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To whom it may concern:

Company name: Denka Company Limited
 Name of representative: Ikuo Ishida, Representative Director, President & CEO
 (TSE Prime Code: 4061)
 Inquiries: Hiroyuki Yamamoto, General Manager,
 Corporate Communications Dept.
 (TEL: +81-3-5290-5511)

Notice of Formulation of Management Plan “Mission 2030” Phase 2 (FY2026–FY2028)

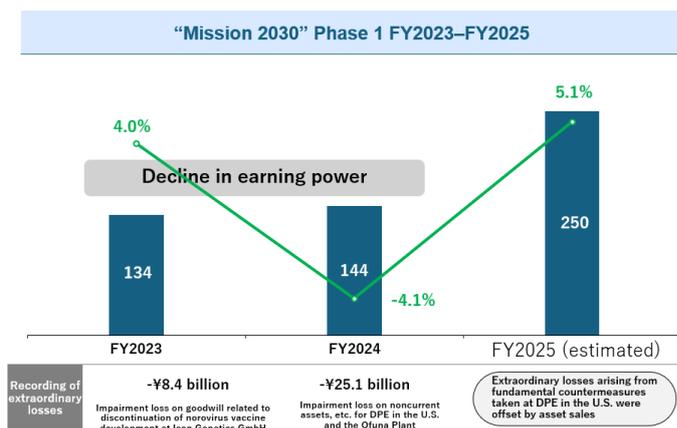
Denka Company Limited (“the Company”) is advancing its Management Plan “Mission 2030” to realize its Mission: “By 2030, we will increase the value of our human resources and management, and we will focus on creating business value that combines the three elements of specialty, megatrends, and sustainability.”

During Phase 1 from FY2023 to FY2025, the Company aimed to achieve both short-term growth and long-term strengthening of its growth foundation. This involved restructuring unprofitable businesses, implementing operational reforms, and making upfront investments in growth areas. However, we were unable to adequately respond to the rapid changes in the business environment, including slumping demand for electronic materials and delays in recovering upfront investments due to fluctuations in the EV market, and consequently, profitability declined.

In response, Phase 2 from FY2026 to FY2028 is positioned as a period focused on rebuilding earning power and solidifying the foundation for a new growth stage. We have set a plan with high visibility: achieving record-high operating income and an ROE of 8%. Furthermore, in Phase 3 and beyond, we will establish the optimal mix of ICT & Energy and Healthcare, each with distinct growth trajectories, based on our rebuilt earning power, thereby achieving sustained enhancement of corporate value.

1. Progress of “Mission 2030”

(1) Financial



<Main reasons for the decline in profitability>

- Fixed costs increased by approximately 15 billion yen compared to FY2021 (due to increased depreciation associated with upfront investments, etc.)
- Stagnant performance in U.S. chloroprene rubber business (DPE)
- Shift in demand for electronic materials for semiconductors, EVs, etc.
- Decrease in demand for styrene-based resins
- Delays in new business and product development

(2) Non-financial

	FY2023 Actual	FY2024 Actual	FY2025 Estimate	2030 KPI Targets
Greenhouse gas emissions reduction (Scope1/2) <Baseline> FY2013: 2.47 million t-CO ₂	-29% (1.75 million t-CO ₂)	-28% (1.77 million t-CO ₂)	-40% (1.47 million t-CO ₂)	-60% (0.98 million t-CO ₂)
Renewable energy Maximum power output	146MW	147MW	150MW	150MW
Occupational accident frequency rate (Number of fatalities / total hours worked x 1,000,000)	0.43	0.73	0.50	0.20 or less
Percentage of female managers	5%	5%	5%	15%

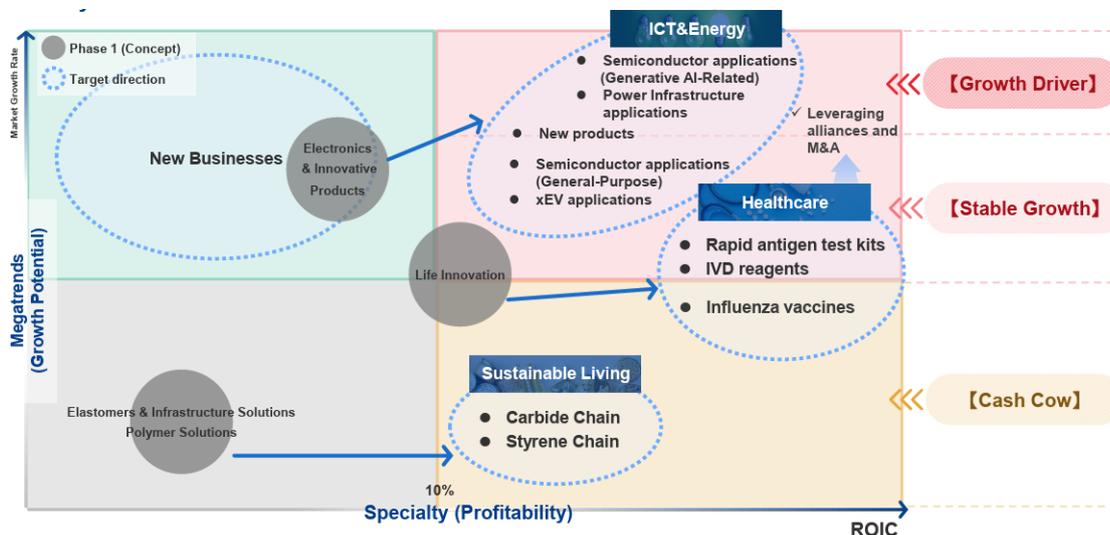
2. Initiatives in Phase 2 (FY2026–FY2028)

- We will base our initiatives on highly probable business plans and strike an appropriate balance among growth strategies, structural reforms, and financial discipline.
- For each business segment, we will clarify their direction as “growth drivers,” “stable growth,” or “cash cows,” and execute with focus through three strategies: “strategic expansion,” “reaping the returns of upfront investments,” and “improving capital efficiency and transforming our business model.”
- From Phase 3 onward, we will establish the optimal mix of ICT & Energy and Healthcare, each with distinct growth trajectories, based on our rebuilt earning power. In Sustainable Living, we will curate winning businesses and pursue new value creation.

(1) Growth strategy

<Strategies by business domain>

ICT & Energy	Supplying key materials for thermal management and becoming the de facto standard in cutting-edge fields driven by megatrends (AI, high-speed communication, xEV, renewable energy, semiconductors)
Healthcare	Building on stable growth in diagnostic business, we aim to be a frontrunner in forming alliances (including M&A) .
Sustainable Living	Achieve cash cow status through business chain optimization and restructuring, then decisively transform the portfolio to focus solely on winning businesses



(2) Structural reforms

- Alliances in Life Innovation : Aiming for early realization of synergies in making KAINOS Laboratories, Inc. a wholly owned subsidiary (tender offer to be completed in March)
- Styrene chain restructuring : By spinning off the styrene-based business, we aim to accelerate decision-making and expand options for enhancing competitiveness, including collaboration and capital alliances.
- Optimization of the carbide chain : Optimizing chloroprene rubber production and maximizing profitability with production exclusively at the Omi Plant

(3) Financial targets

<Unit>

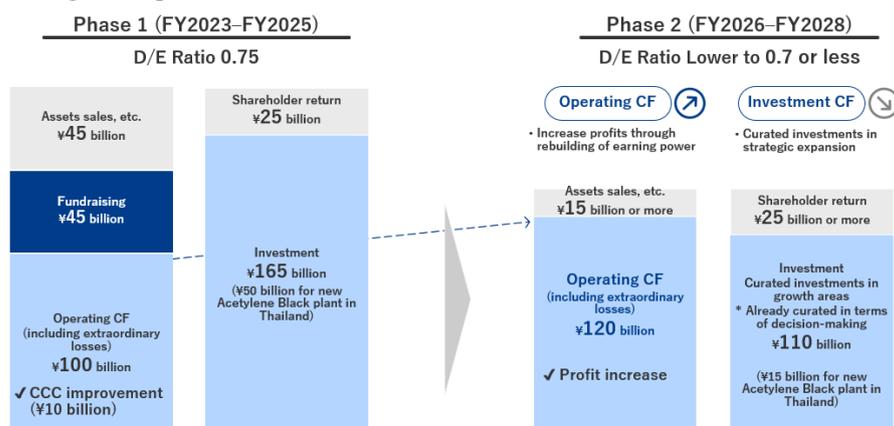
(Billions of yen)

	Initial plan		Phase 1			Phase 2		
	FY2026	FY2030	FY2023 Actual	FY2024 Actual	FY2025 Estimate	FY2026	FY2027	FY2028
Operating income	60	1,00	13.4	14.4	25	35	40	45
Net income	-	-	11.9	-12.3	15	18	22	26
ROE (capital efficiency)*1	11%	15% or more	4.0%	-4.1%	5.1%	6.0%	7.0%	8.0%
ROIC (capital efficiency)	7% or more	10% or more	2.5%	2.5%	4.2%	5.0%	5.5%	6.0%
D/E ratio (financial soundness)	0.6–0.8 (Maintain A credit rating)		0.57	0.73	0.75	0.75	0.70	0.7 or less
Investment (cash basis)	¥570 billion over 8 years		43.7	69.2	61	43	34	33
Total return ratio	8-year cumulative at 50% level		72%	-	57%	Maintain shareholder return policy		
Annual dividend (yen/share)			100	100	100			

*1: Regarding ROE (capital efficiency), we aim to achieve ROE of 8.0% in any of FY2026 to FY2028 in Phase 2.

<Capital allocation>

- Phase 2 will continue to advance growth strategies while maintaining financial discipline, alongside the shareholder return policy “aiming for a cumulative total shareholder return ratio of 50% over the eight-year management plan.”



The Denka Group will unite and focus its efforts on achieving “Mission 2030” Phase 2 and its Purpose: “Make the world a better place as specialists in chemistry.”

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