

Portfolio Reforms through Withdrawal from Cement Business and Restructuring of Carbide Chain

Denka Company Limited (Headquarters: Chuo-ku, Tokyo; President: Toshio Imai; hereinafter “Denka”) announces that it has agreed with Taiheiyo Cement Corporation (Headquarters: Bunkyo-ku, Tokyo; President: Masafumi Fushihara; hereinafter “Taiheiyo Cement”) on the transfer of all shares in a new wholly owned subsidiary to be established by Denka (hereinafter the "Transaction") by around the end of March 2023 after transferring Denka's cement sales business, etc. to the subsidiary through an absorption-type company split.

Denka also announces that its Board of Directors has resolved at a meeting held today to terminate cement production by around the first half of 2025 and to withdraw completely from in-house limestone mining and cement manufacturing operations.

The Transaction is subject to obtaining all necessary permits and approvals, etc. from the relevant authorities in accordance with the Antimonopoly Act and other laws and regulations.

For details of the business restructuring, also see the "Notice Regarding Transfer of Cement Sales Business to a Wholly Owned Subsidiary through Company Split (Simplified Absorption-Type Company Split), Transfer of Shares in the Wholly Owned Subsidiary (Changes in Subsidiaries) and Withdrawal from Cement Business," a timely disclosure material released today.

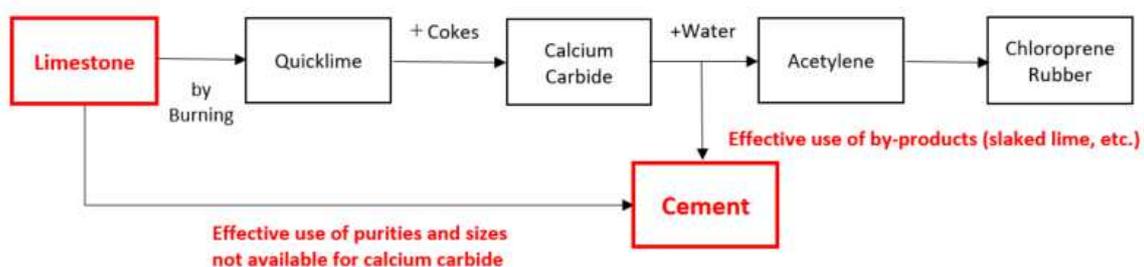
1. Significance of Portfolio Reforms

(i) Positioning of Cement Business in Denka

- Denka entered into the cement business in 1954 and has since been manufacturing and selling cement at its Omi Plant in Itoigawa City, Niigata by making effective use of stones of a purity and size that cannot be used for calcium carbide, from among the abundant limestone resources of the adjacent Mt. Kurohime.
- In addition, by accepting by-products generated during the manufacturing of other products in the plant, such as calcium carbide and chloroprene rubber, as well as waste from outside the Company, and effectively utilizing them as raw fuel for cement, Denka has established a unique carbide chain(*). This has helped the Company improve the competitiveness of its other products and pursue zero emissions in its plants, while also contributing to resource recycling in the society.

(*) Production Flow of Carbide Chain at the Omi Plant

the Red Sections are the Scope of the Business Restructuring



(ii) Background of Considering the Portfolio Reforms

In recent years, Denka's cement business has been facing severe situations where demand for cement has remained sluggish in Japan, including the Hokushinetsu region, its main sales destination, and where substantial investments will be inevitable to replace aging facilities and become carbon neutrality.

For those reasons, Denka has been considering structural reforms by positioning the cement business as commodity business that needs business restructuring in its management plan "Denka Value-Up". Recently however, we have come to the conclusion that it will be difficult to maintain and grow the cement business in the future with our operations alone and have decided that it will be most beneficial to our cement customers if our cement sales business is transferred to Taiheiyo Cement, the largest cement company in the industry.

(iii) Reasons why Taiheiyo Cement was Selected as an Alliance Partner

- Taiheiyo Cement has a wholly owned subsidiary Myojo Cement Co., Ltd. (hereinafter "Myojo Cement") in Itoigawa City, the same as for Denka's Omi Plant, and we have determined that Taiheiyo Cement is the only partner which is capable of taking on the role of supplying limestone and effectively utilizing by-products as we have been doing in our carbide chain.
- Denka has been working on a joint development plan with Taiheiyo Cement and Myojo Cement for developing limestone mines in Mt. Kurohime, and a relationship of mutual trust had been fostered in the course of the consideration.

(iv) Future Direction of Denka

- As part of the portfolio reforms in the Denka Value-Up management plan, Denka has been actively investing its management resources in priority fields such as Environment and Energy, Healthcare, and High Value-added Infrastructure. Further, looking ahead to the next management plan for FY2023-FY2030, Denka will pursue a growth strategy through M&A, investment in facility capacity expansion, and the early creation of new businesses for the purpose of solving social issues, with the aim of achieving sustainable corporate growth.

2. Overview of Portfolio Reforms

(i) Succession of Business and Withdrawal from Cement Production

- By around March 31, 2023, Denka will transfer its cement and cement-related products sales business, including sales contracts with customers and cement silos on lease to customers, to a subsidiary to be established through an absorption-type company split (hereinafter the "New Company"), and then transfer all shares in the New Company to Taiheiyo Cement.
- Through the Transaction, sales of cement and cement-related products under the brand name of "Denka Cement" will be terminated, and on or after April 1, 2023, cement produced at the Omi Plant will be sold by the New Company under the brand name "Taiheiyo Cement".
- Denka will cease cement production and in-house limestone mining by around the first half of 2025, and Taiheiyo Cement will sell the cement produced by Myojo Cement and other companies throughout Japan to the customers of Denka.

(ii) Alliance with Taiheiyo Cement in Denka's Carbide Chain

- After the cessation of in-house limestone mining, Denka will purchase limestones for the production of calcium carbide from Taiheiyo Cement.
- Myojo Cement will accept by-products generated by Denka's carbide chain and makes effective use of them as raw fuel for cement.

(iii) Joint Development Plan for Limestone Mines

- Even after withdrawal from the cement business, including in-house limestone mining, Denka will continue to use limestone necessary for calcium carbide production. Therefore, there is no change to the limestone mine development plan in Itoigawa City, Niigata, which is currently under consideration jointly with Myojo Cement.

(iv) Employees Support

- Denka will make no employees reductions as a result of this decision and reassign employees in the cement business, including those in limestone mining, to other priority areas.

3. Future Prospect

Although Denka expects extraordinary losses of approximately 19 billion yen in connection with the Transaction, there is no revision to the dividend forecast (total annual dividend for the fiscal year ending March 31, 2023: 145 yen (interim 70 yen, year-end 75 yen)).

For details of the full-year earnings forecast for the fiscal year ending March 31, 2023 in light of the Transaction and other impacts, see the "Notice Regarding Revisions to Consolidated Results Forecasts for the First Half and the Full Year of the Fiscal Year ending March 31, 2023 and Posting of Extraordinary losses," a timely disclosure material released today.

4. Future Schedule (Planned)

Timing		Description
2023	March 31	All shares in the New Company established by Denka will be transferred to Taiheiyo Cement.
	April 1	The New Company will take over business with Denka's customers and begin operations.
2025	By around the First Half	Cement production at Denka's Qmi Plant and in-house limestone mining will cease.

[For Inquiries from Media]
Corporate Communications Dept. Tel: +81-3-5290-5511
[For Inquiries from customers]
Elastomers & Infrastructure Solutions
Cement Department (Hokushinetsu Office)Tel: +81-2-5550-6700