

Company name: Denka Company Limited
 Representative: Manabu Yamamoto, President & CEO
 Contact: Noriyuki Shimizu, General Manager,
 CSR & Corporate Communications Dept.
 (TEL: +81-3-5290-5011)

Denka Reveals “Denka Value-Up,” a New Management Plan to Be Implemented from Fiscal 2018 to Fiscal 2022 with the Aim of Recreating Itself as a Specialty-Fusion Company

Denka Company Limited (hereinafter “Denka” or the “Company”) hereby announces that it has established “Denka Value-Up,” a new management plan spanning five years from fiscal 2018 to fiscal 2022.

In line with the current Denka100 management plan, we have been focusing on the three growth strategies. Specifically, we have endeavored to “create the most optimal production system,” “scrutinize every cost element” and “focus management resources on new growth drivers and develop next-generation products.” These initiatives have yielded steady and remarkable operating results, helping the Company gain a greater presence in such priority fields as healthcare, the environment and energy, and infrastructure. We have also proactively engaged in forward-looking growth investment aimed at securing more robust profit bases for each business segment.

Having formulated Denka Value Up, we have re-adjusted our focus to the following factors essential to sustainable corporate growth: “placing the utmost priority on safety”; “giving due consideration to environmental concerns”; “nurturing and better utilizing human resources”; and “making social contributions.” Having positioned these creeds as fundamental components of its corporate philosophy, Denka now aims to achieve significant growth at home and abroad and, to this end, execute its new growth strategies designed to help it to become a “Specialty-Fusion Company” capable of securing both “Sustained Growth” and “Sound Growth.”



Outline of “Denka Value-Up”

1. Growth Vision

(1) Become a Specialty-Fusion Company with a Strong Global Presence

Become a company that boasts outstanding global competitiveness backed by a robust portfolio of specialty businesses and products along with its technological strengths and human resource capabilities

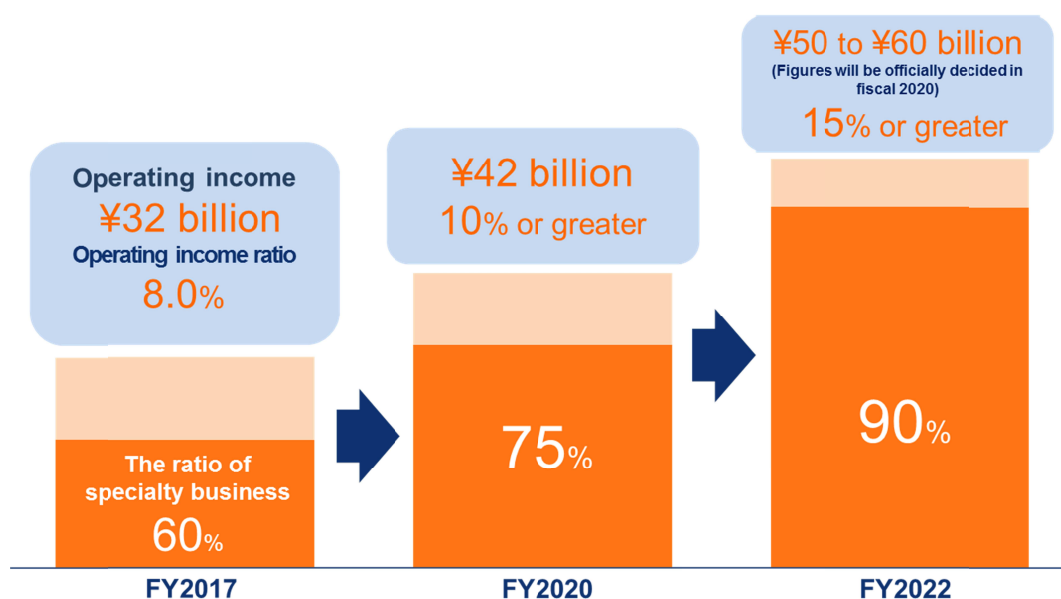
(2) Maintain Sustained Growth by Significantly Enhancing Productivity through Innovative Processes

Strive to achieve a drastic improvement in productivity and, to this end, focus on truly essential operations and introduce innovative processes through the utilization of IoT, AI and other cutting-edge digital technologies, thereby securing ability to secure sustained growth regardless of external conditions

(3) Secure Sound Growth through Work Style Reforms

Develop a working environment that is inclusive of diverse working styles, with the aim of better collaborating with employees to pursue stakeholder happiness and to ensure sound corporate growth

2. Numerical Targets



3. Growth Strategies

(1) Business Portfolio Shift

(i) Accelerate growth of specialty businesses

We will focus our management resources on the following three priority fields, with the aim of achieving numerical targets through proactive strategic investments (e.g., execution of M&A and business alliance, reinforcement of our R&D structure and reallocation of human resources).

Healthcare (EBITDA ratio: 30%)

Policy:

In addition to illness prevention and early diagnosis, we are expanding into cancer remedy and gene alteration analysis to help enhance people's quality of life.

Primary themes:

Diagnostic reagents to measure lipoprotein subclasses, services aimed at facilitating genome-based cancer treatment (particularly the selection of candidate drugs for molecular-targeted therapy), methods for mass-producing oncolytic viruses, and technologies to manufacture proteins using the tobacco plant

The environment and energy (EBITDA ratio: 20%)

Policy:

We employ such core technologies as cutting-edge inorganic materials in product development, with the aim of better satisfying the latest needs for solutions that help achieve zero emissions, support autonomous driving systems and assist in other technological pursuits aimed at creating a clean and safe future society.

Primary themes:

Lithium ion battery materials, films as alternatives for coatings and materials for surface decoration of interiors

High-value-added infrastructure (EBITDA ratio: 10%)

Policy:

We strive to meet high-profile infrastructure development needs in countries around the world through the provision of cutting-edge materials and solutions.

Primary themes:

Promote global expansion via M&A, the marketing of products tailored to meet region-specific needs and cutting-edge infrastructure diagnosis services employing ICT technologies

Note: EBITDA ratio = (operating income + depreciation and amortization) / net sales

(ii) Specialize our key operations

To secure resilience to changes in external conditions, we will work to increase “specialty grade” ratio in product lineup while shifting our focus to the solution business.

Example:

- ◆ Place greater emphasis on product functionalities to promote specialization of our chloroprene rubber business
- ◆ Apply our special cement additive technologies to develop such products as weed-preventing soil solidifiers, thereby stepping up the provision of comprehensive solutions in our agri-products business

(iii) Redefine the positioning of the commodity businesses

We are restructuring strategies for our commodity businesses that are intrinsically unsuitable for specialization and, to this end, will establish a new Head Office department to redefine their positioning.

Examples:

- ◆ Suspended the production of calcium carbide at the Omuta Plant, decisively overhauling operations boasting a century-long track record dating back to Denka’s founding
- ◆ Entered an alliance with Sumitomo Osaka Cement Co., Ltd. to launch a joint logistics scheme
- ◆ Stepped up collaboration with external companies housed in the same industrial complex in Chiba to streamline utilities

(2) Introduction of Innovative Processes

Rather than adhering to precedent, we proactively work to introduce cutting-edge ICT technologies; focus on truly essential operations and the standardization of our processes to achieve drastic improvements in productivity; create new businesses; execute work style reforms; and promote workforce diversity.

① Production process reforms

- Restructure our production facilities into ICT-based next-generation smart factories
- Build a robust, overarching information platform capable of managing all data on a real-time basis
- Realize manufacturing operations with greater productivity and superior stability

② R&D process reforms

- Identify R&D themes oriented toward specialization
- Develop R&D assistance systems employing ICT
- Nurture diverse human resources by providing them with strategically designed career paths

③ Operational process reforms

- Facilitate active in-house collaboration through the introduction of futuristic office functions
- Enhance operational productivity (streamline routine work, improve the efficiency of meetings, etc.)
- Develop a location-free working environment

Work style reforms/Diversity promotion

- Shift our focus from “quantity” to “quality” in terms of working hours
- Help employees enhance their quality of life
- Create an innovation-oriented organization by welcoming diverse human resources and helping them achieve success

4. Investment Plan

We will invest a total of ¥200 billion over a five-year period.

Of this, strategic investment: ¥75 billion (¥15 billion/year)

M&A, etc.: ¥60 billion

Process reforms: ¥15 billion

Regular investment: ¥125 billion (¥25 billion/year)

5. Shareholder Returns

We will keep committed to the targeted total shareholder return ratio of 50%.

(Total shareholder return ratio = (cash dividends + shares repurchased) / net income attributable to owners of the parent for the fiscal year)

In addition, we focus on maintaining the stable payment of cash dividends while flexibly carrying out share repurchases by giving due consideration to such factors as a trend in stock prices.