

# Denka

**Denka Company Limited**

Management Presentation

February 27, 2026

## Event Summary

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<b>[Event Name]</b>	Management Presentation	
<b>[Date]</b>	February 27, 2026	
<b>[Venue]</b>	Webcast	
<b>[Speaker]</b>	Ikuo Ishida	Representative Director, President & CEO

# Presentation

**Ishida:** Hello, everyone. I am Ishida from Denka. Thank you very much for taking the time out of your busy schedule to participate in our briefing today. We would also like to take this opportunity to thank you for your continued support of our business.

Today's management briefing is focused on the revision of our management plan, Mission 2030.

## Revisions to the Mission 2030 Management Plan

**Denka**

Mission 2030  
Management Plan  
**Phase 2**  
(FY2026 - FY2028)

### Rebuilding Earning Power: The Start of a New Growth Phase

- **Mission 2030 Management Plan Phase 2 Formulation and Objectives**

Nearly one year after becoming President, Denka has deployed and prepared a range of initiatives to return our company to a growth trajectory and present a clear path toward further growth. We expect to achieve operating income of ¥25 billion and an ROE of 5% or more in FY2025. Aiming for further growth, we revised Mission 2030 and formulated Phase 2, which focuses on FY2026 to FY2028. **Our goals in Phase 2 are to rebuild our earning power and strengthen foundations for a new growth stage.**
- **Phase 2 Key Measures**
  - (1) Strengthen and advance the competitiveness of growth businesses in ICT & Energy and Healthcare.
  - (2) Sustainable Living will create cash cows by focusing on businesses that can sustain competitiveness.
  - (3) Reach an early resolution regarding DPE and minimize the financial burden.
  - (4) Create new businesses. Implement the Trickle Out Strategy to expand existing businesses through FY2030, after which we will plant the seeds for at least 10 new initiatives for the period beyond FY2030.
  - (5) Restore our financial position by improving profitability through the above measures and carefully select investments.
- **Targets During Phase 2**

Achieve **record-high operating income and a ROE of 8%** during Phase 2 as a highly reliable plan.
- **New Growth Stage during and beyond Phase 3**

Pursue a growth model based on rebuilt earning power through **the best mix of ICT & Energy and Healthcare, which have different growth trends**. Achieve sustainable growth unique to Denka and deliver solutions to social issues that only we can provide.
- **Delivering on Our Commitments Under Our Motto of Initiative and Execution.**

Representative Director,  
President, and Chief  
Executive Officer **Ikuo Ishida**  
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To begin, I have summarized the key points regarding this revision, so please turn to page two.

Regarding this revision, we defined the period from 2023 to 2025 as Phase I and 2026 to 2028 as Phase II.

The key priority for Phase II is the rebuilding of our earning power.

Nearly one year after becoming president, we have deployed a range of initiatives to return our company to a growth trajectory and present a clear path toward further growth. As a result, for FY2025, we expect to achieve an operating income of JPY25 billion and an ROE of 5% or more, meeting our announced targets. Aiming for further growth, we have formulated the Phase II plan focusing on FY2026 to FY2028.

There are five main priority measures in this Phase II, as described here. The first is to strengthen and advance the competitiveness of growth businesses in ICT & Energy and Healthcare. Second, in the Sustainable Living segment, we will focus on businesses that can sustain their competitiveness and turn them into cash cows. Third, and this is our biggest challenge, is to resolve the DPE as soon as possible and minimize the cost burden.

The fourth is the creation of new businesses. I think this is the most important point for future growth. Fifth, we will improve our profitability and rebuild our financial situation by carefully selecting investments. I believe it comes down to these five key measures.

During this period, we aim to achieve a record-high operating income. The operating income of JPY40.1 billion in FY2021 was the highest ever recorded. We aim to surpass this record of JPY40.1 billion and are also targeting an ROE of 8%.

For the new growth stage during and beyond Phase III, we will pursue a growth model based on earning power through the best mix of ICT & Energy and Healthcare, which have different growth trends. Our goal is to achieve growth that is unique to Denka. I will explain the details later in this briefing.

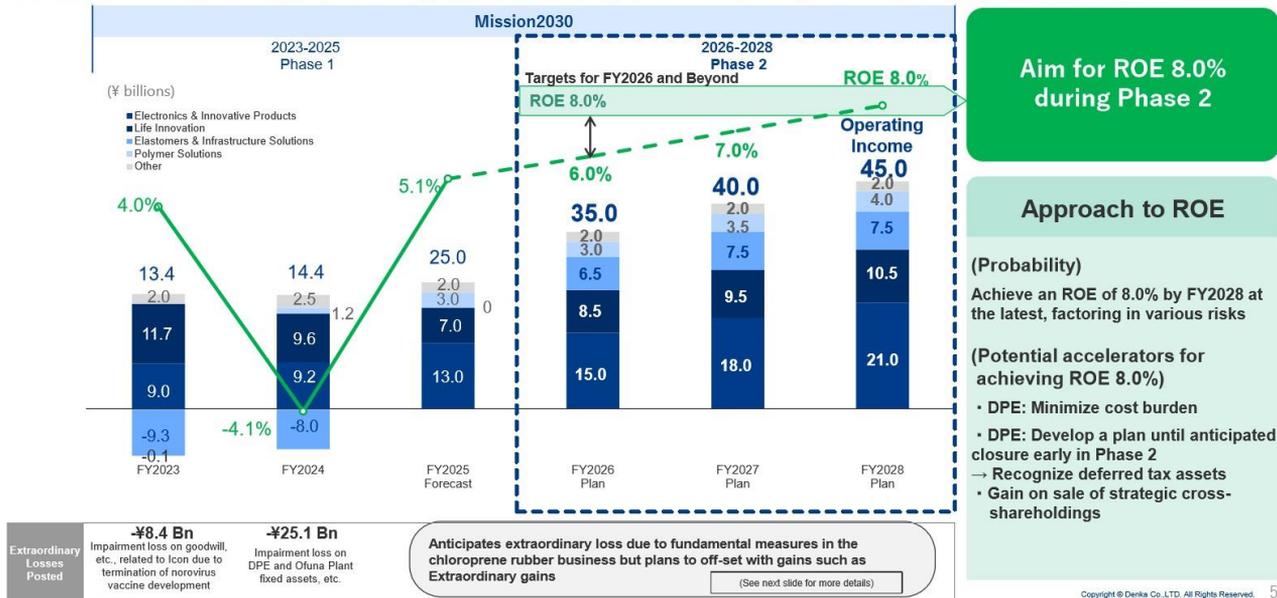
Lastly, as I shared last May, I will continue to lead with our motto of Initiative and Execution. I am committed to walking the talk, ensuring that we deliver on every promise we make.

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Page three, please. Here is today's agenda.

First, I will explain the basic policy for Phase II and our vision for the future.

■ Set ROE of 8% or higher as a highly achievable plan in Phase 2 (FY2026-FY2028) of Mission2030



Page five, please. First, I will explain the overview of Phase II.

We have factored in a variety of risks this time due to changes in the market environment. We have developed a highly feasible plan.

As you can see, our target for operating income is JPY35 billion in FY2026 and JPY40 billion in FY2027. We plan to proceed with an amount of JPY45 billion for FY2028.

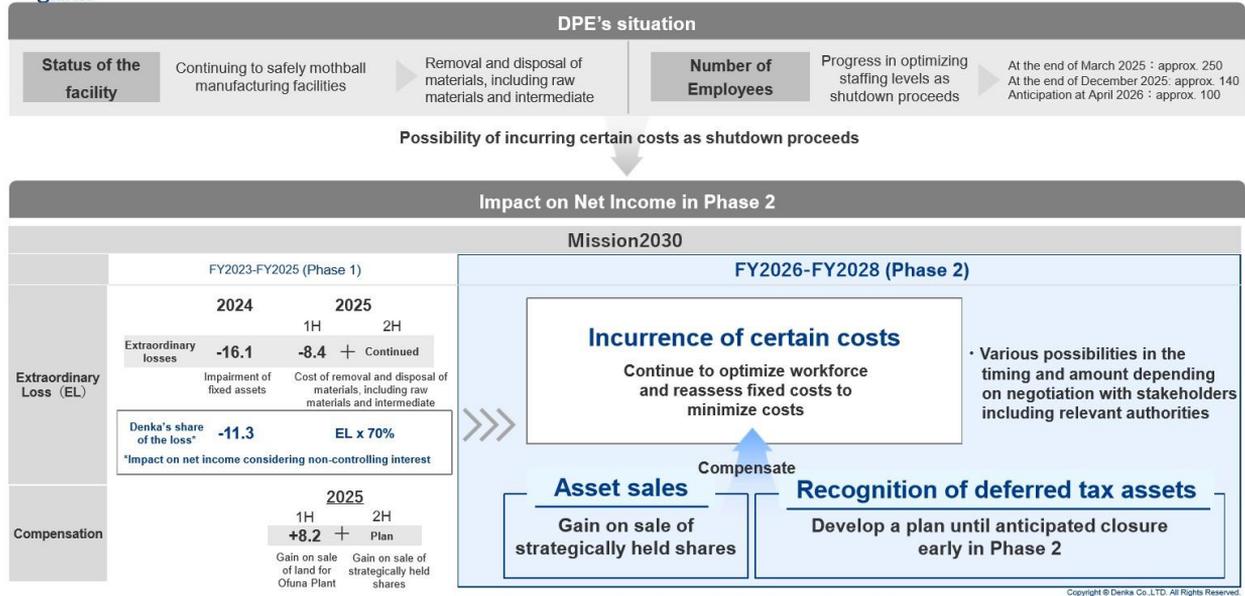
As for ROE, the Company aims to achieve 8% during the phase period. However, we would like to aim for 8% as soon as possible by minimizing DPE expenses or further raising operating income.

I will explain the extraordinary losses and how we plan to compensate for them on the next page.

# DPE-Related Impact on Net Income

Note: This slide has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated slide and the Japanese original, the original shall prevail.

- For the impact on net income in Mission2023 Phase 2, anticipates certain cost but plans to off-set with gains such as Extraordinary gains.



Page six, please.

Regarding DPE, we decided on a temporary suspension last May.

While we are currently recording extraordinary losses for the removal and disposal of raw materials and intermediate products, we also anticipate certain expenses during Phase II. However, in Phase II, we plan to offset these impacts by recording deferred tax assets. This will be achieved through the sale of cross-shareholdings and the early finalization of the closure plan.

Although there are still various possibilities for the amount and timing depending on negotiations with stakeholders, including the relevant authorities, we will continue to promote cost minimization by optimizing personnel and reviewing fixed costs, as a matter of course.

**Shareholder  
Return Policy**

- Total return ratio target of 50% (cumulative eight-year total for plan)
- Aim to maintain or increase dividend per share

		FY2023	FY2024	FY2025 Forecast	FY2026 Plan	FY2027 Plan	FY2028 Plan			
Net Income	(¥ billions)	11.9	-12.3	15.0	18.0	22.0	26.0			
Dividends per Share	(¥/share)	100.0	100.0	100.0						
			Mid-term 50.0 End 50.0	Mid-term 50.0 End 50.0	<b>Maintain shareholder return policy</b>					
Dividend	(¥ billions)	8.6	8.6	8.6						
Shareholders Return		72%	-	57%						
Stock Purchase	(¥ billions)	-	-	-						
Total Return	(¥ billions)	8.6	8.6	8.6						
Total Return Ratio (Single-Year)		72%	-	57%						
Total Return Ratio (Cumulative)		72%	-	176%						
ROE (%)		4.0%	-4.1%	5.1%				6.0%	7.0%	8.0%
DOE (%)		2.9%	2.9%	2.9%				—	—	—

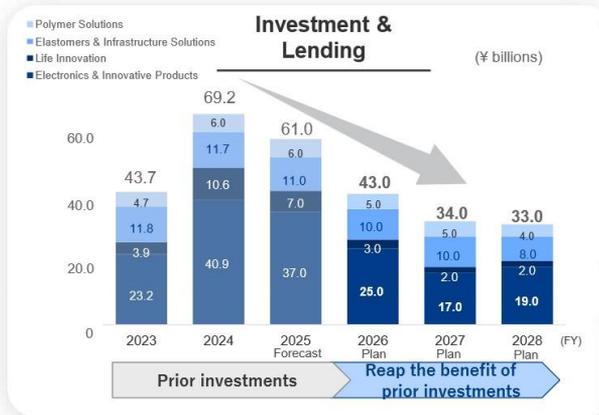
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Next, I will explain our shareholder return policy. Please turn to page seven.

Regarding shareholder returns, there is no change to our policy.

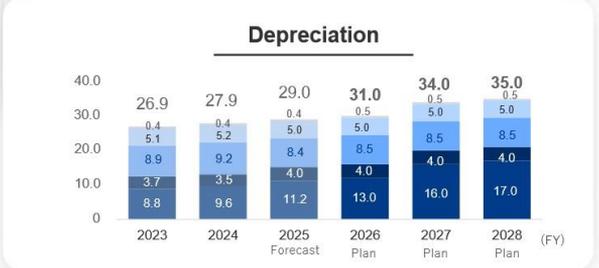
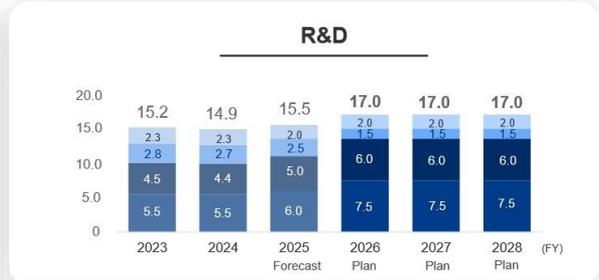
We aim to maintain or increase dividends per share, targeting a cumulative total return ratio of 50% over the eight-year period of our management plan.

■ Focus investments on strategic growth areas



Investment concentrated in FY2024 and FY2025, particularly in a new acetylene black manufacturing facility in Thailand

Focus investments on strategic growth areas in Phase 2



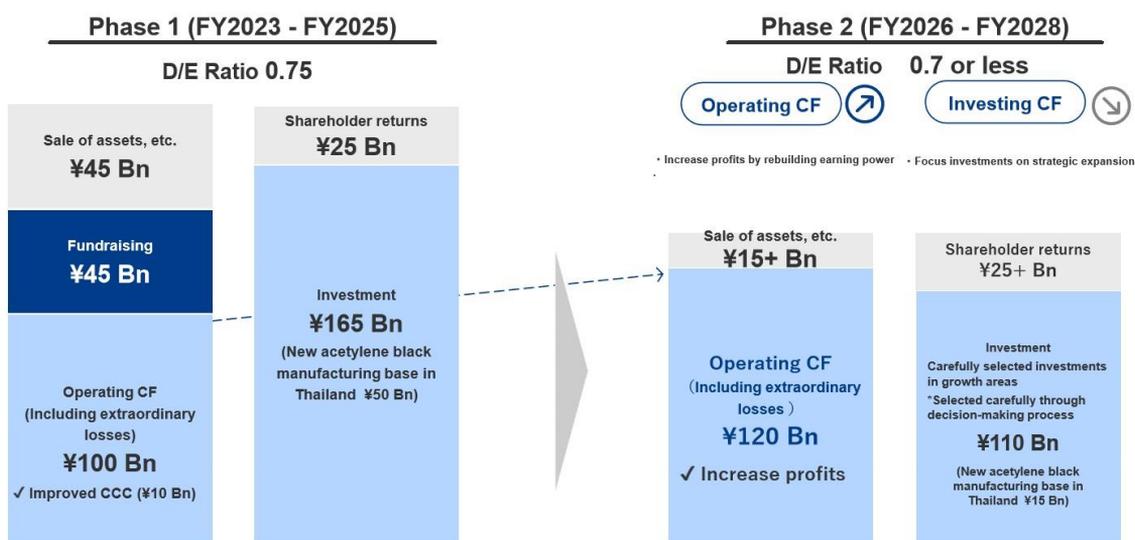
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Next, I will explain our investment, R&D, and depreciation. Please turn to page eight.

Our capital investment will peak in FY2024, driven by projects such as the construction of our new acetylene black plant in Thailand. As you can see, we expect these investment levels to decrease from FY2025 onward.

However, this does not mean we are becoming passive regarding our investments. Instead, during this Phase II period, we plan to concentrate our investments in strategic growth areas, such as AI-related fields and power infrastructure.

- Investment peaked in FY2025, centered on the new acetylene black production site in Thailand  
Expanded operating cash flow based on profit growth and focused investment will improve the D/E ratio



Next, I will explain our financial strategy and governance. Page 10, please.

First of all, we have a financial strategy, and we are showing you our capital allocation.

As I mentioned earlier, Phase II will carefully select investments in areas of strategic expansion.

In addition, operating cash flow will improve due to the restructuring of unprofitable businesses and growth strategies implemented since Phase I. Although we anticipate a certain level of extraordinary losses, our free cash flow will improve.

Furthermore, we aim to maintain a D/E ratio of 0.7 or lower.

■ Continue strengthening governance to achieve Phase 2 targets

**Continuation and Enhancement of Key Initiatives**

2023	-	2025	Phase 2 and Beyond
<ul style="list-style-type: none"> <li>● <b>Nominating and Remuneration Advisory Committee</b></li> <li><b>(1) Effective management of committees by strengthening independence and objectivity</b> <ul style="list-style-type: none"> <li>· Majority of outside directors</li> <li>· Appointment of outside directors as committee chairs</li> </ul> </li> <li><b>(2) President and representative director appointment process</b> <ul style="list-style-type: none"> <li>· Selection and interview of candidates</li> <li>· Appointment following fair evaluation and discussion</li> </ul> </li> <li>● <b>Conduct ongoing medium- to long-term discussions at the Board of Directors and D&amp;A Round Table meetings to enhance corporate value</b> <ul style="list-style-type: none"> <li>· <b>Further enhancement of discussions at Board meetings</b></li> </ul> <p style="font-size: small; margin-top: 5px;">Our decision-making process became more sophisticated through advance discussions at D&amp;A Round Table meetings on large-scale investment projects, including the new acetylene black facility in Thailand. → Improved post-resolution monitoring and follow-up</p> </li> </ul>	<p>(3) <b>Succession plan discussion</b></p> <ul style="list-style-type: none"> <li>· Election of female and younger directors from short-, medium-, and long-term perspectives</li> </ul> <p>▼</p> <p style="font-size: small;">Appointment of executive officer positions around the age of 50 ⇒ 3 executive officers as of April</p>	<ul style="list-style-type: none"> <li>● <b>Enhance medium- to long-term corporate value and strengthen alignment with shareholders</b> <ul style="list-style-type: none"> <li>· Strengthen ROIC-driven business portfolio management</li> <li>· Clarify the business structure of growth areas and cash cows, and share with shareholders a resource allocation story aimed at enhancing medium- to long-term corporate value</li> </ul> </li> <li>● <b>Enhance monitoring system to increase the certainty of management plan execution</b> <ul style="list-style-type: none"> <li>· Monitor KPIs based on the Phase 2 plan and formulate flexible strategies, including alternative measures and resource reallocation, in response to changes in assumptions</li> </ul> </li> <li>● <b>Expand strategic agenda to enhance the quality of management decision making</b> <ul style="list-style-type: none"> <li>· Strengthen strategic discussions that enable outside directors to contribute value, including growth challenges for Phase 2 and beyond and sustainability</li> </ul> </li> </ul> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; text-align: center; margin-top: 10px;"> <p><b>Improve effectiveness in achieving Phase 2 targets</b></p> </div>	

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On page 11, I will outline our governance initiatives.

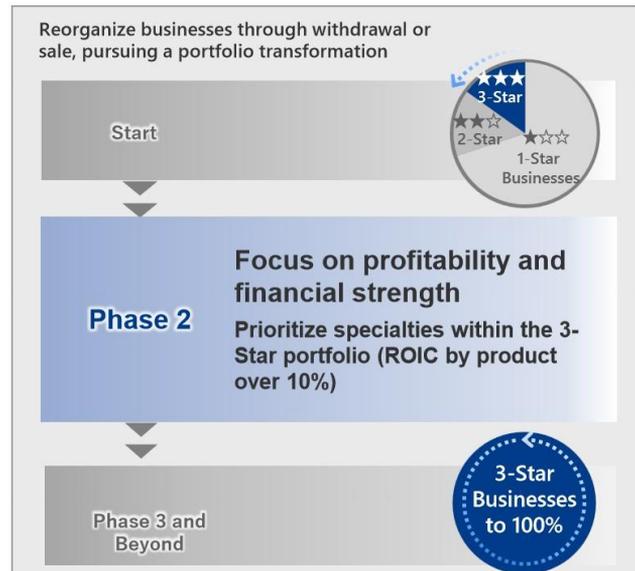
The majority of the members of the Nominating and Remuneration Advisory Committee have been outside directors, and the chairperson of the committee has also been appointed by an outside director.

We have also discussed the succession plan and the appointment of the president and representative director. We have established a continuous and stable system of directors from an objective perspective. The most visible recent result of our succession planning is that, starting this April, we will have three executive officers around the age of 50.

Beyond regular board meetings, our directors hold D&A Round Table meetings to engage in free and vigorous discussions on management monitoring and the enhancement of medium- to long-term corporate value. This framework has significantly improved our management effectiveness.

In Phase II and beyond, we will continue to enhance our efforts to further improve our effectiveness in achieving our goals by strengthening KPI monitoring and expanding the agenda to improve the quality of decision-making.

■ Prioritize specialty (ROIC) improvement to rebuild earning power in Phase 2

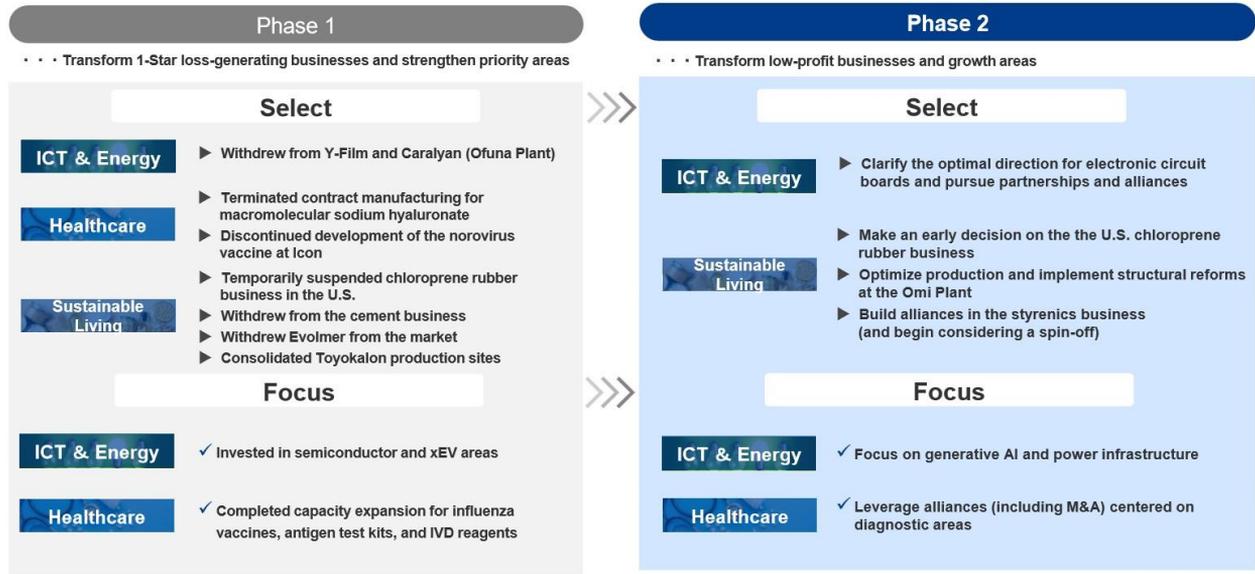


Next, I will explain our portfolio transformation and long-term vision. Please turn to page 13.

With regard to portfolio transformation, there is no change in the concept of making all of our three-star businesses that combine the three elements of specialty, megatrends, and sustainability.

However, as I mentioned earlier, our priority in Phase II will be the rebuilding of our earning power. To achieve this, we will prioritize specialty to improve ROIC.

■ Select and focus: Transform low-profit businesses and growth areas in Phase 2



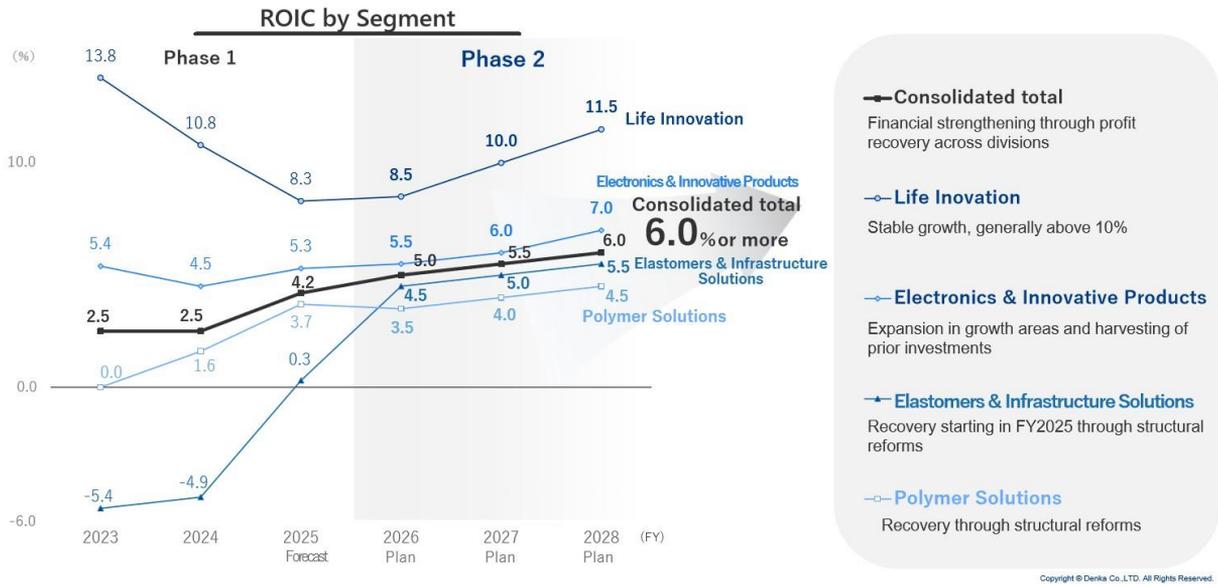
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Page 14, please. Here, we have outlined the portfolio transformation we carried out in Phase I, along with our plans for Phase II.

In Phase II, we will clarify the direction of each business and implement structural reforms for low-profit businesses, including strategic alliances.

We will focus more resources on growth drivers, such as AI and power infrastructure, and implement portfolio transformation to achieve our desired vision.

■ Improve ROIC across all segments during Phase 2



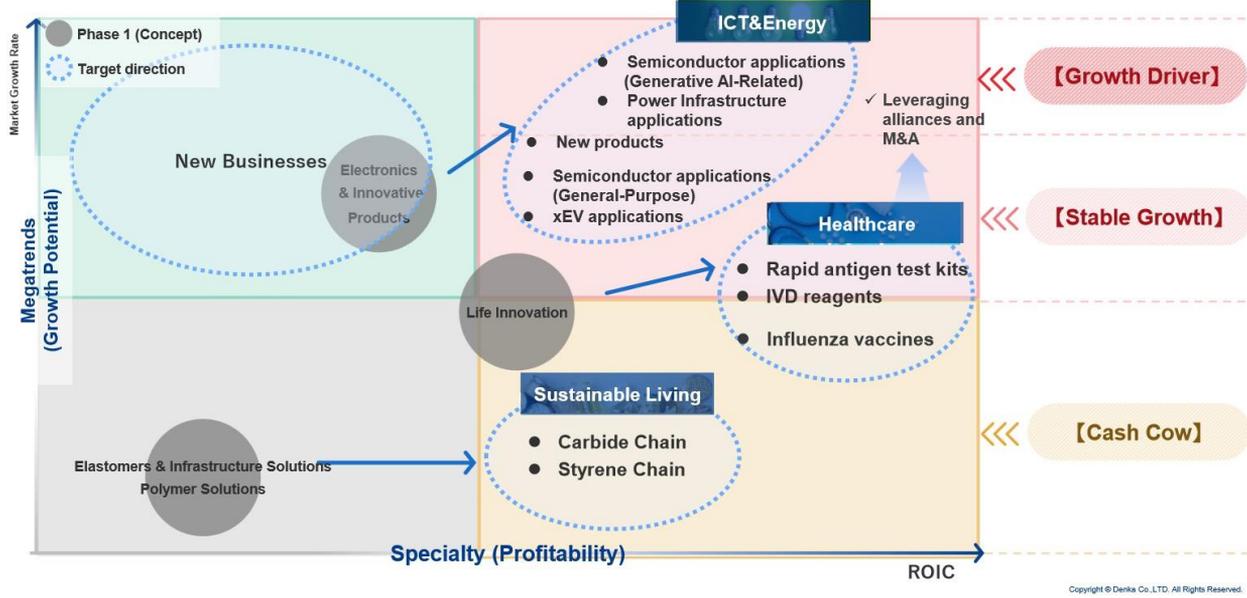
Page 15, please.

The following table shows ROIC by segment that will be improved by implementing portfolio transformation.

We will improve ROIC across all segments.

Also, as I have emphasized, we will realize the rebuilding of our earning power.

■ Rebuild earning power in Phase 2 by focusing on improving specialty (profitability)



Page 16, please.

Here, a four-quadrant analysis shows the position of each business in terms of portfolio transformation.

ICT & Energy is the growth driver, on the upper right. Healthcare will focus on stable growth and growth through alliances, while Sustainable Living will clarify the direction of its cash cow and rebuild its earning power.

- Create social value through the unique, best mix of ICT & Energy and Healthcare that only Denka can deliver



Page 17, please. This is a long-term vision.

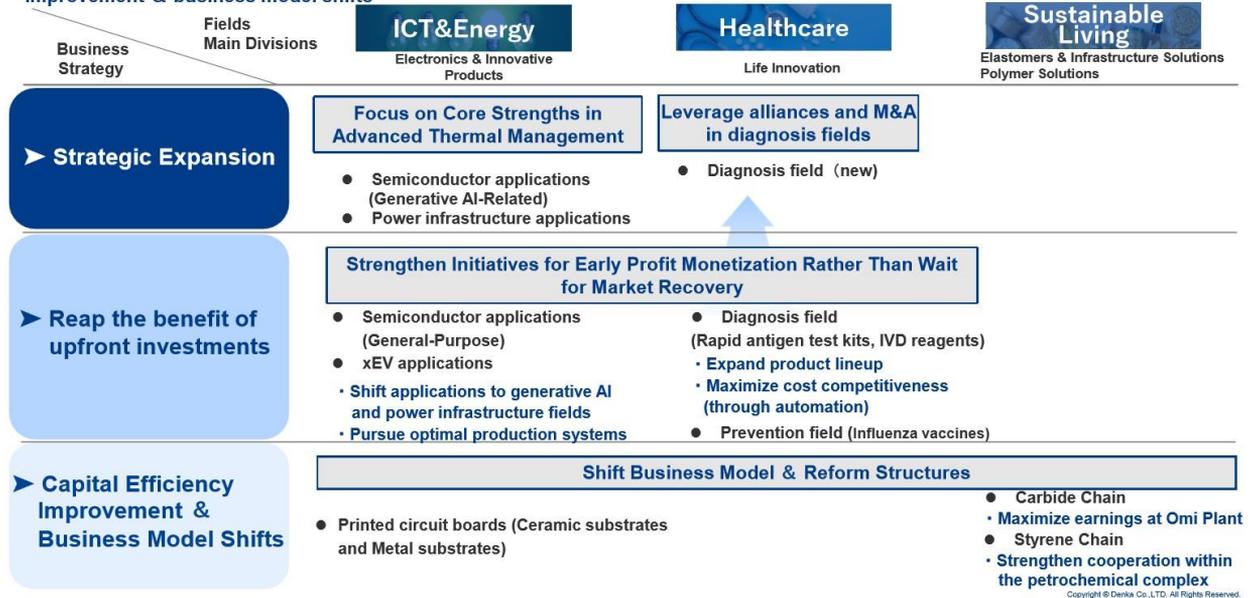
Regarding Denka's ideal vision, we aim to achieve an optimal mix of ICT & Energy and Healthcare, which possess different growth trends. Specifically, we will combine the high-momentum growth of ICT & Energy, which captures expanding markets, with the stable and steady growth of Healthcare. By integrating these different growth trends, we will realize sustainable growth that is uniquely Denka.

In the Sustainable Living segment, we will strictly select businesses that have the potential to remain competitive while creating new value for the future.

Please understand that our Phase II plan is designed to strengthen our foundation or, in other words, to strengthen the foundation in order to lead us toward this long-term vision. To achieve these goals, I will explain the specific strategies for each business starting from the next page.

## Select and Focus on Priority Areas

- Execute three strategies with well-defined focus: strategic expansion, reap the benefit of upfront investments, and capital efficiency improvement & business model shifts



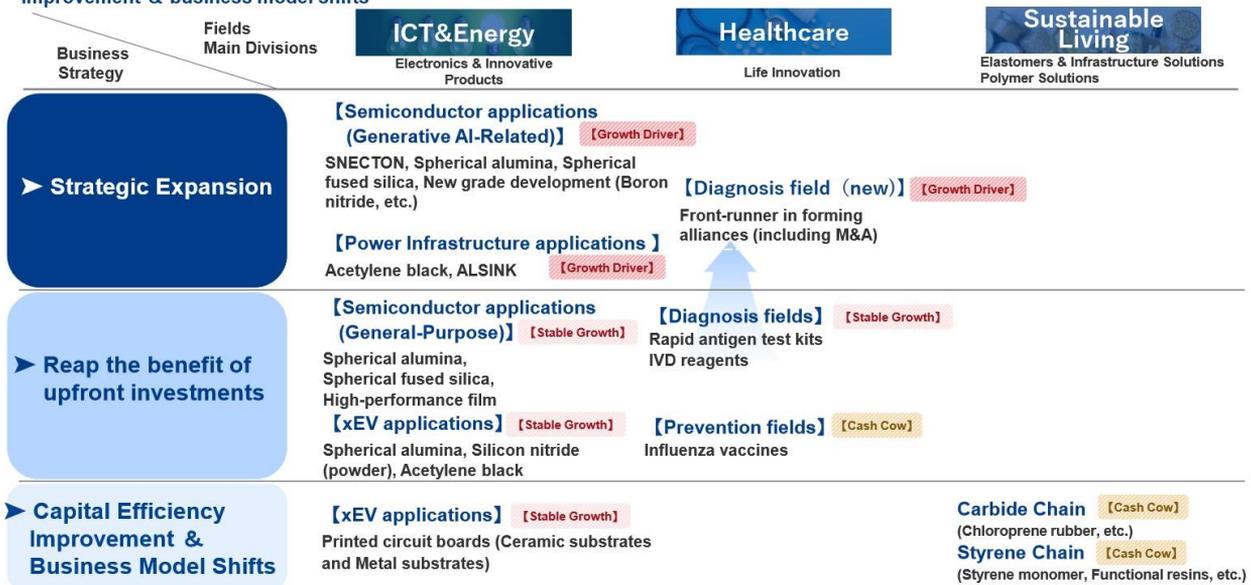
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Page 19, please. This is an overview of our business strategy.

Across ICT & Energy, Healthcare, and Sustainable Living, we will implement three core strategies with a sharp focus: strategic expansion, reaping the benefits of prior investments, and capital efficiency improvement or business model transformation.

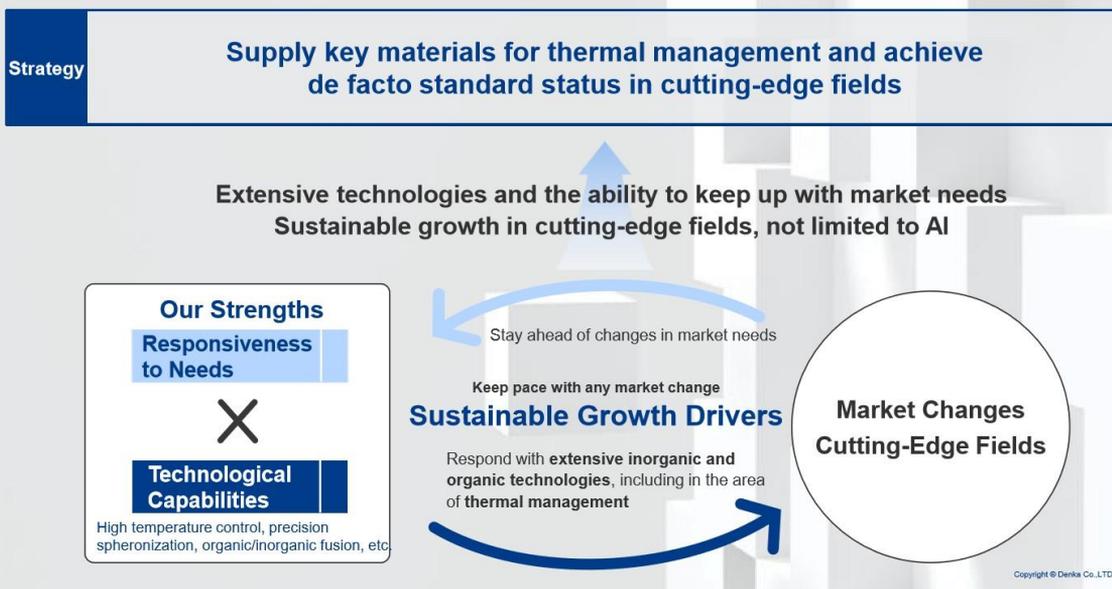
## (Reference) Select and Focus on Priority Areas (by Product)

- Execute three strategies with well-defined focus: strategic expansion, reap the benefit of upfront investments, and capital efficiency improvement & business model shifts



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On page 20, we have broken them down by product, so I would appreciate it if you could take a look at the details later.



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From page 21 onwards, I will explain the specific strategies for each of our businesses. First, let's look at the ICT & Energy, which you can think of as an equal to the Electronics & Innovative Products division.

The strategy of this division is to supply key materials in the area of thermal management and achieve de facto standard status in the most advanced segments.

In Phase II, we intend to thoroughly grip the expanding market for AI and power infrastructure.

By leveraging our strengths, our responsiveness to customer needs, and our unique cutting-edge technologies in high-temperature control and organic or inorganic technologies, we will stay ahead of the competition and consistently lead the Company as a growth driver.

■ Maintain top share in current applications and become the de facto standard in growth markets to lead the company as growth drivers



**Rationale for Growth Drivers**

- (1) Growth in line with increasing generative AI-related demand**
  - Main Products: Spherical fused silica, spherical alumina, SNECTON
  - Strategic Expansion
- (2) DC and high-voltage trends in power infrastructure**
  - Main Products: Acetylene black, ALSINK
  - Strategic Expansion
- (3) Reap the benefits of investments through application shifts and optimized production amid semiconductor market recovery and the medium-to long-term xEV megatrend**
  - Main Products: Spherical alumina, spherical fused silica, high-performance film, silicon nitride (powder), acetylene black, etc.
  - Reap the benefit of prior investments
- (4) Structural reform of substrate business**
  - Main Products: SNP, ANP, HITT PLATE
  - Improve capital efficiency, Shift business model

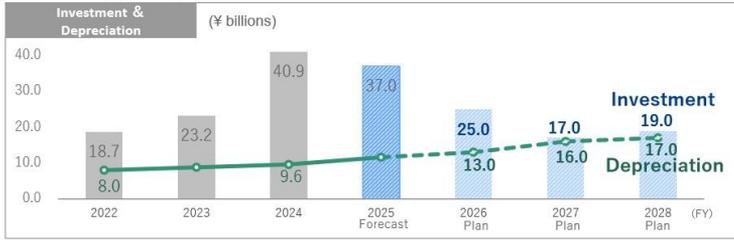
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Page 22, please.

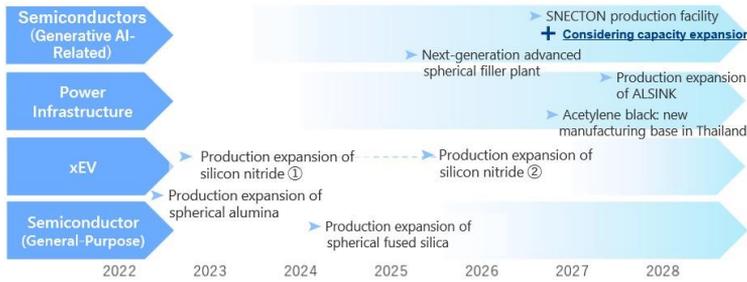
The following table shows the planned net sales and operating income of the Electronics & Innovative Products division.

Driven by growth in the AI and power infrastructure markets, we aim to more than double the net sales ratio of this segment from 14% in FY2024 to 35% in FY2028.

■ Investment and return: Reap the benefits of strategic investments through Phase 1 and invest in strategic expansion in Phase 2



- Outlook for Market Expansion/Recovery and Startup Timing of Strategic Investments -



- Capacity Expansion and Investments -

Strategic investment	Capacity	Investment
SNECTON production facility	not disclosed	¥7 Bn
<b>+ SNECTON capacity expansion</b>	<b>Under final review</b>	<b>Under final review</b>
Advanced spherical filler plant	not disclosed	¥5 Bn
Production expansion of ALSINK	1.3 x	not disclosed
Acetylene black: new manufacturing base in Thailand	11,000 tons/year(1.5 x)	¥0.4 Bn
Production expansion of silicon nitride	① 1.3 x ② 1.5 x (vs.①)	not disclosed
Production expansion of spherical alumina	5 x (vs. 2018)	not disclosed
Production expansion of spherical fused silica	1.3 x	not disclosed

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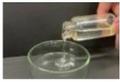
Page 23, please. On this page, we outline the investments and subsequent returns for the Electronics & Innovative Products division.

In Phase I, we made significant strategic investments, which led to an increase in depreciation expenses. However, in Phase II, we will focus on reaping the benefits of these prior investments while strictly selecting new investment targets, such as AI and power infrastructure, as I mentioned earlier.

Regarding SNECTON, a new plant for soft-grade products is scheduled to start operation during FY2026.

Going forward, we plan to expand into hard-grade products and will also consider additional capacity expansions.

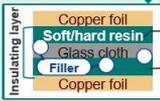
Strategic expansion: Focus on core strengths in advanced thermal management

AI-Related		Strategy Policy
Main Products	Targets	Main Applications and Overview
<b>SNECTON</b> 	<b>Sales target for low dielectric-related materials</b> (¥ billions) 20.0- 5.0-15.0 approx. 2.0 2025 Phase 2 2030	<b>TOPIC</b> In-house manufacturing facility to be operational by the end of FY2026 (Key applications) ○Copper clad laminates (CCL) ○Flexible copper clad laminates (FCCL) ○Interlayer insulating materials For data centers, cellular base stations, AI servers, etc.
<b>Spherical fused silica</b> 	<b>Sales ratio of specialty sealant materials</b> FY2021 = 18% FY2028 = 50%+	(Key applications) ○Resin substrate (Low dielectric loss tangent) ○Optical ferrule applications For generative AI and related data centers
<b>Spherical alumina</b> 	<b>Sales for next-generation memory</b> 4x 2024 2028	(Key applications) ○Thermal conductive molding compound For GDDR7 and up Also under consideration for HBM

### Advantages of SNECTON

Characteristics: Low dielectric constant and low dielectric loss tangent  
 Delivers low transmission loss required in cutting-edge fields, including AI and high-speed communications

**Strengths from CCL constituent materials: Soft and hard types**



**SNECTON**  
 Offers grades in both soft and hard types  
 Enables optimal formulations, including fillers (spherical fused silica, etc.)

**Unique electrical properties: Low dielectric and high processability**



**POINT 1: Low dielectric**  
 Low dielectric constant and low dielectric loss tangent → Reduced transmission loss  
 Low dielectric loss performance equal to or exceeding PTFE (a fluoropolymer), the highest-performing material among existing products

**POINT 2: High processability**  
 Supports multilayer processing and offers excellent heat resistance and adhesion to copper foil  
 Processability not available with PTFE

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Page 24, please. On this page, I will explain our product strategies for cutting-edge fields, such as AI and high-speed communication, where significant expansion is expected.

SNECTON, which we launched in February this year, is increasingly being adopted for circuit board applications and has received high praise from our customers. For FY2025, we anticipate net sales of around JPY2 billion. We are committed to scaling this business rapidly, aiming for a range of JPY5 billion to JPY15 billion during Phase II.

The strategic rationale for SNECTON's significant expansion is outlined on the right side of the slide. I will skip the details for now, but the key points are its excellent low dielectric properties and superior processability. At this point, the fact that this is the one-and-only material to achieve both of these properties is a very strong point.

Regarding spherical fused silica, in addition to the low dielectric grade for resin substrates, we expect expansion in optical ferrules, which are used for optical fiber connectors.

Regarding spherical alumina, we are focusing on thermal conductive molding compounds for high-speed memory used in AI applications. While silica is generally used for molding compounds, the latest high-performance semiconductors now require superior heat dissipation. Consequently, we are seeing rapid growth in the adoption of spherical alumina for thermal conductive molding compounds.

■ Strategic expansion to address growing markets, including direct current transmission and ESS in power infrastructure

Business Environment		Power Infrastructure		Strategy Policy
		Main Products	Target	Key Highlights
<p>Projected Growth Rate of the High-Voltage Cable Market</p> <p>CAGR Approx. 10%</p> <p>(Company estimate)</p>		<p>Acetylene black</p>	<p>Power infrastructure applications Sales</p> <p>1.3x</p>	<p>(High-voltage cable applications) Growing demand due to DC and high-voltage trends</p> <p>(Application shift toward ESS) Approaches to demand markets in North America, China, and Europe Energy storage growth trends in North American data centers ※ESS : Energy Storage System</p> <p>Strategic investment: Construction of new manufacturing base in Thailand</p>
<p>Projected Growth Rate of the IGBT Module (High-Voltage) Market</p> <p>CAGR Approx. 13%</p> <p>(Company estimate)</p> <p>※IGBT : Insulated Gate Bipolar Transistor</p>				

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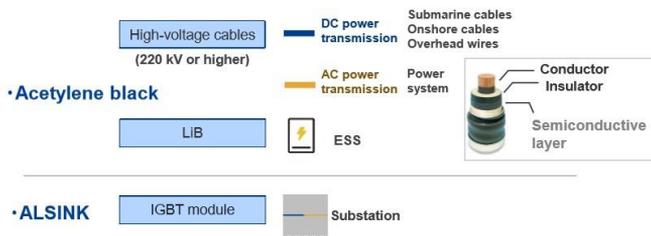
Next, I will explain our power infrastructure business. Please turn to page 25.

In the power infrastructure sector, to address the increasing electricity demand driven by AI expansion, we are focusing on direct current transmission and ESS, which refers to stationary lithium-ion battery energy storage systems. We are planning to expand our business in these applications.

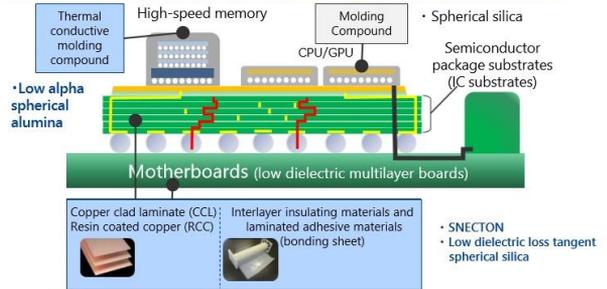
For acetylene black, we plan to increase net sales for power infrastructure by 1.3 times in FY2028 compared to FY2025.

For ALSINK, we aim to grow net sales for direct current transmission by 1.5 times.

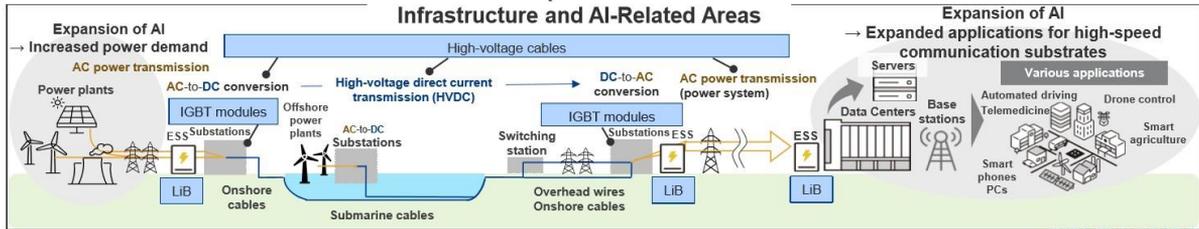
Denka Materials Used in Power Infrastructure



Denka Materials Used in AI and High-Speed Communication-Related Areas



Relationship Between Power Infrastructure and AI-Related Areas



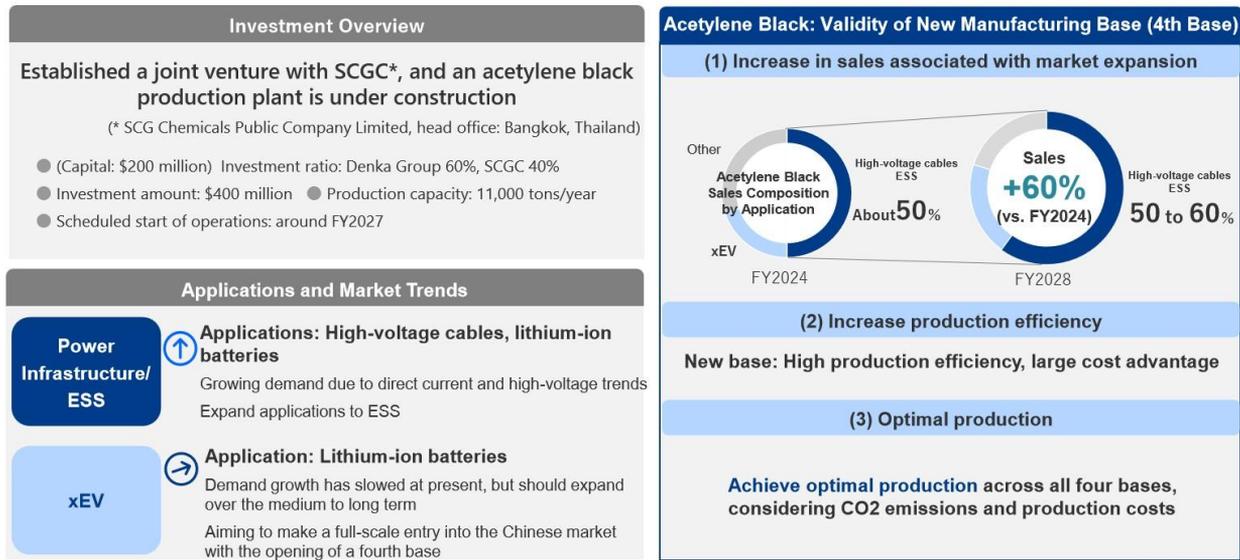
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On page 26, we have provided simple illustrations to detail the focused products I have discussed so far.

At the bottom of the slide, you can see the synergy between power infrastructure and AI. This illustrates the virtuous cycle we are experiencing.

Additionally, regarding EVs, the current market is widely perceived to be at a standstill. However, we believe that the EV market will inevitably regain its momentum in FY2027 and FY2028, leading to an even greater surge in electricity demand.

■ New Acetylene black manufacturing base in Thailand : Market Expansion and Optimal Production



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Page 27, please. Here I would like to describe our new acetylene black base in Thailand.

For our new site in Thailand, we are currently constructing a plant with a capital investment of USD400 million, or more than JPY60 billion, and an annual production capacity of 11,000 tons. Construction is proceeding almost exactly as planned. This facility is scheduled to start operations in FY2027, aligned with the expansion of high-voltage cables, ESS, and xEVs.

While this is an exceptionally large capital investment for a company of our size, we plan to ensure profitability by capturing the stronger-than-expected demand in the cable and ESS sectors. Additionally, we will leverage the superior production efficiency that leads to cost advantages of the new Thailand site while achieving optimized production across all four global locations to balance overall costs.

strategy

Build on the stable growth of existing businesses, while becoming a frontrunner in alliance formation (including M&A) in the industry

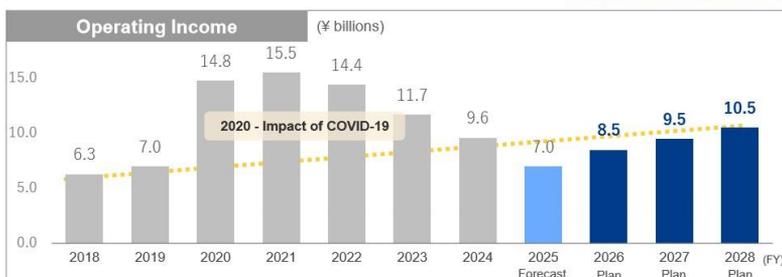
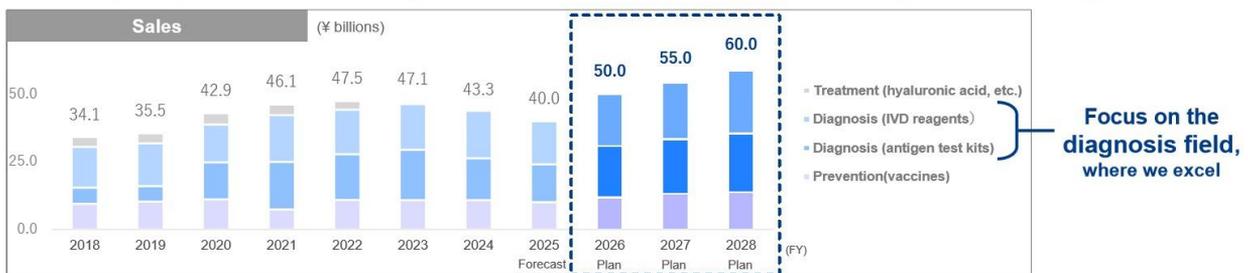


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Next, I will explain Life Innovation, our Healthcare field. Please turn to page 28.

The strategy of the Life Innovation division is to be the the central player and create or expand the market by being the front-runner in forming alliances, including M&A, in the industry, while building on the stable growth of the existing diagnostic business.

■ Aiming to expand business through alliances and M&A building on the stable growth of existing businesses



**Rationale for Stable Growth**

- (1) Despite fluctuations in infectious disease trends, testing demand remains stable and resilient, with minimal impact from economic cycles
- (2) Global market expansion for in vitro diagnostics (IVDs)
- (3) Leveraging alliances and M&A to expand further in categories where we excel

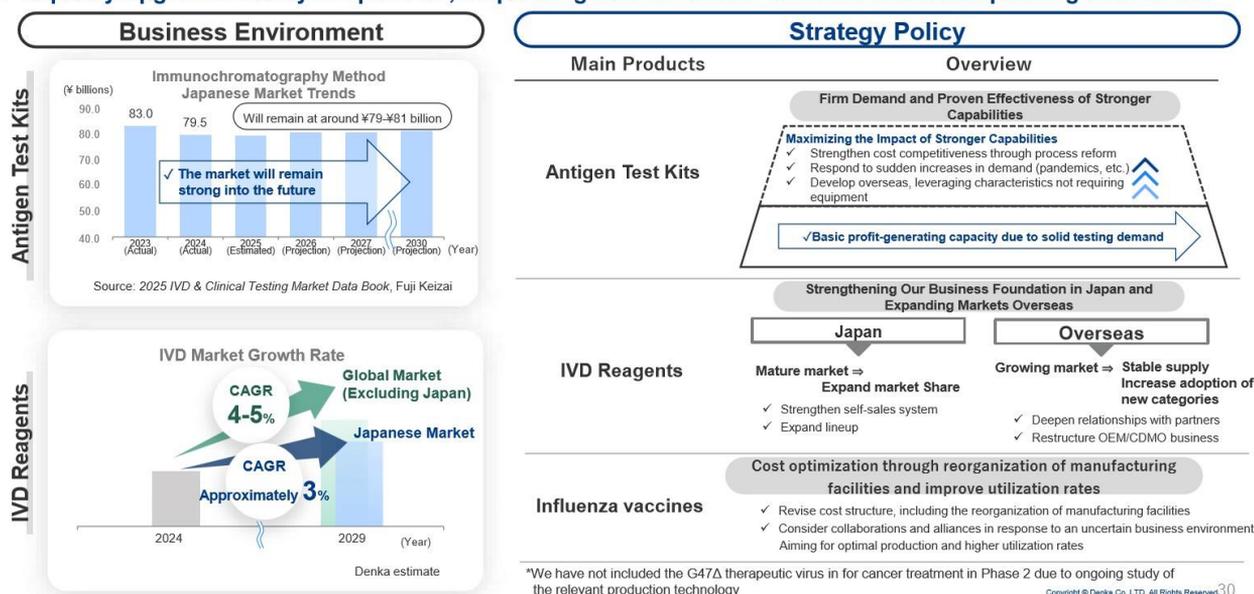
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Next page, please.

In our Life Innovation division, we have utilized our extensive library of bacteria and viruses alongside our advanced culture technologies to achieve steady business expansion.

Excluding the exceptional circumstances of the COVID-19 pandemic from 2020, this growth has remained consistent. This is the orange dotted line.

Capacity-upgraded facility in operation, responding to firm demand for POCT and the expanding IVD market

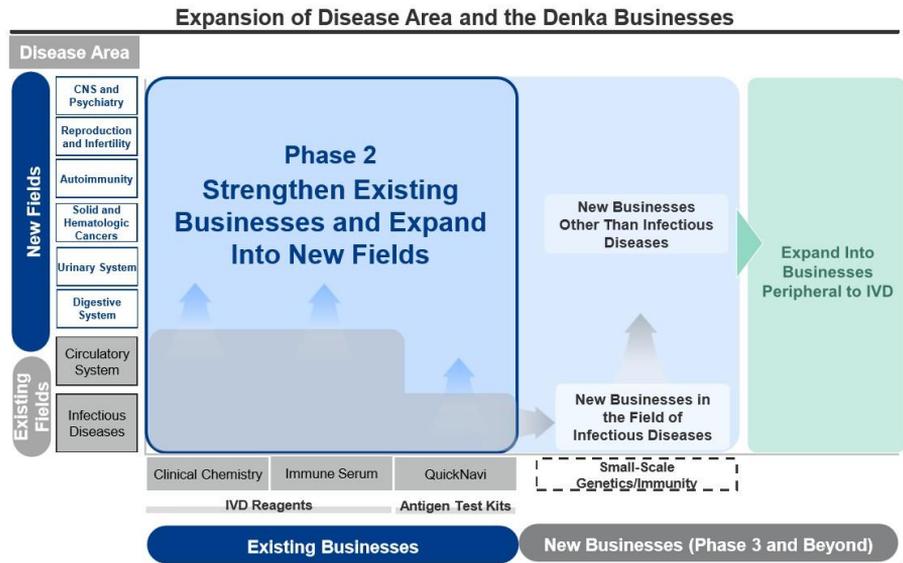


On page 30, I will explain the underlying reasons for the stable growth.

Regarding our antigen test kits, while the prevalence of infectious diseases certainly fluctuates, the testing business itself remains relatively solid. It has the characteristic of being less susceptible to economic cycles. By maximizing the benefits of our capacity expansion, we have established a system that can respond with agility to sudden surges in demand, such as a future pandemic, which can occur at any time.

The market for IVD reagents is expanding steadily, and we can expect consistent, reliable growth in this area. We expect the global market to grow at a rate of 4% to 5%. We aim to achieve further growth by strengthening collaboration with our partner companies.

- Become a frontrunner in alliance formation (including M&A) in the in vitro diagnostics (IVD) industry to create and expand markets



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Next, I will explain our approach to alliances on page 31.

In the diagnostic reagent industry, there are more than 100 domestic manufacturers of various sizes.

However, there are challenges regarding international competitiveness due to the maturation of the domestic market and the entry of global players.

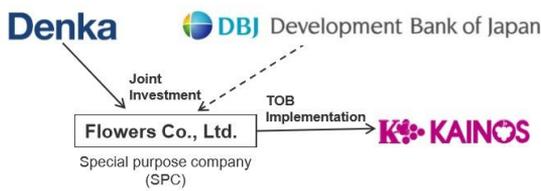
In this environment, we aim to be a front-runner in forming alliances within the domestic IVD reagent industry to strengthen our existing businesses and expand into new fields.

As a first step, we have launched the TOB for Kainos Co., Ltd., which we announced recently. I will explain the details on the next page, page 32.

■ Launched a tender offer for shares and other securities of Kainos Co., Ltd.

TOB Overview	
Offeror	Flowers Co., Ltd.*1
TOB Target	Kainos Co., Ltd.(securities code: 4556)
TOB Format	Tender offer
Purpose	Integrate business operations as a wholly owned subsidiary
Purchase Price	¥2,285 per share
No. of Shares to Be Purchased	3,454,960 shares*2 (minimum 1,990,000 shares)
Acquisition Ratio (Tentative)	77.7% (minimum 44.73%) ⇒ To become a wholly owned subsidiary after completion of TOB
Tender Offer Period	February 9, 2026 to March 25, 2026

\*1 Special purpose company established for this transaction  
 \*2 All shares excluding non-tendered shares, shares owned by BBT and treasury shares owned by the target company



### Background and Purpose

**Need to strengthen international competitiveness to survive as a reagent manufacturer in Japan**

In vitro diagnostics manufacturer focusing on clinical diagnostics  
 We are already in a cooperative relationship for the in-licensing and out-licensing of certain Denka products; the company's business is highly complementary to the Denka businesses

	Denka	Kainos
IVD Reagents	Biochemistry: Cholesterol	Kidney and liver function, Diabetes mellitus
	Immunity: CRP, allergies	Blood transfusion, Tumor markers
Antigen Test Kits	Antigens: Influenza, COVID-19, etc.	
	Genes: COVID-19, Norovirus, etc.	

**Testing Categories: Complementary**

**Purpose**

- The first step in becoming a front runner in alliance formation
- Expansion of the highly complementary business relationship between the two companies

As you may know, Kainos Co., Ltd. is a pharmaceutical manufacturer primarily focused on IVD reagents. We already have a collaborative relationship with Kainos, including the mutual supply of certain products. Particularly in the field of IVD reagents, they have a highly complementary relationship with our business.

As I mentioned earlier, this TOB is the first step toward becoming a front-runner in forming industry alliances, and it will expand the businesses of both companies.

■ Maximize synergies by leveraging both companies' channels and technologies



Anticipated synergies

Sales Synergies	Cost Synergies
<p><b>(1) Sales growth through cross-selling</b></p> <ul style="list-style-type: none"> <li>Both companies possess different IVD reagents (complementarity)</li> <li>Expansion of contract services business channels</li> <li>Sales expansion of Kainos nucleic acid chromatography product* Swiftgene</li> </ul> <p><b>(2) Accelerated expansion of Kainos products into overseas markets</b></p> <ul style="list-style-type: none"> <li>Kainos overseas sales ratio: Approx. 3% (FY2024 actual)</li> <li>⇒Overseas expansion through utilization of Denka overseas sales channels (Denka: Overseas sales ratio in the IVD reagents business exceeds 50%)</li> </ul>	<p>(1) Joint procurement of raw materials</p> <p>(2) Optimization of logistics, research, and back office departments</p> <p>(3) Sales office consolidation</p> <p>(4) Strengthened BCP</p>

\* Nucleic acid chromatography products : simple and rapid genetic testing reagents consisting of (i) nucleic acid amplification reagents based on the NASBA method—a specific technique used particularly for amplifying RNA among the isothermal nucleic acid amplification methods that amplify nucleic acids (such as RNA or DNA) at a constant temperature— and (ii) nucleic acid chromatography detection strips, which are devices enabling visual confirmation of amplified nucleic acids.  
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Page 33, please.

Regarding the expected synergies, the first sales synergy will be the expansion of sales through cross-selling.

While both companies operate in the IVD reagents business, we possess reagents for different test items, which creates a highly complementary relationship.

For Kainos' Swiftgene nucleic acid chromatography products, we expect to expand sales and accelerate new product development by leveraging our expertise in bacterial testing.

Furthermore, we can leverage our overseas sales channels to expand Kainos' products into global markets, as their business has been primarily focused on the domestic market.

Regarding cost synergies, these are the four points that we can consider at this time. For example, regarding our sales offices, they overlap almost perfectly, allowing us to achieve significant rationalization.

We are confident that we will be able to maximize synergies once the TOB is completed.

Strategy

**Create cash cows by optimizing and restructuring business chains, and decisively transform portfolio to focus only on those businesses that will remain as the winners**

**Elastomers & Infrastructure Solutions**

**Carbide Chain Optimization**

- Announced fundamental measures for DPE  
Optimizing business to maximize revenue
- Maximize earnings at Omi Plant  
Maximize the benefits of [hydropower generation](#)

**Polymer Solutions**

**Styrene Chain Restructuring**

- Business restructuring based on industry-wide optimization and Denka's business optimization  
Carve-outs to increase business value through alliances
- **Began looking into spin-off of styrenics business** Announced Feb 27, 2026



**Long-Term Vision**  
**Focus on businesses that can sustain competitiveness**

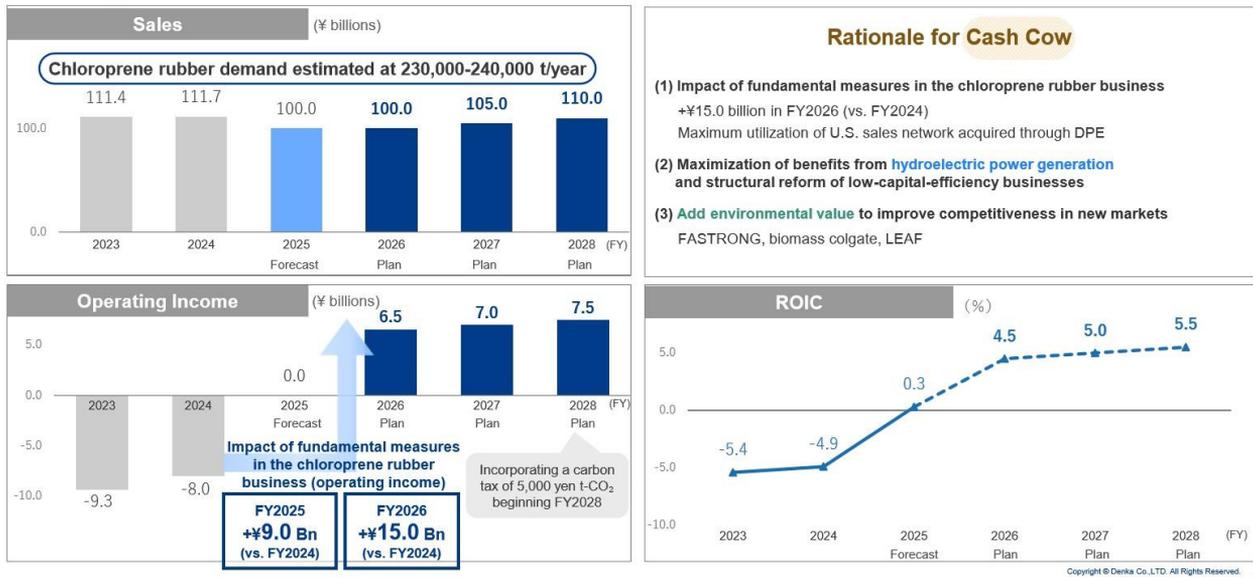
Next, I will explain our Elastomers & Infrastructure Solutions and Polymer Solutions segments, which fall under the Sustainable Living field. Page 34, please.

The strategy for our Elastomers & Infrastructure Solutions and Polymer Solutions segments is to optimize and restructure the business chain to transform them into cash cows.

Following this, we will execute a portfolio transformation to focus exclusively on businesses that can win in the market.

I will explain the details on the following pages.

■ Generate cash using the profit contribution of structural reforms and improved profitability from the chloroprene rubber business



Page 35, please.

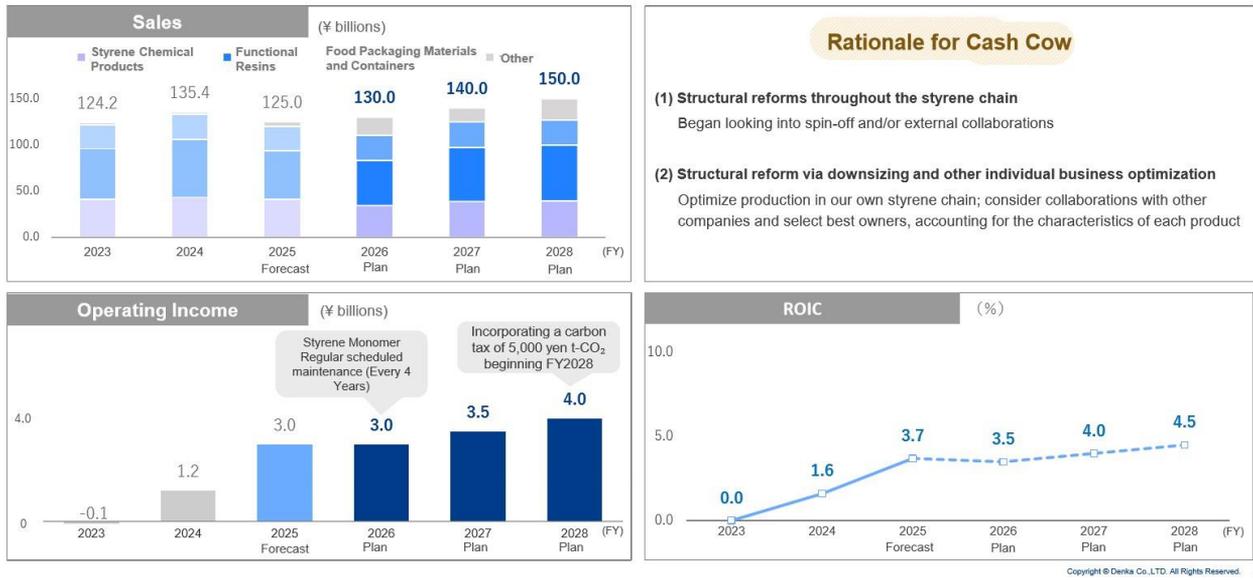
In addition to the drastic measures taken by DPE, the Elastomers & Infrastructure Solutions division is optimizing its business in Phase II to maximize earnings.

With regard to the drastic measures taken by DPE, we have seen significant effects since FY2025. As shown here, compared to FY2024, we expect an increase in operating income of JPY9 billion for FY2025 and JPY15 billion for FY2026.

Another crucial point is that even after the temporary suspension of DPE's production, we intend to continue maximizing the use of the customer and sales networks we have established in the US market. I believe this is another one of our greatest advantages.

Furthermore, our Omi plant in Niigata, the main factory of this segment, possesses a significant profit factor in its hydroelectric power generation. As the burden of carbon taxes is expected to increase in the future, the benefits of hydroelectric power are anticipated to expand further. This cost competitiveness will allow us to shift to the cash cow business.

■ ROIC improvement through production optimization and other structural reforms

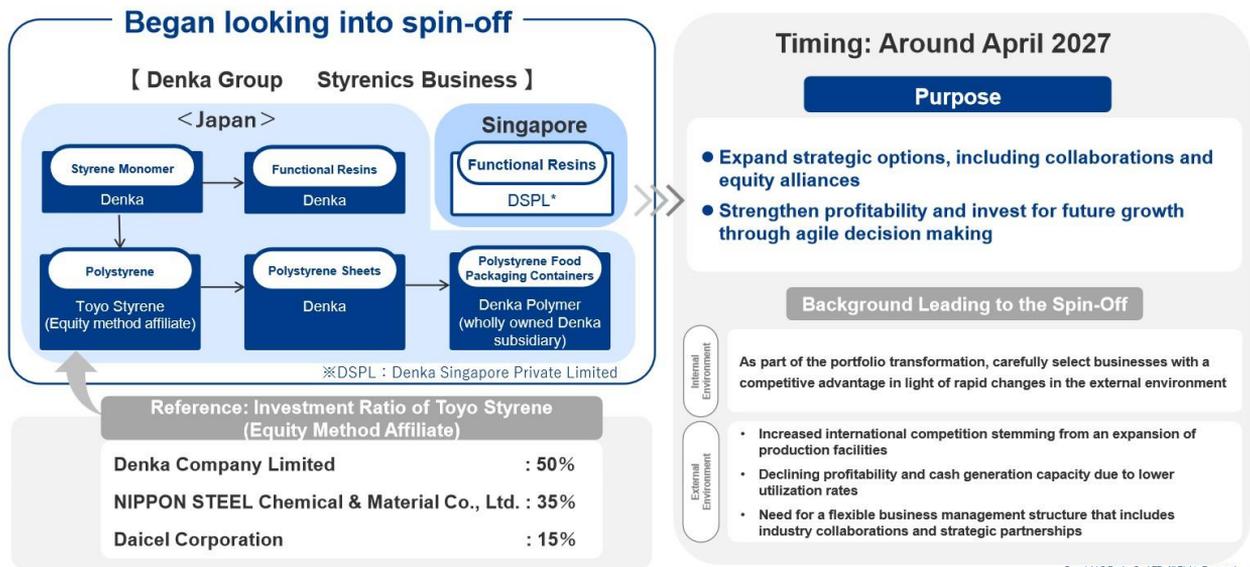


Next, I will explain our Polymer Solutions division. Page 36, please.

Polymer Solutions will restructure the styrene chain.

In addition to structural reforms throughout the styrene chain, we will implement structural reforms in terms of both downsizing and other individual business optimization measures to improve ROIC.

■ Began looking into spin-off of styrenics business



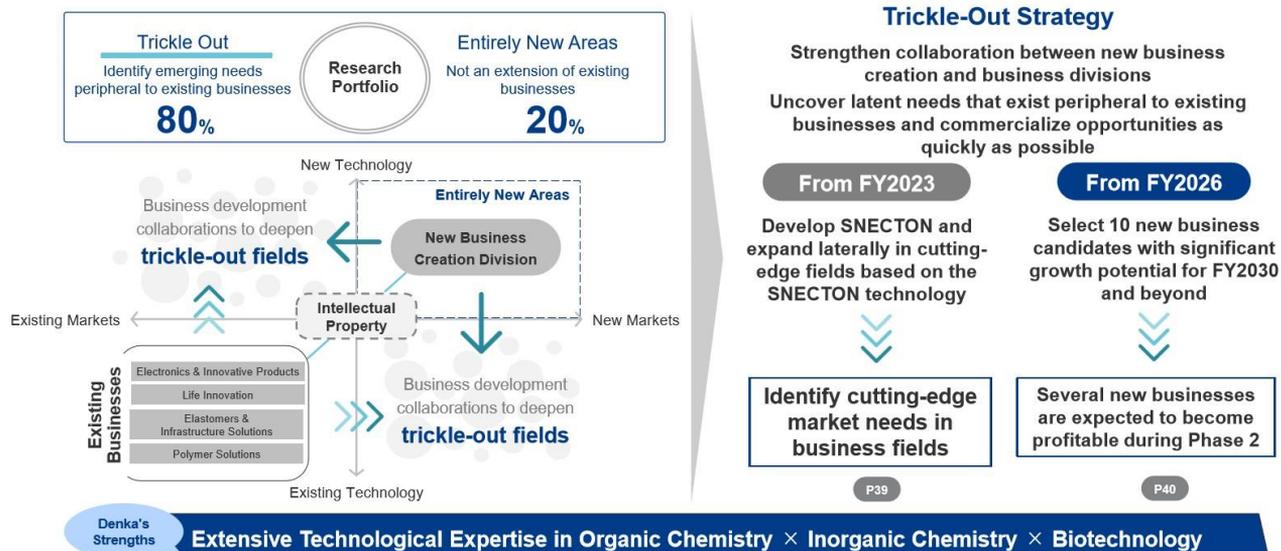
Page 37, please.

In line with our long-term vision to focus exclusively on businesses that can win, we decided today to begin considering the spin-off of our styrene-based business.

The businesses to be considered for the spin-off are shown here. As you can see, we are aiming to spin-off our styrenics business in Japan and Singapore by April 2027.

Through this spin-off, we hope to expand our options, including collaboration and capital tie-ups, strengthen profitability through flexible decision-making, and invest in future growth.

■ Implement a trickle-out strategy based on existing products for more rapid market introduction



Next, I will explain our initiatives for new business creation. Please turn to page 38.

Denka's core strength lies in our extensive technical expertise, which spans organic chemistry, inorganic chemistry, and even biotechnology. Based on our expertise in organic, inorganic, and biotechnology, we focus on uncovering existing needs in adjacent areas.

At Denka, we refer to this as our trickle-out strategy. This will enable us to commercialize the product as soon as possible.

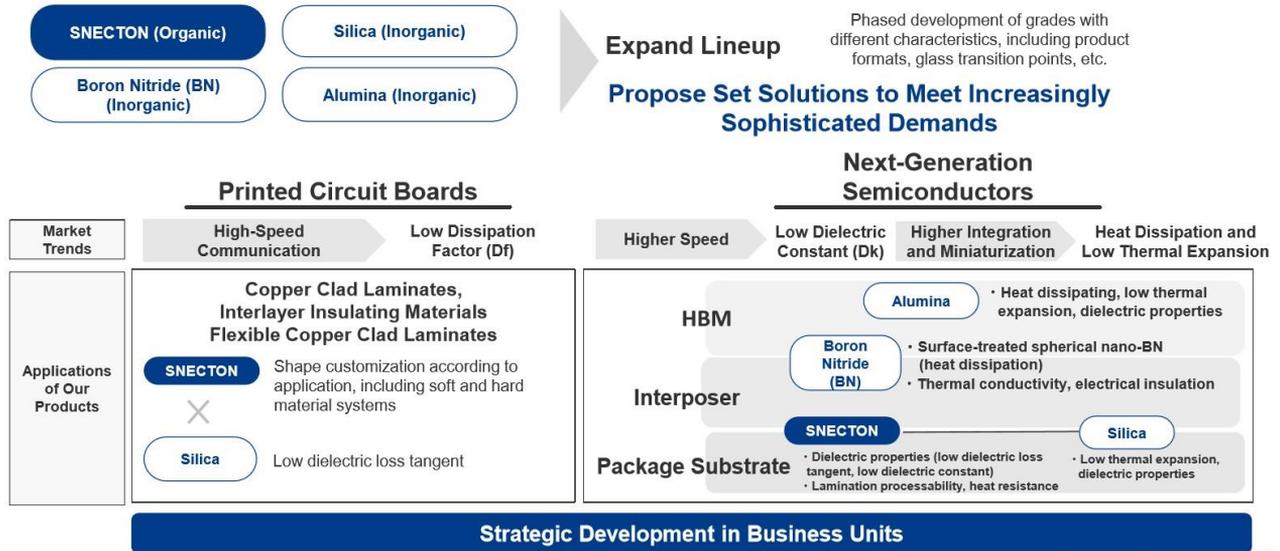
To realize early commercialization, we have optimized our research portfolio, with a balance of 80% for trickle-out and 20% for entirely new areas, while strengthening collaboration between our business and intellectual property divisions.

Looking toward 2025 to 2030, we will execute our trickle-out strategy in cutting-edge fields, centered on SNECTON.

For the longer-term horizon of 2035 to 2040, we have already selected 10 candidate themes for new businesses, including projects in entirely new areas.

I will explain the details on the following pages.

Phase 1 Trickle-out Strategy: Launch of SNECTON and expansion into related businesses



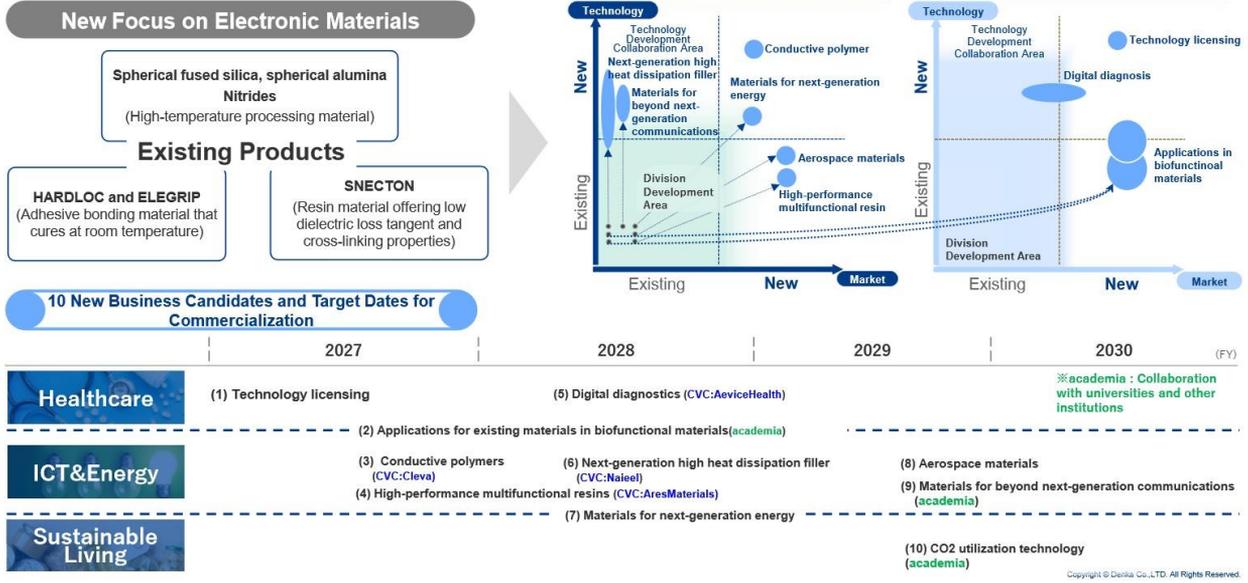
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Currently, we are focusing on the horizontal expansion of SNECTON and its related businesses. The dielectric properties of SNECTON will be increasingly in demand, and we anticipate its expansion into printed circuit boards and next-generation semiconductors.

In order to respond to a wide range of applications, we would like to offer solutions as a set with alumina, silica, and boron nitride and to prepare a lineup of various grades. As for SNECTON, we are planning to prepare three or four more grades in addition to the soft type and the hard type I mentioned earlier, which will be a total of about five or six grades.

We would like to further develop our business by combining inorganic materials, such as silica and alumina.

Specific initiatives toward new business creation



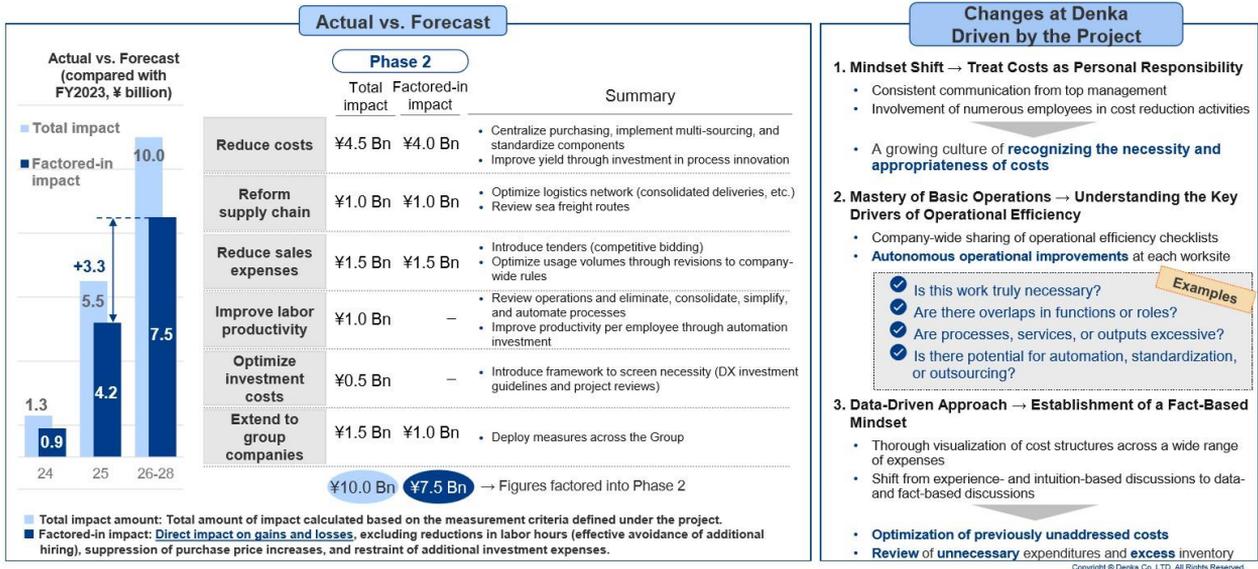
Next, I will explain the 10 candidate themes for new businesses that hold significant growth potential for FY2030 and beyond, looking toward 2035 and 2040.

Although I mentioned 2030 and beyond, some of these 10 themes are expected to begin contributing to our earnings as early as FY2027.

In addition to our own technologies, we will focus on commercialization of our products by utilizing joint research with venture capitalists and universities, especially in the ICT & Energy area.

As I mentioned earlier regarding the best mix of ICT & Energy and Healthcare, we are also committed to creating new businesses unique to Denka by combining technologies and markets across different fields, such as applying existing ICT & Energy materials to bio-functional materials in the Healthcare area.

- Achieve 10 billion yen in cost improvements through the Best Practices Project and enhance human resources value through operational improvements and the growth of each employee.



Next, I will explain our Best Practices Project. Please refer to page 41.

The total financial impact under project management is projected to reach JPY10 billion in FY2026. Compared to FY2023, we planned for a total financial impact of JPY1 billion in FY2024, JPY5 billion in FY2025, and JPY10 billion in FY2026. I am pleased to report that we are progressing almost exactly as planned.

However, regarding the portion that directly impacts our profit and loss, what we refer to as the actual net benefit, we have factored JPY7.5 billion into the Phase II plan.

The Best Practices Project is not just about cost reduction. It also drives operational improvements and mind-set shifts, realizing an increase in human capital value through the individual growth of every employee.

■ Steady progress toward 2030 targets

**Sustainability Management From a Medium- to Long-Term Perspective**

**Phase 1**  
 Non-financial KPIs under Mission 2030 are progressing steadily

▶

**Phase 2**  
 • Implement each strategy to achieve targets  
 • Revise certain KPIs to align with our vision

**Phase 2 (Overview)**



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Lastly, I will outline our non-financial strategy. Please turn to page 42.

As for non-financials, we are making steady progress in each of these areas toward our FY2030 target.

In Phase II, we are ensuring the implementation of each strategy to achieve our goals, and we are also reviewing some KPIs to achieve the desired state.

■ Steady progress toward achieving targets such as CO<sub>2</sub> emission reduction

Progress (Changes) in Key Financial KPIs	FY2023 Actual	FY2024 Actual	FY2025 Forecast	FY2026 Plan	FY2030 Target	Comment
<b>CO<sub>2</sub> emissions (vs. FY2013)</b>	29% reduction (1.75 million t-CO <sub>2</sub> )	28% reduction (1.77 million t-CO <sub>2</sub> )	40% reduction (1.47 million t-CO <sub>2</sub> )	53% reduction (1.17 million t-CO <sub>2</sub> )	60% reduction (0.98 million t-CO <sub>2</sub> )	Withdrawal from cement has brought us closer to target achievement
<b>Maximum renewable energy output (MW)</b>	146	147	146	150	150	Approaching target achievement levels with launch of renewable energy generation
<b>Frequency of occupational accidents (no. of injuries or deaths/total working hours x 1,000,000)</b>	0.43	0.73	0.5※	0.5	≤ 0.2	*Annualized number of occupational accidents as of this time
<b>(New) Ratio of females in management positions</b>	5%	5%	5%	8%	15%	Medium- to long-term succession plans
<b>(New) Development of digital human resources</b>	-	* DP 78 people	DP 170 people	* DP 270 people	DP 400 people	*Digital Pilot Business architects as defined under the Digital Skill Standards of the Ministry of Economy, Trade and Industry, etc.
(Discontinued) Ratio of female/foreign/mid-career managers	-	-	-	-	50%	Changed the target to focus on the ratio of female managers
(Discontinued) Average training expenditure	-	-	-	-	Doubled the ratio as of FY2021 (¥106,000/person/year)	Developing new KPIs tied to management strategy

Probability of Achieving CO <sub>2</sub> Emissions Targets									
<p><b>Withdrawal From Cement Business</b></p>  <p><b>CO<sub>2</sub> Emissions Reduction (vs. FY2013)</b> approx. <b>900,000 t-CO<sub>2</sub></b> Production ended in June 2025</p>	<p><b>Denka's Use of In-House Hydropower Power</b></p>  <table border="1"> <tr> <td>Power Source Composition FY2024</td> <td>approx. <b>30%</b></td> </tr> <tr> <td>Number of Power Plants *Includes joint venture holdings</td> <td><b>17</b> locations</td> </tr> <tr> <td>General Household Power Consumption Equivalent</td> <td>approx. <b>180,000</b> households</td> </tr> <tr> <td>Maximum Output</td> <td>approx. <b>140MW</b></td> </tr> </table>	Power Source Composition FY2024	approx. <b>30%</b>	Number of Power Plants *Includes joint venture holdings	<b>17</b> locations	General Household Power Consumption Equivalent	approx. <b>180,000</b> households	Maximum Output	approx. <b>140MW</b>
Power Source Composition FY2024	approx. <b>30%</b>								
Number of Power Plants *Includes joint venture holdings	<b>17</b> locations								
General Household Power Consumption Equivalent	approx. <b>180,000</b> households								
Maximum Output	approx. <b>140MW</b>								

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Next page, please. These are the main KPIs of the non-financial strategy.

We are close to achieving our CO<sub>2</sub> reduction target with the withdrawal from cement and the use of hydroelectric power generation.

We will also continue to strengthen human capital KPIs that we will focus on the future, such as the ratio of women in management positions and the development of digital human resources.

We will achieve sustainable growth in corporate value through both rebuilding earning power and these non-financial measures.

That concludes my presentation.

I hope you will have great expectations for the future of Denka. Thank you for your time and continued support. Thank you for your kind attention.

(Note about this transcript)

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