DENKI KAGAKU KOGYO KABUSHIKI KAISHA

November 10, 2014
DENKI KAGAKU KOGYO KABUSHIKI KAISHA
(DENKA)

DENKA Establishes a Policy on Shareholder Returns and Sets a Budget for Growth Investments

DENKA has been implementing the DENKA100 management plan, which was revised in April 2013 to incorporate new growth strategies aimed at better accommodating changes in demand structure and consumer needs. Pursuing a number of forward-looking initiatives under these strategies, we are committed to obtaining steady business results at the earliest possible date.

Reflecting our determination to return the profits yielded by these initiatives to our shareholders, we have established a policy on shareholder returns. Simultaneously, with the aim of achieving further corporate growth, we have created a budget for strategic investments such as M&As. The particulars of the policy and budget were resolved at DENKA's Board of Director meeting held on November 10, 2014, as outlined at the end of this document.

Our aim in addressing these matters is to maximize shareholder returns and resources for forward-looking strategic investments in a way that does not erode our financial soundness or balance of accounts. In line with this resolve, we will work to swiftly achieve our goal of securing ROE of 10% or greater.

1. Policy on Shareholder Returns

Target total payout ratio*: 50%
* (Dividends paid + treasury stock purchased) / consolidated net income

2. Methods for Shareholder Returns

(1) Cash dividends: Maintain steady cash dividends, with minimum payout ratio set at 30%

(2) Purchase of treasury stock: Flexibly purchase treasury stock in step with trend in stock prices and the market environment

3. Budget for Forward-Looking Strategic Investments

After paying out shareholder returns, DENKA will appropriate funds from its retained earnings as well as cash inflows to finance such investments. The total amount budgeted for is approximately ¥50 billion (four years from fiscal 2014 to 2017).

4. Term

Four years by the end of fiscal 2017, the target year of the DENKA100 management plan