Interest-bearing debt	124,596	113,748	108,269	112,134	134,340	138,191	137,032	169,729	174,368	217,679	221,714
Cash Flows (million yen)											
Cash flows from operating activities	44,014	39,557	48,776	32,660	41,954	40,610	42,630	8,946	36,260	18,620	36,154
Cash flows from investing activities	(34,979)	(22,258)	(29,298)	(26,176)	(36,303)	(36,976)	(36,839)	(28,268)	(22,572)	(59,586)	(45,021)
Cash flows from financing activities	(7,348)	(19,319)	(15,858)	(8,408)	9,544	(6,706)	(12,341)	18,361	712	40,118	7,603
Cash and cash equivalents at end of year	11,813	10,174	14,101	13,889	29,170	25,909	20,209	20,199	35,386	37,002	35,270
Per Share Information (yen)											
Dividends per share*	65.0	70.0	105.0	120.0	125.0	125.0	145.0	100.0	100.0	100.0	100.0
Profit per share	214.71	205.05	261.80	286.18	262.62	264.24	301.67	148.08	138.61	(142.73)	182.10
Net assets per share	2,366.74	2,526.42	2,727.94	2,839.16	2,906.95	3,101.92	3,345.34	3,438.28	3,568.69	3,436.95	3,604.53
Financial Indices											
Operating income ratio (%)	8.3	7.1	8.5	8.3	8.3	9.8	10.4	7.9	3.4	3.6	6.8
Return on equity (ROE) (%)	9.3	8.3	10.0	10.3	9.1	8.8	9.4	4.4	4.0	(4.1)	5.2
Return on assets (ROA) (%)	6.1	5.2	6.8	6.9	6.1	6.3	6.7	4.9	0.9	1.2	2.9
Shareholders' equity ratio (%)	47.7	49.1	50.5	51.0	50.0	50.8	51.7	50.1	49.9	45.2	45.6
Other											
Capital investment (million yen)	21,196	25,731	22,710	32,745	34,205	42,323	35,644	39,369	43,686	69,173	56,101
Depreciation and amortization (million yen)	23,242	24,359	24,599	22,946	22,482	22,911	23,883	27,041	26,919	27,858	29,166
R&D spending (million yen)	11,787	13,026	13,868	14,562	15,031	14,736	14,231	14,926	15,162	14,887	14,768
Number of employees at end of year (consolidated)	5,788	5,816	5,944	6,133	6,316	6,351	6,358	6,406	6,514	6,542	6,454
<div> <div>Management Plans</div> <div> Resumption of DENKA100 (2013-2017) </div> <div> Denka Value-Up (2018-2022) </div> <div> Management Plan "Mission 2030" (2023-2030) </div> </div>											
<div> <div>► Denka's main achievements</div> <div> <ul style="list-style-type: none"> ● 100th anniversary ● Changed company name ● Acquired U.S. chloroprene rubber business </div> <div> <ul style="list-style-type: none"> ● Transitioned to a "Company with an Audit and Supervisory Committee" ● Merger with DENKA SEIKEN Co., Ltd. ● Transferred cement business to TD Cement Sales Co., Ltd. </div> </div>											
<div> <div>► Social developments</div> <div> <ul style="list-style-type: none"> ● Entry into force of the Paris Agreement ● Inauguration of the U.S. Trump administration ● Consumption tax hike (to 10%) ● COVID-19 pandemic ● Inauguration of the U.S. Biden administration ● Russian invasion of Ukraine ● Israel, Gaza invasion ● Yen depreciation continues, reaching the 150 yen level for the first time in 32 years ● Inauguration of the U.S. Trump administration ● Strait of Hormuz closure crisis </div> </div>											

Financial information for FY2017 onward has been revised under the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued in February 2018). The "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No. 29, March 31, 2020), etc., has been applied from the beginning of the 163rd fiscal year, and the main management indicators, etc., for the 163rd fiscal year and beyond reflect the application of these accounting standards.

* Cash dividends per share 1. Denka executed a reverse share split that merged five shares into one share as of October 1, 2017. As we aim to support easy-to-understand comparisons between performance in each fiscal year, the value of dividends per share for the preceding fiscal years has been retrospectively converted to reflect the value of dividends had the reverse share split already been in effect.

► IR Information <https://www.denka.co.jp/ir/>

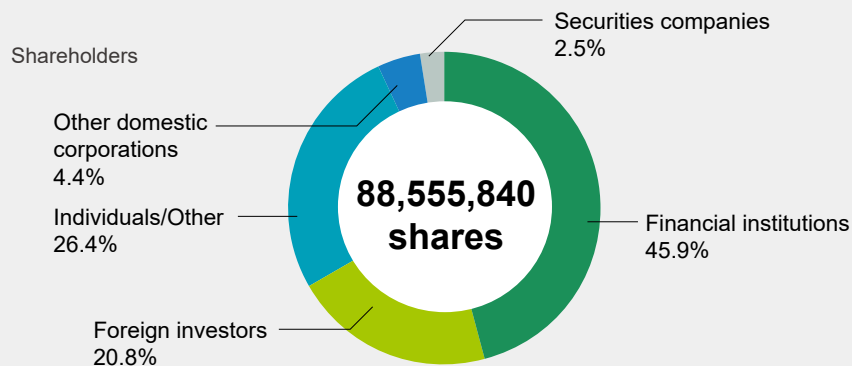


Denka Report 2026 Integrated Report

Corporate Profile (as of March 31, 2026)

Name	Denka Company Limited
Established	May 1, 1915
Employees	Non-consolidated: 4,234 Consolidated: 6,454
Paid-in Capital	36,998 million yen
Head Office	1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-8338, Japan (Nihonbashi Mitsui Tower) Tel.: +81-3-5290-5055 Fax: +81-3-5290-5059

Share Information (as of March 31, 2026)



Major Shareholders

Shareholder name	Number of shares held (hundred shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	157,575	18.27
Custody Bank of Japan, Ltd. (Trust Account)	110,854	12.85
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust, Mizuho Bank Account Account Re-entrusted by Custody Bank of Japan, Ltd.	32,158	3.73
STATE STREET BANK AND TRUST COMPANY 505001	26,740	3.10
TAIJU LIFE INSURANCE COMPANY LIMITED	23,816	2.76
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	21,780	2.52
Custody Bank of Japan, Ltd. (Trust Account 4)	19,624	2.27
STATE STREET BANK AND TRUST COMPANY 505223	15,859	1.84
Denka Employee Shareholding Association	15,828	1.83
JP Morgan Securities Japan Co., Ltd.	12,673	1.47

(Notes) 1. 2,287,826 shares of treasury stock have been excluded from the above list of major shareholders.
2. Treasury stock is excluded from the calculation of the percentage of shares held.

Major Group Companies (as of September 30, 2026)



Japan

- Denka Astec Co., Ltd.
- Denka Azumin Co., Ltd.
- Denka Elastution Co., Ltd.
- Denka Consultant & Engineering Co., Ltd.
- Denka Kojundo Gas Kabushiki Kaisha
- Denka Cosmetics Limited Company
- Denka Polymer Kabushiki Kaisha
- Denka Renotec Co., Ltd.*
- KAINOS Laboratories, Inc.
- Kyushu Plastic Industry Co., Ltd.
- Kurobegawa Electric Power Company*
- Shonan Sekisui Kogyo Kabushiki Kaisha*
- JUZEN CHEMICAL CORPORATION*
- Denai Silane Co., Ltd.
- Denak Co., Ltd.*
- Toyo Styrene Co., Ltd.
- Hinode Kagaku Kogyo Co., Ltd.
- Akros Trading Co., Ltd.

* Equity-method affiliate

Overseas

Europe

- Denka Chemicals GmbH
- Icon Genetics GmbH
- DENKA SEIKEN UK Limited

North America

- Denka Corporation
- DENKA SEIKEN USA Incorporated
- Denka Performance Elastomer LLC

East Asia

- Denka Chemicals Shanghai Co., Ltd.
- Denka Advanced Development (Suzhou) Co., Ltd.
- Denka Chemicals Development Materials (Suzhou) Co., Ltd.
- Denka Inorganic Materials (Tianjin) Co., Ltd.
- Denka Electronic Materials Dalian Co., Ltd.
- Denka Taiwan Corporation
- Denka Korea Co., Ltd.

Southeast Asia

- Denka Chemicals Holdings Asia Pacific Pte. Ltd.
- Denka Singapore Pte. Ltd.
- Denka Advantech Pte. Ltd.
- Denka Construction Solutions Malaysia Sdn Bhd.
- Denka Advanced Materials Vietnam Co., Ltd.
- Denka SCGC Advanced Materials Co., Ltd.

Denka

■ Inquiries

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e-mail: denkareport@denka.co.jp
<https://www.denka.co.jp>

UD
FONT

This report uses a universal
design font that is easy to
read and helps prevent
misreading.