



June 2, 2025

Company name:	Denka Company Limited
Name of representative:	Ikuo Ishida, Representative Director, President (Securities code: 4061, TSE Prime Market)
Contact:	Shoji Koda, General Manager, Administrative Dept. (Tel: +81-3-5290-5055)

Company's Opinion Regarding Report Issued by ISS

It has come to our attention that the proxy advisory firm Institutional Shareholder Services, Inc. ("ISS") is recommending votes "Against" Proposal No. 2, "Election of Five (5) Directors (Excluding Directors who are Audit Committee Members)" to be presented to the 166th Ordinary General Meeting of Shareholders of Denka Company Limited (the "Company"), scheduled to be held on June 20, 2025.

The details of the proposal are as per the Reference Documents for the General Meeting of Shareholders, and the Company's thinking regarding the ISS report is outlined below. We ask that all shareholders and investors confirm the details of this explanation and take this into account when exercising their voting rights.

1. Reasons for ISS's recommendation

The Company's average return on equity ("ROE") for the past five fiscal years and for the most recent fiscal year (fiscal 2024) has been below 5%, and because of this low profitability relative to capital, ISS is recommending votes "Against" the proposed Director candidate No. 1, Toshio Imai (Chairman and Representative Director), and the proposed Director candidate No. 2, Ikuo Ishida (Representative Director, President and Chief Executive Officer).

2. Company's opinion

The main reasons for the Company's low ROE are, first, a drastic deterioration in profitability at the chloroprene rubber business of our U.S. subsidiary Denka Performance Elastomer LLC ("DPE," the Company has a 70% stake in DPE) as a result of a combination of factors including increased costs related to compliance with environmental regulations, increasing difficulty in securing labor, a rise in prices of energy and materials, supply network disruptions, and interrupted operations due to natural disasters. The second reason is the recognition of an extraordinary loss arising from extensive structural reforms. These structural reforms have led to losses totaling approximately 40.6 billion yen, consisting of a 17.7 billion yen loss associated with the withdrawal from the cement business, etc., in fiscal 2022, a 6.8 billion yen loss

associated with write-downs of goodwill, etc., in fiscal 2023, and 16.1 billion yen of DPE-related asset impairment losses, etc., in fiscal 2024. All of these are intended to strengthen the Company's earnings structure over the medium to long term, however, and we recognize that the recent decline in ROE emerged from the process of these structural reforms.

The Company will continue to pursue far-reaching measures toward a recovery in business results, and in May 2025 a decision was made for the suspension of operations of DPE's manufacturing facilities. A variety of options including business transfers and asset sales are also being considered. As a result of these measures, we are forecasting a roughly 9.0 billion yen improvement in profit in fiscal 2025, with ROE recovering to 5.1%, and from fiscal 2026 forward, we anticipate the full-year effect of these measures to contribute to further profit improvement. In addition, we intend to review the medium-term management plan during fiscal 2025, and are also considering specific measures including business portfolio restructuring with a focus on a continuously higher ROE, which we plan to announce during fiscal 2025.

Denka's operating income and ROE

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 (forecast)
Operating income (Billions of yen)	34.7	40.1	32.3	13.4	14.4	25.0
ROE (%)	8.8	9.4	4.4	4.0	(4.1)	5.1

In addition, the Company is continuously working to strengthen its corporate governance framework as part of our management foundation, and important matters pertaining to structural reforms are vigorously and extensively discussed by the Board of Directors, including Outside Directors. As part of this process, the Nomination & Remuneration Advisory Committee, which is chaired by an Outside Director, has determined that the election of both candidates for Director, Mr. Imai and Mr. Ishida, is essential for the resolute implementation of Companywide reforms for a recovery in business results going forward. We ask for shareholders' understanding of these initiatives and vote in favor of their nominations.

(Reference)

Results Presentation of FY2024 (fiscal year ended March 31, 2025):

https://www.denka.co.jp/eng/pdf/ir/library/20250513_denka_ir_materials_en.pdf

Management Presentation Materials: <https://www.denka.co.jp/eng/ir/presentation/>

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