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## Denka Value-Up: FY2022 Numerical Targets and Initiatives for the Next Two Years

Denka Company Limited (headquarters: Chuo-ku, Tokyo; president: Toshio Imai; hereinafter, “Denka”) has conducted an interim review of its five-year management plan “Denka Value-Up” launched in 2018 and has determined the initiatives to focus on over the next two years and the numerical targets for FY2022.

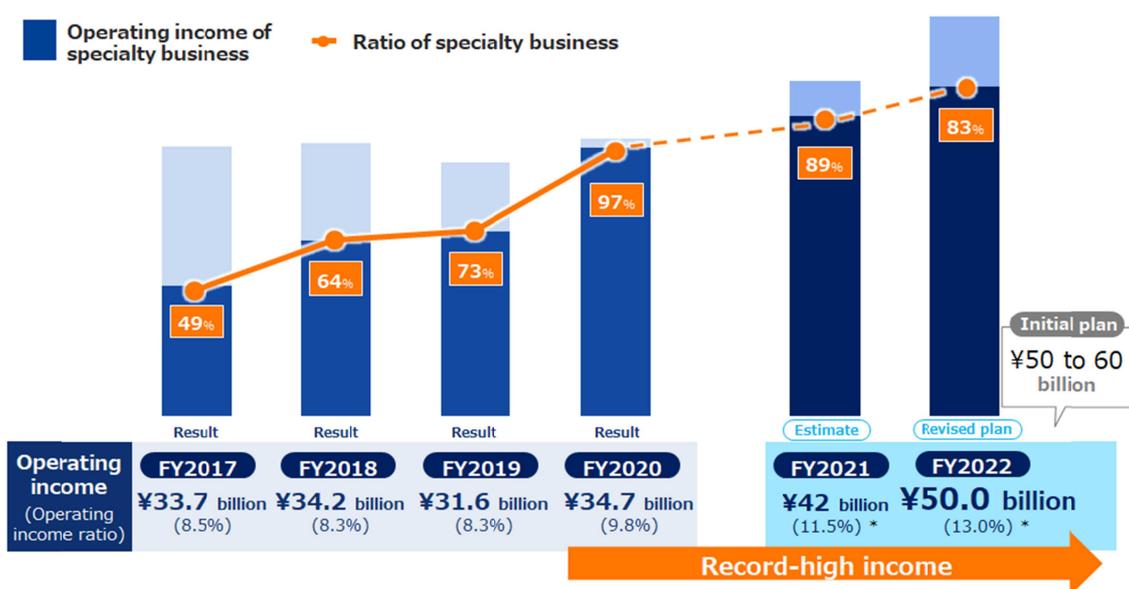
Under Denka Value-Up thus far, our growth strategies, focused primarily on healthcare and the environment and energy, have driven us to steadily achieve results, and we are moving smoothly on the path toward becoming a Specialty-Fusion Company, an aim set out in our growth vision. This also proves that the direction we have been heading in under Denka Value-Up has been appropriate.

We are taking this opportunity to clarify the significance of our existence in society in addition to the initiatives for the next two years based on the growth strategies set out under Denka Value-Up in an aim to achieve the numerical targets for FY2022.

Recognizing that the final two years of Denka Value-Up will be an important preparation period for us to advance toward our vision in the next management plan under which we will be aiming even higher, we will strive to move forward.

### Numerical Targets

#### □ Operating income, Operating income ratio, Ratio of specialty business:



\*Prior to the revision of the Accounting Standard for Revenue Recognition, etc.: FY2021 10.6%, FY2022 12.0%

Denka's definition of specialty business

- A business that is consistent with ESG initiatives and meets or has the potential to meet the following conditions in the near future: 1) boasting distinctive strengths and product value; 2) possessing resilience to changes in external factors; and 3) commanding an industry-leading market share.
- In addition to the three priority fields of healthcare, the environment and energy, and high-value-added infrastructure, we have been striving to specialize our key operations focusing on functional polymer since FY2018.

## Profit Distribution

□ **Investment:** Actively promote strategic investments

5-year plan: ¥200 billion (strategic investment: ¥75 billion; regular investment: ¥125 billion)

5-year estimate: ¥210 billion (strategic investment: ¥85 billion; regular investment: ¥125 billion)

□ **Shareholder returns:** Keep committed to the targeted total shareholder return ratio of 50% as initially planned for FY2021 and FY2022

\*Total shareholder return ratio = (Cash dividends + Shares repurchased)/Consolidated net income attributable to owners of the parent

## Initiatives for the Next Two Years Toward Realizing Denka's Vision

We will adopt methods unique to Denka in undertaking challenges toward resolving various social issues with SDGs as a compass, and aim to become a company that employees and stakeholders can be proud of and one that is indispensable for society. As the first step in our aim, we will focus on the initiatives for our **threefold Value-Up**.

### I. Business Value-Up

Business portfolio shift through “concentration in businesses in which we outperform others” and further specializing our key operations

#### (1) Business Portfolio Shift

##### (i) Accelerate growth of specialty businesses

The environment and energy	<ul style="list-style-type: none"> <li>• Expand sales to markets related to xEV, 5G, semiconductors and renewable energy</li> <li>• Focus on developing new product lineups that are ahead of the times</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>• Actively contribute to measures for novel &amp; re-emerging infectious diseases</li> <li>• Respond to diagnosis using genetic detection and digitalization in the clinical field</li> </ul>
High-value-added infrastructure	<ul style="list-style-type: none"> <li>• Accelerate overseas development, new product development and drastic reforms of unprofitable products</li> <li>• Pursue a new growth track to continue making it a priority field</li> </ul>

##### (ii) Specialize our key operations; redefine the positioning of the commodity businesses

For businesses that require reconstruction, generally achieve the portfolio shift in two years.

(2) Innovative Processes

Production process reforms	<ul style="list-style-type: none"><li>• Develop new processes, automate visual inspection, introduce robots</li><li>• Stabilize operations by utilizing big data analytics (for detecting irregular signs, etc.)</li></ul>
R&D process reforms	<ul style="list-style-type: none"><li>• Develop R&amp;D support system, which is key to companywide deployment of DX</li><li>• Pursue full-fledged use of materials informatics</li></ul>
Operational process reforms, work style reforms	<ul style="list-style-type: none"><li>• Adopt online meetings and computerize documents and approval to realize a new work style</li><li>• Remove 3D (dangerous, dirty, demanding) workplaces in an aim to convert to a creative operation in the production and R&amp;D areas</li></ul>

## II. Environment Value-Up

With environmental management at the base of management, aim to reduce greenhouse gas emissions by 50% by FY2030 (compared to the FY2013 level), carbon neutrality by FY2050

### Initiatives

- (i) Business Portfolio Shift
- (ii) Greater use of clean energy and introduction of highly efficient gas turbine
- (iii) Environmentally friendly products and environmental load reduction technologies
- (iv) Development and practical implementation of Carbon dioxide Capture, Utilization and Storage (CCUS)
- (v) Chemical recycling technology
- (vi) Reduction of greenhouse gas emissions throughout the product life cycle (life-cycle assessment or LCA)

## III. Human Resources Value-Up

Setting human resource strategies related to education, diversity, health, etc. as a high priority, becoming a company in which employees can feel growth through job satisfaction and work

### Initiatives

- (i) Set KPIs for “securing specialists,” “diversity promotion” and “work style reforms”
- (ii) Implement system reforms on evaluation, hiring, development, labor environment, etc.
- (iii) Provide staff education for early development of future senior management candidates, pursue bold organizational and human resources restructuring
- (iv) In an aim to realize sound growth, promote sound management by putting in place an environment in which employees can fully demonstrate their skills