

Denka

New Vision and the Next Management Plan “Mission 2030”

Denka Company Limited

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Management Plan **Denka Value-Up** (FY2018 - FY2022)

Our Threefold



Two Growth

Business Portfolio Shift

- Accelerated growth of specialty business



Environment/
Energy



Healthcare



High Added Value
Infrastructure

- Specialization in core business
- Redefinition of commodity business position

Introduction of Innovative Processes

- Improvement of productivity through innovations in production, R&D, and operational processes

FY2021 -

The Ideal Form of Denka

A company that is genuinely necessary to society and irreplaceable to the world, and that employees and stakeholders can take pride in

Business Value-Up



Focus on work that we perform better than anyone else

Environment Value-Up



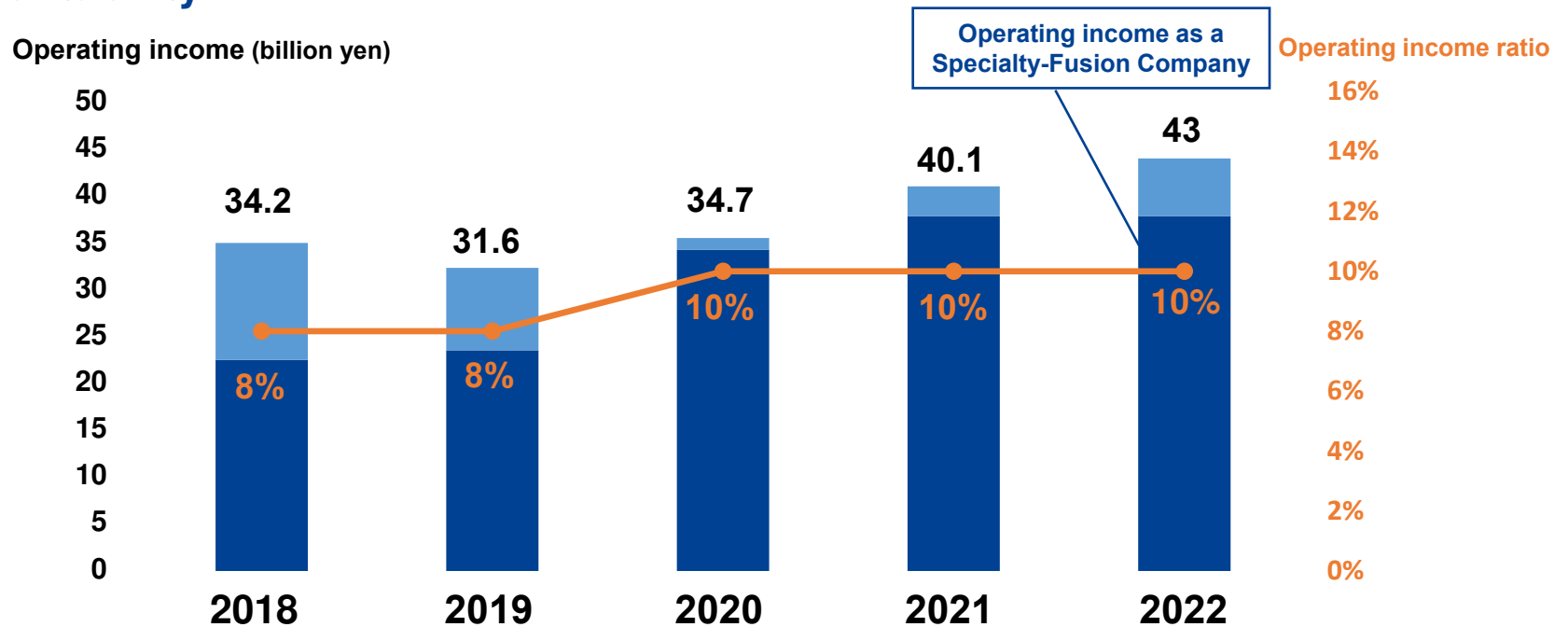
Achieve net zero greenhouse gas emissions by FY2050

Human Resources Value-Up



Become a company in which all employees can feel growth

➤ Profitability



5 years cumulative (2018 - 2022)

➤ Strategic Investment

Initial Plan
¥75.0BActual
¥133.3B

Major Investments

Augmentation of production capacity of spherical alumina, silicon nitride powder, and influenza vaccine, etc.

➤ Shareholder Returns

Planned Total Shareholder Return Ratio
50%Actual Total Shareholder Return Ratio
52%Total Dividends
¥57.0BShares Repurchased
¥2.1BNet Income
¥115.0B

Envisaged World
and Challenge

Megatrends and
Focus Areas

Vision

Sustainability

Sustainability

Global warming

More natural disasters
Shift to electric vehicles

Marine plastic pollution

Air and water
pollution, soil
contamination

Pandemics

Food shortages

Lack of water resources

Global Population Growth

Population



Technology

Evolving Technology

Technological innovation

DX, AI, robots, high-speed
telecommunications
Genetic engineering

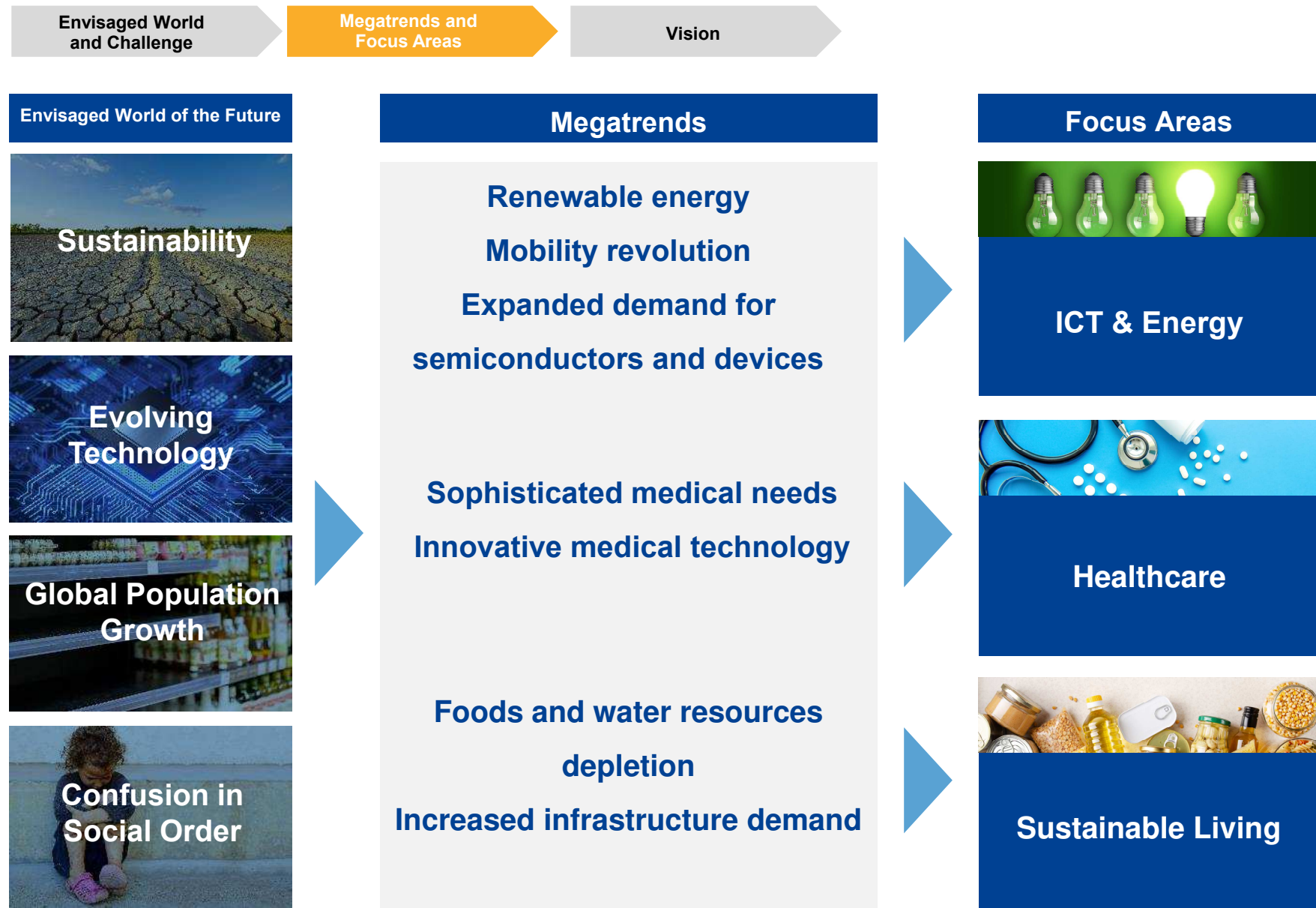
Economic inequality

Limits of globalization

Geopolitical risks

Confusion in Social Order

Confusion



Envisaged World
and Challenge

Megatrends and
Focus Areas

Vision

Denka's DNA
Core Value

The values in our employees' minds

Initiative: We will continue to challenge the possibilities of chemistry.
Integrity: We will engage in our work with sincerity and dedication.
Empathy: We will respect diversity and create a safe and secure environment.

Denka's guiding
principle
Purpose

Denka's long-standing principles and *raison d'être*

**Make the world a better place
as specialists in chemistry**

Denka's
responsibility
Mission

Bold, convincing, and ambitious targets

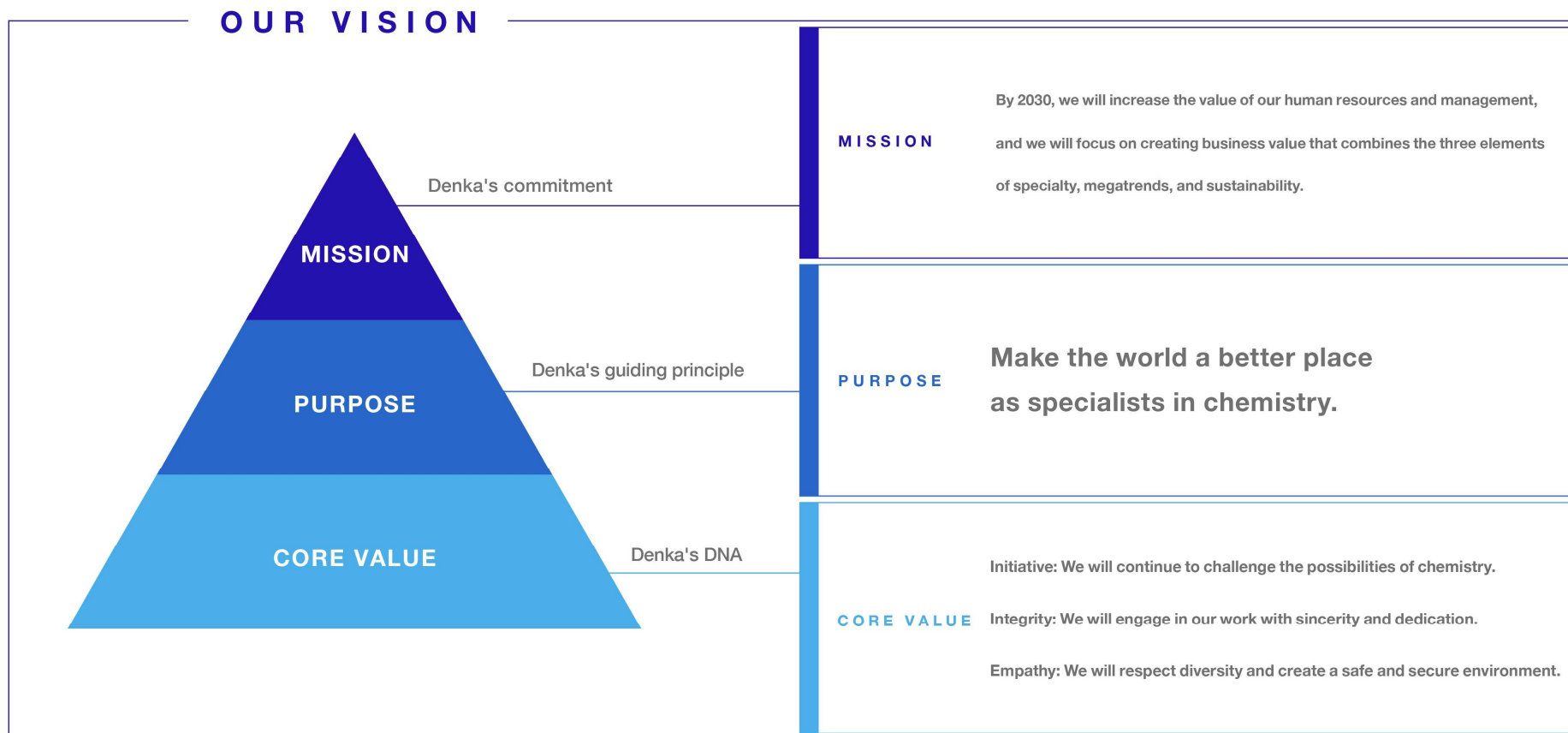
By 2030, we will increase the value of our human resources and management, and we will focus on creating business value that combines the three elements of specialty, megatrends, and sustainability.

Envisaged World
and Challenge

Megatrends and
Focus Areas

Vision

➤ Formulation of a vision comprising Core Value, Purpose, and Mission



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.

- Enhancement of corporate value with three growth strategies



**Business
value
creation**



Increase profitability in megatrend areas where Denka can demonstrate its strengths to contribute to a sustainable society

**Human
Resources
Value Creation**



Become a company that enables each individual to feel their own growth with Denka's core values of *Initiative*, *Integrity*, and *Empathy*

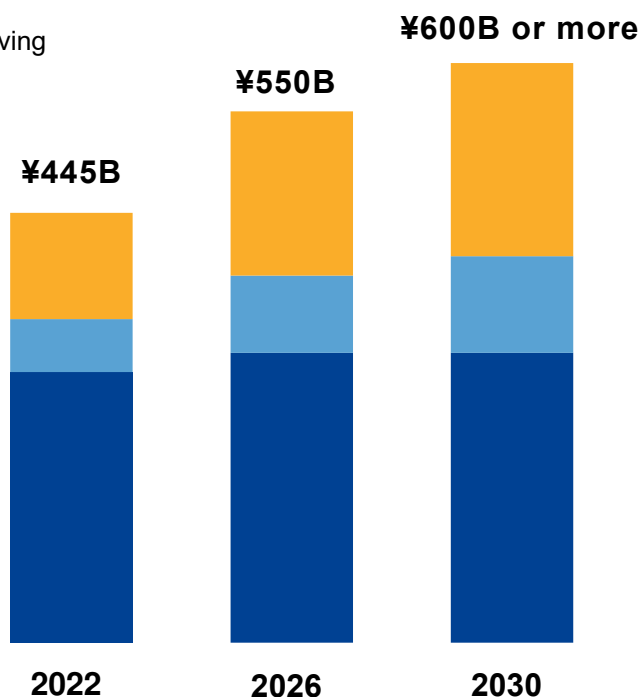
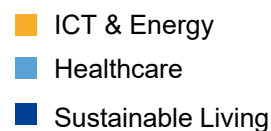
**Management
Value
Creation**



Strengthen ESG management through more sophisticated corporate governance

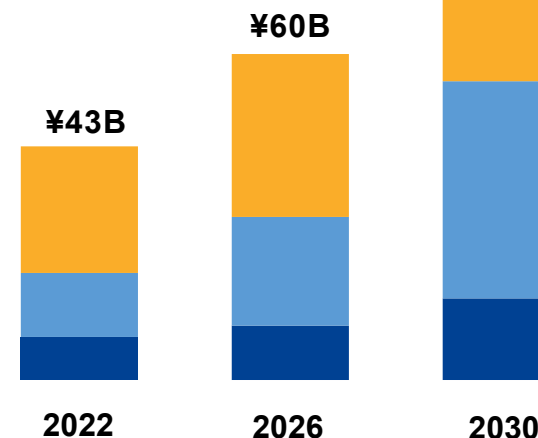
- Make 100% of businesses “three-star businesses” that incorporate the three elements of specialty, megatrends, and sustainability
- Strategic investment (growth, processes, environment, M&A) over 8 years : ¥360B
R&D spending (including ¥50 billion for basic research) : ¥180B

Net sales



Operating income

¥100B or more
Operating
income ratio
15% or higher





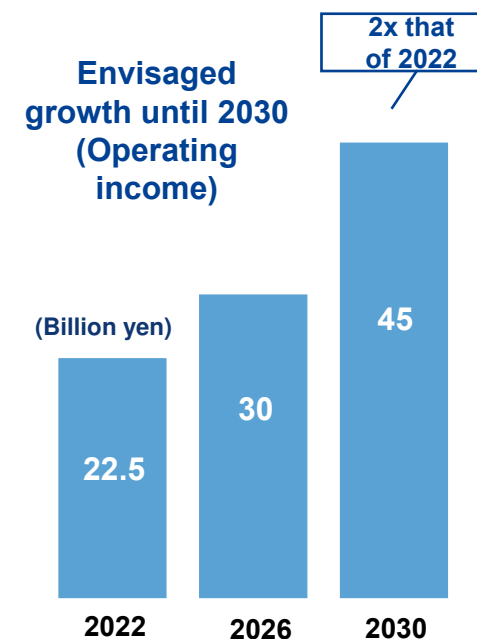
ICT & Energy

Policy

Create a better society with the supply of cutting-edge materials

Technology and Strategy by Area

	[Next-generation high-speed telecommunications]	[xEV / Renewable energy]
Needs	Energy loss, heat conduction	Electroconductivity, super high-purity, durability
Technology	Precision spheroidization, high-temperature control, precision film formation, coordination polymerization	Nanoparticles, impurity control, high-temperature firing
Strategic	Establish top market share	Become de facto market standard
Products	Spherical silica, spherical alumina, electronic packaging, heat dissipation materials, LCP film, ultra low dielectric materials, etc.	Acetylene black, silicon nitride, electronic circuit boards, next-generation conductive material, etc.



¥80 billion in strategic investment and ¥40 billion in R&D spending over 8 years



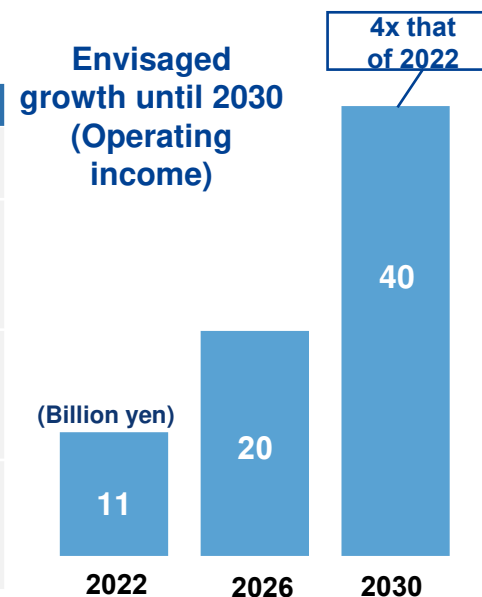
Healthcare

Policy

Improve quality of life for people around the world in areas of prevention, diagnosis, and treatment

Technology and Strategy by Area

	[Prevention]	[Diagnosis]	[Treatment]
Needs	Prevention of infectious diseases	Advancement of vitro diagnostics	Cancer treatments
Technology	Cultured and recombinant proteins	Production of diverse antibodies Simultaneous multi-item measurement	Culturing and purification of viruses Formulation
Strategic	Development of new vaccines, such as mRNA	Entry into next-generation diagnostic pharmaceuticals and genetic testing domains	Upgrading of manufacturing capabilities and development of business in the CDMO domain
Products	Influenza vaccines, new products	Reagents for automatic analyzers, antigen testing kits, new products	Viral products, new products





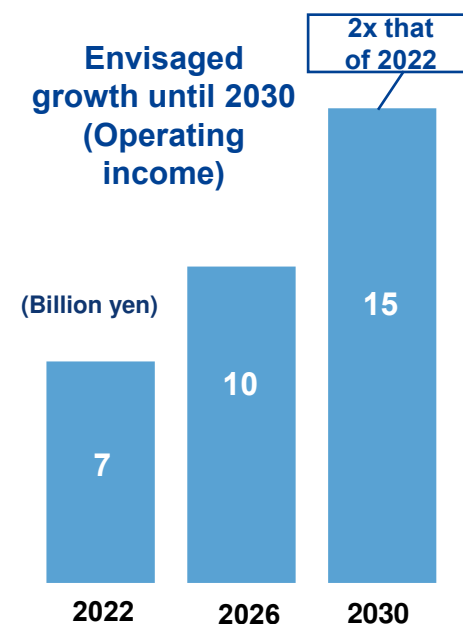
Sustainable Living

Policy

Realize safe, secure, and comfortable daily lives

Technology and Strategy by Area

	[Foods]	[Infrastructure]	[Daily necessities]
Needs	Contribution to food demand	Easing the impact of natural disasters Reducing the burden on the environment	Circular economy
Technology	High-temperature firing, humic acid control	High density/densification, quick hardening, CO ₂ fixing	Chemical recycling, development of bio-derived resins
Strategic	Overseas expansion	Technology development and overseas marketing adapted to increasingly sophisticated infrastructure demand	Early establishment of technology and social implementation Collaboration with local communities and other companies
Products	Biostimulants Environmentally-friendly fertilizers	Special cement additives, LEAF	High-performance styrene-based resins Bio-plastics



¥30 billion in strategic investment and ¥20 billion in R&D spending over 8 years



Achievement of carbon neutrality

Measures

- Portfolio reform including establishment of low-carbon acetylene chain
- Development and implementation of CO₂ capture, storage and utilization technologies
- Expansion of green energy by increasing hydroelectric power generation and establishing new solar power plant

2030 KPIs

- CO₂ emissions: 60% reduction (1.48 million tons) compared with FY2013
- Achievement of carbon neutrality (2050)
- Maximum output of renewable energy power: 150MW

Sustainable cities and fulfilling daily lives

Measures

- Promotion of circular economy for styrene-based packaging materials
- Establishment of CO₂ sequestration technology

2030 KPIs

- Establishment of consortium for social implementation of chemical recycling
- Market launch and sales expansion of LEAF

Environmental conservation and minimization of environmental footprint

Measures

- Continuation of zero waste emissions
- Response to natural-related risks, such as biodiversity and water resource conservation, based on the Taskforce on Nature-related Financial Disclosures (TNFD)

2030 KPIs

- Final waste disposal volume: zero emissions

¥85 billion in environmental investment over 8 years



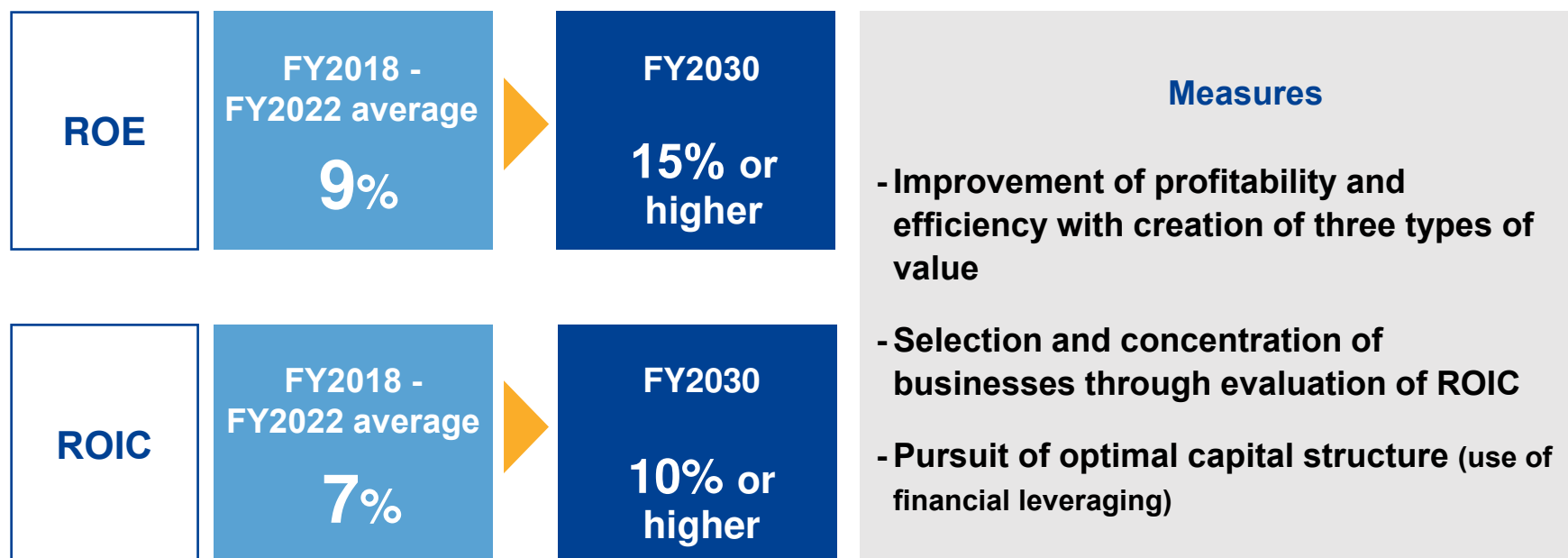
- **Invest in human resources and undertake system reforms with the aim of being a company that enables each individual employee to feel their own growth**

Policy	Strategy	KPIs (2030 targets)
Strengthening of HR development systems	Cultivation of future executive manager candidates, building of company-wide, integrated education framework, and fostering of a self-directed learning culture	Average training costs: 2x that of FY2021
Promotion of Diversity, Equity & Inclusion	Fostering of workplace environments, systems, and culture that empowers individuals with diverse ways of thinking to demonstrate their capabilities	Women, foreign nationals, and mid-career hires to account for 50% of managerial positions
Health and Productivity Management and work style reform	Promotion of system reforms to create workplaces that employees will “want to come to work again tomorrow”	Visualization and ongoing improvement of engagement

➤ From the perspective of ESG management, work to strengthen the management foundations on which Denka's corporate survival is premised

Policy	Strategy	KPIs (2030 targets)
Process reforms	Transformation of business model and organization, productivity improvements, and development of in-house digital workforce	Investment in process reforms: ¥50 billion over 8 years (¥14.6 billion over 5 years with DVU)
Respect for human rights	Establishment of human rights policy and thorough respect for human rights based on the United Nations Guiding Principles on Business and Human Rights and the Global Compact	Identification of human rights risks in the Denka Group supply chain and establishment of response processes
Place the utmost priority on safety	Group-wide efforts toward essential safety, establishment of rules, and promotion of safe workplace environments	Rate of lost-worktime injuries: 1.1 (2021) → 0.2 or under
Supply chain management	Sustained improvement of added value across entire supply chain	No high-risk suppliers
Product safety	Contribution to sustained growth of society and the environment through the provision of trusted products and services	Integration of quality control systems, raising of control standards No serious quality accidents
Enhancement of corporate governance	Building of highly sophisticated and effective corporate governance structure that ensures transparency and fairness based on high ethical standards	Ongoing improvement of effectiveness of Board of Directors No serious compliance violations through thorough risk management

- Enhance corporate value by improving ROE
- Concentrate on further portfolio shift and new business creation by employing ROIC for business evaluation



➤ Cash Allocation

Total Cash inflow (annual average)		
	DVU 5 years	Mission2030 8 years
Cash flow from operating activities	180.8 (36.2)	650 (81.3)
Sale of assets	10.8	10
Borrowing	50	80
Total	241.6 (48.3)	740 (92.5)



(Billion yen)

Total Cash Outflow (annual average)			
		DVU 5 years	Mission2030 8 years
Cash flow from investing activities	Strategic	71.9 (14.4)	360 (45)
	General	109.9 (22)	210 (26.3)
	Sub-total	181.8 (36.4)	570 (71.3)
Shareholder returns (Total shareholder return ratio: 50% level)		59.8 (12)	170 (21.3)
Total		241.6 (48.3)	740 (92.5)

➤ HR and R&D costs

(Billion yen)

	Denka Value-Up		Mission2030	
	5-year total	Annual average	8-year total	Annual average
Human Resources	260.4	52.1	500	62.5
R&D	73.6	14.7	180	22.5
Total	334	66.8	680	85

2030 KPI Targets

2030 KPI Targets		
Financial	<p>Operating income ¥100 billion or more (FY2022: ¥43 billion)</p>	<p>Operating income ratio 15% or higher (FY2018 - FY2022 average 9.3%)</p>
	<p>ROE 15% or higher (FY2018 - FY2022 average 8.8%)</p>	<p>ROIC 10% or higher (FY2018 - FY2022 average 6.9%)</p>
	<p>Approved investment amount 8 years from FY2023 to FY2030: ¥540 billion (5 years from FY2018 to FY2022: ¥260.9 billion)</p>	<p>Total Shareholder Return Ratio 50% level (FY2018 - FY2022 average 52.1%)</p>
	<p>CO₂ emissions 60% reduction compared with FY2013 (1 million tons) (FY2021: 2.13 million tons)</p>	<p>Maximum output of renewable energy power 150MW (FY2021: 133MW)</p>
	<p>Rate of lost-worktime injuries: 0.2 or less (Number of deaths and injuries ÷ Total hours worked × 1 million) (FY2021: 1.1)</p>	<p>Managerial positions occupied by women, foreign nationals, and mid-career hires 50% (FY2021: 19%)</p>

Caution regarding forward-looking statements

The forward-looking statements herein, including plans and targets, are based on information currently available to the Company and on certain assumptions deemed reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.