

Denka Value-Up

~To Become ***a Specialty-Fusion Company***~

Denka Company Limited Management Plan
(Fiscal 2018 – 2022)

Denka

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The Positioning of the “*Denka Value-Up*” Management Plan **Denka**

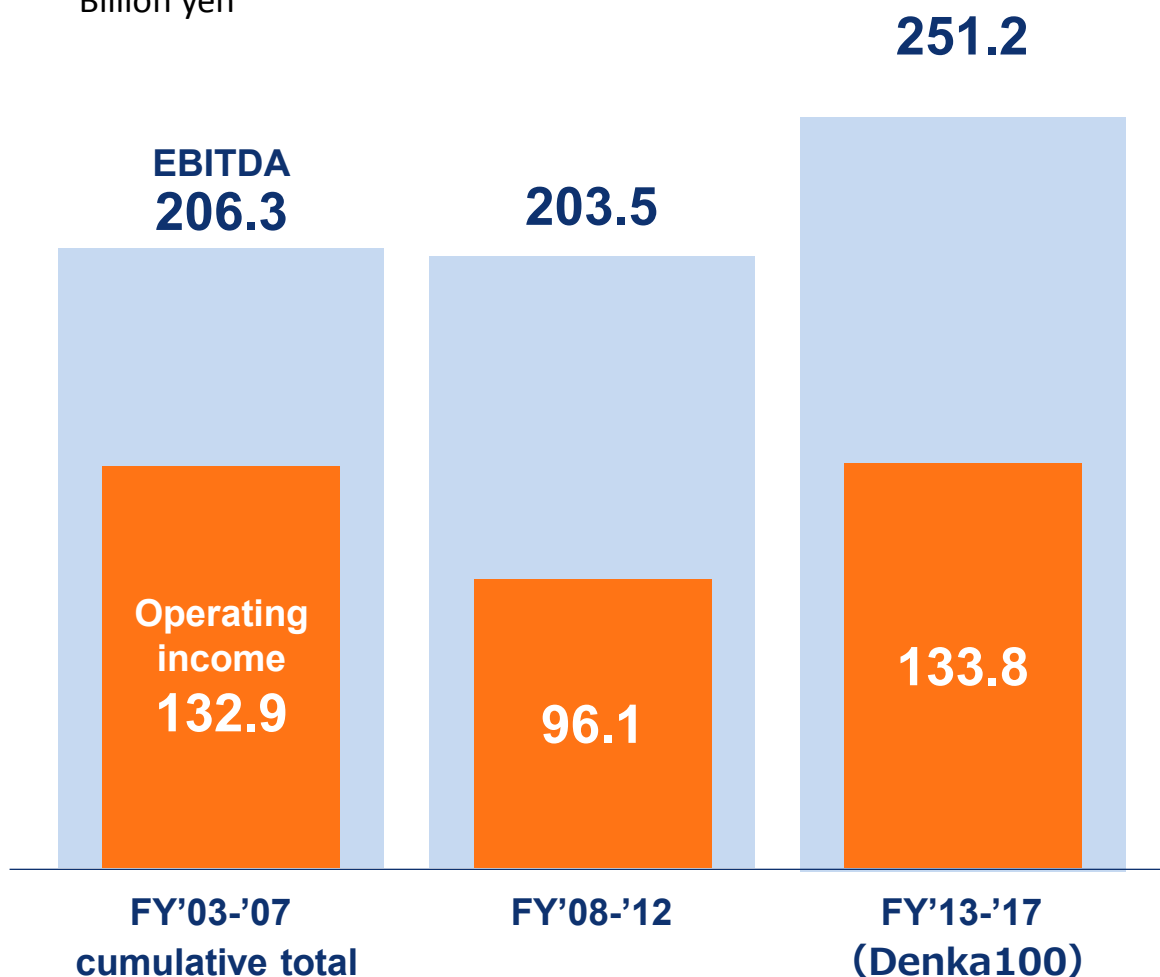


Review of the Outcomes of the Denka100 Management Plan

Trend in Operating Income and EBITDA

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Billion yen



➔ Profit grew steadily, better positioning us to realize ideals of Denka100

➔ A significant increase in EBITDA suggests stable growth in our earnings power, enabling us to allocate greater resources to forward-looking investment

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

① Create the Most Optimal Production System

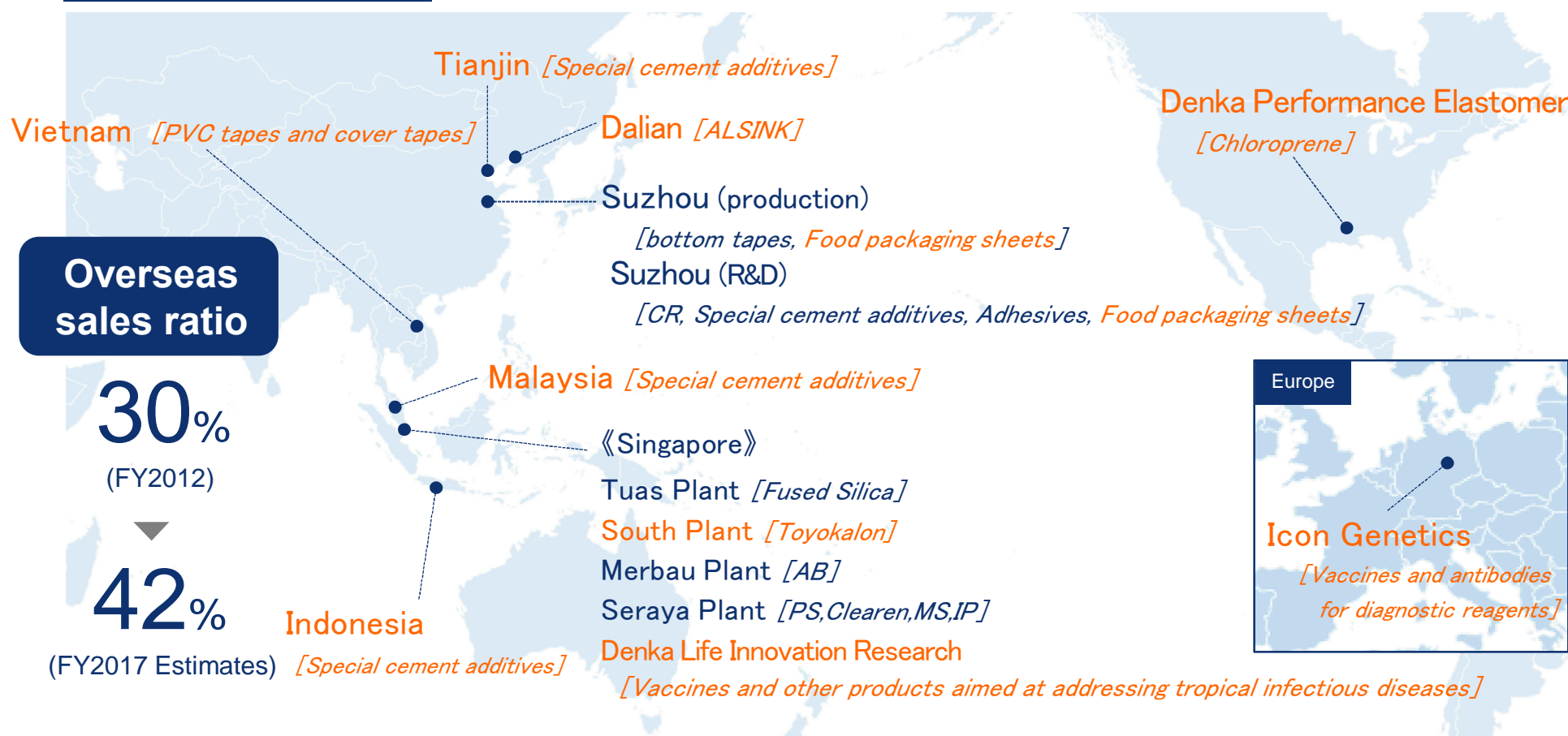
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Overseas bases
(production and R&D)

5 bases as of FY2012; currently 14 bases, with 9 bases being established since FY2013

Overseas production items

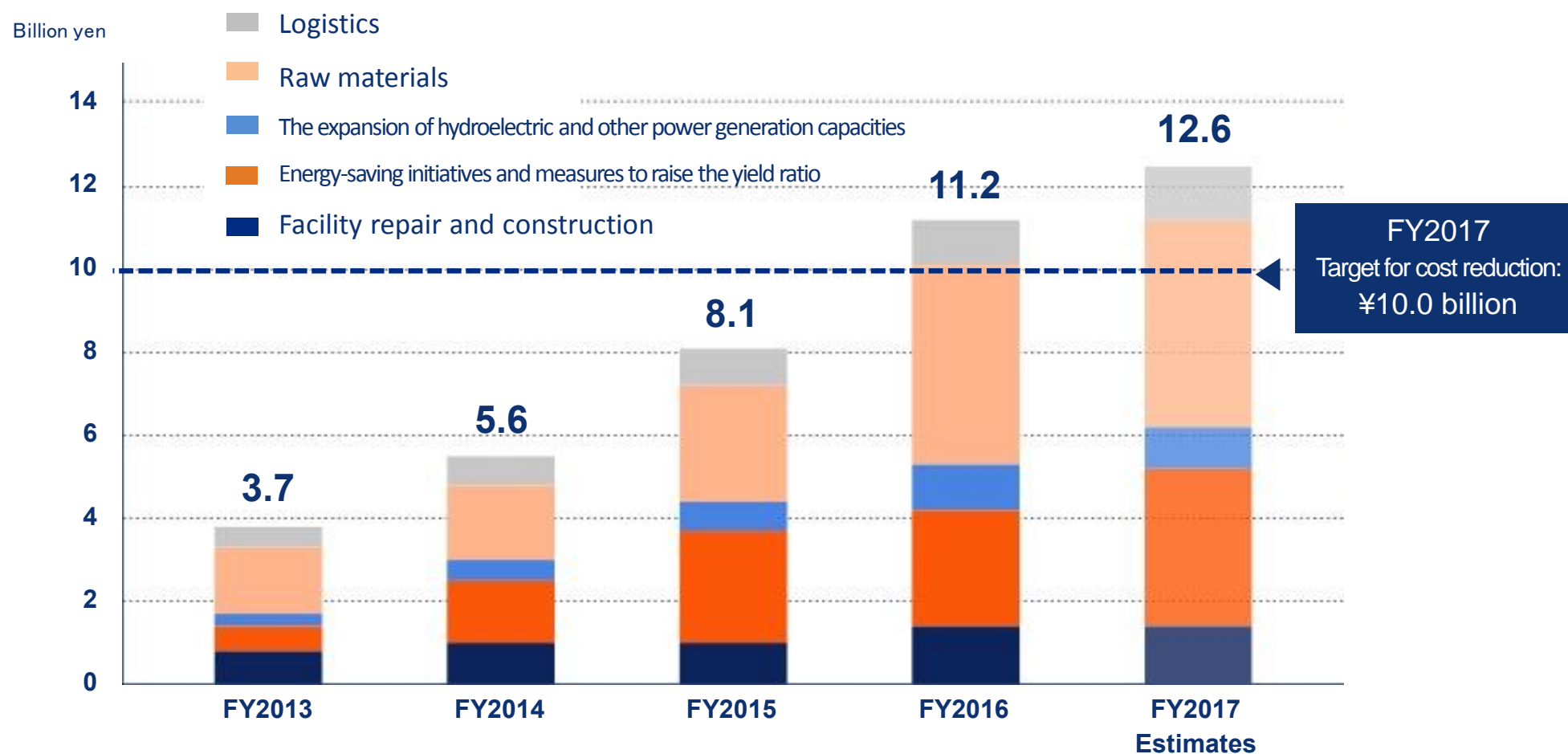
7 items as of FY2012; currently 15 items, with 8 items being added since FY2013



② Scrutinize Every Cost Element

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Estimated cost reduction during fiscal 2017: ¥12.6 billion (Surpassing our target by 26%)



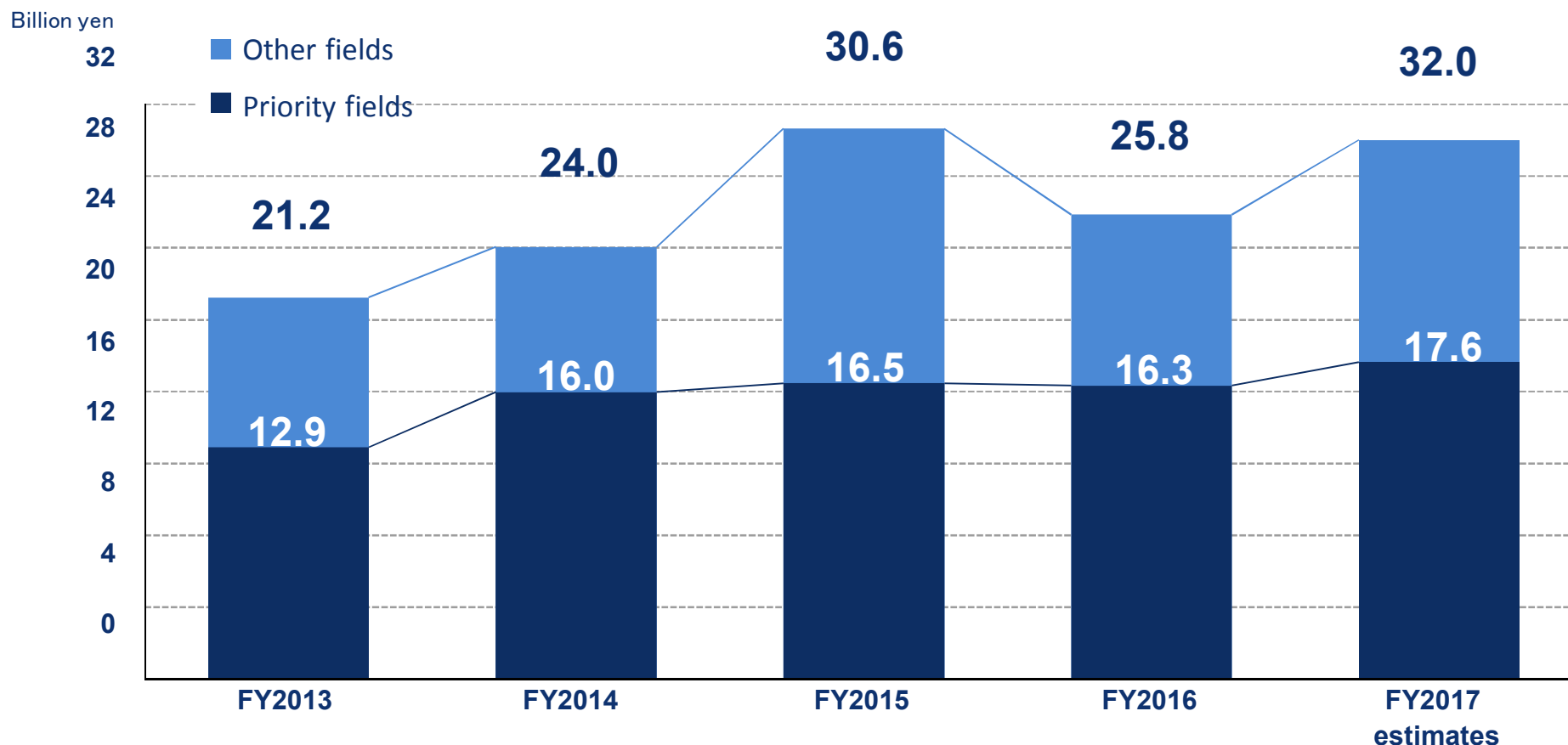
③ Shift Our Focus to Priority Fields in Business Portfolio

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Priority fields: Healthcare, the environment and energy, and infrastructure

⇒ Denka was able to remain resilient to changes in external conditions and achieved stable growth.

(In order for Denka to ensure further growth into the future, challenges attributable to volatility in other fields have to be overcome.)



Management Plan
Denka Value-Up
(fiscal 2018 . 2022)

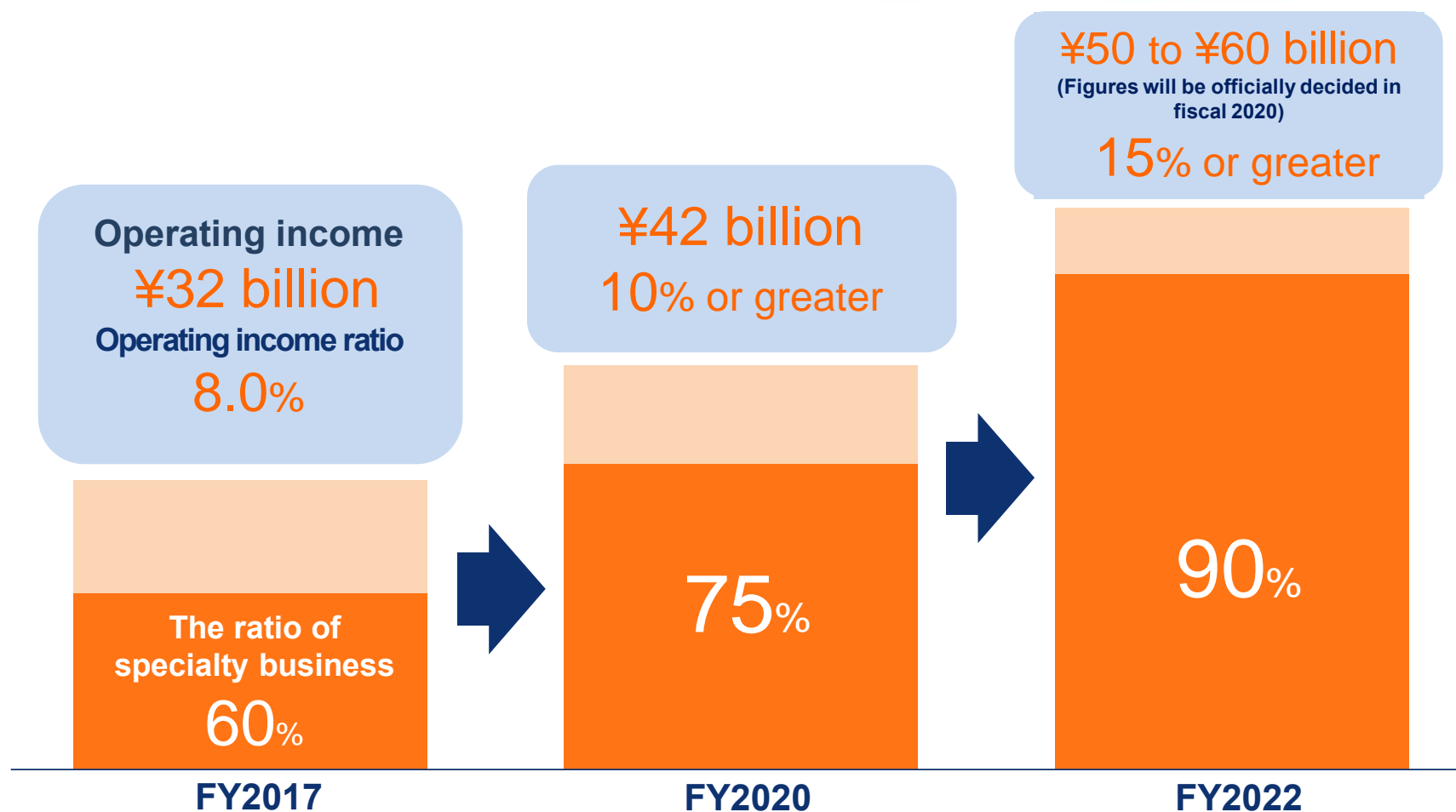
Growth Vision

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Numerical Targets

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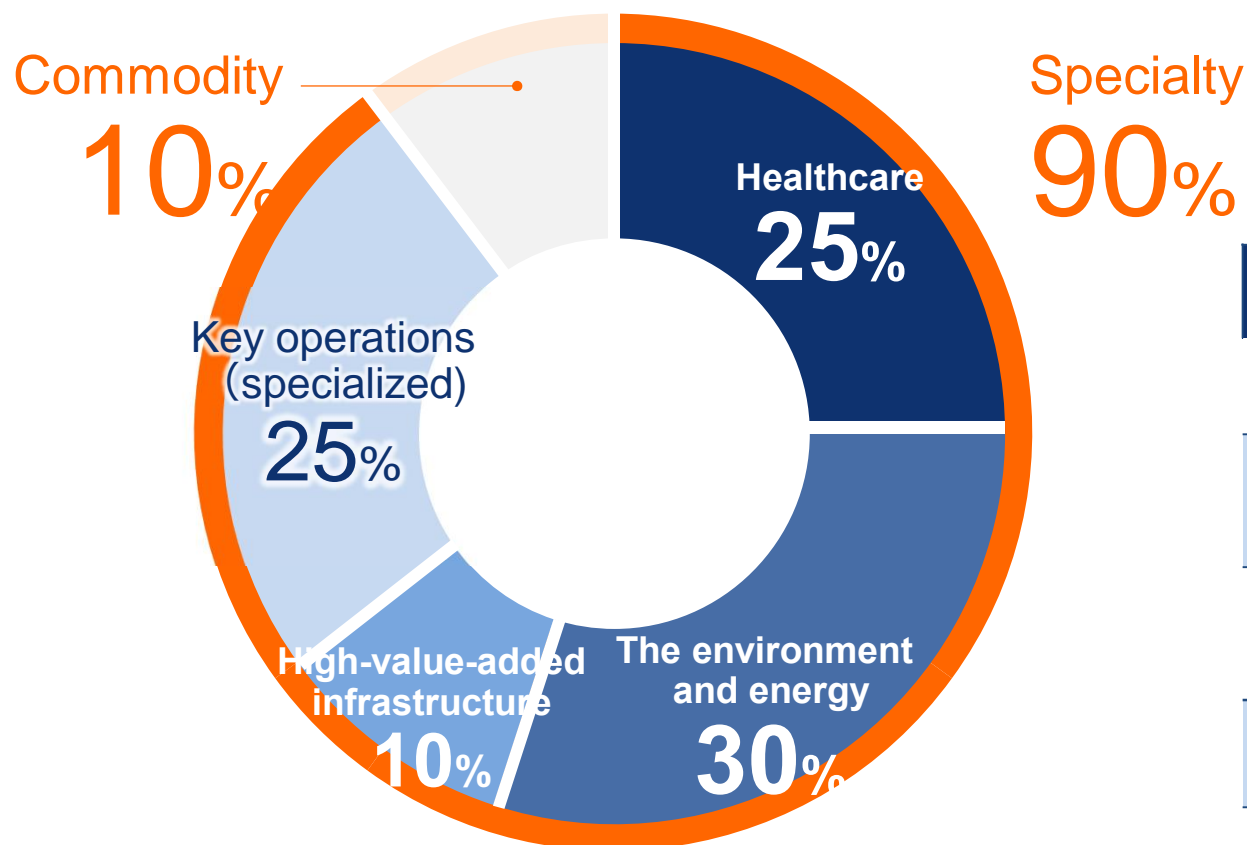


※ Denka's definition of a specialty business:

A business that 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

Numerical Targets the Ratio of Specialty Business

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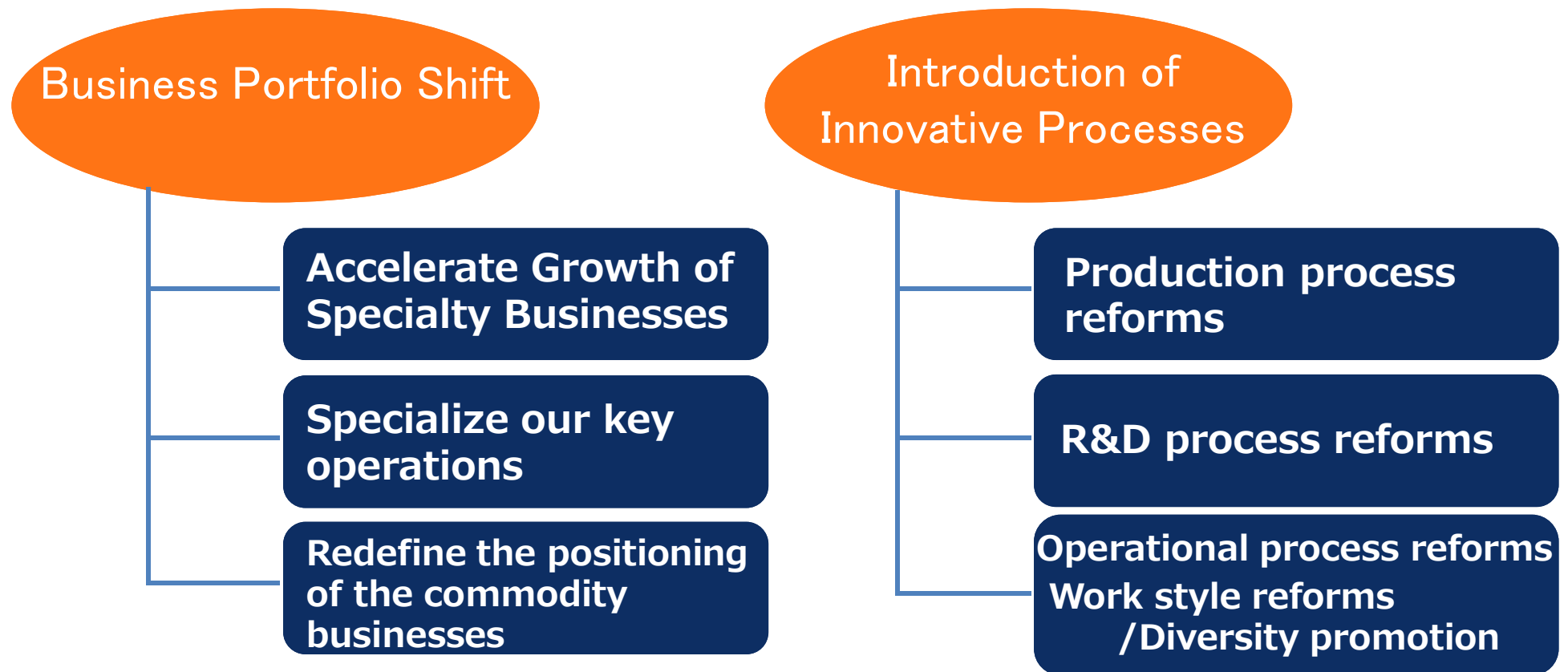


Current EBITDA ratios	
Healthcare	30%
The environment and energy	20%
High-value-added infrastructure	10%
Key operations	10%

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

Our fiscal 2022 target for the ratio of specialty businesses (based on the operating income ratio)

Two Growth Strategy



Growth Strategy I- Business Portfolio Shift

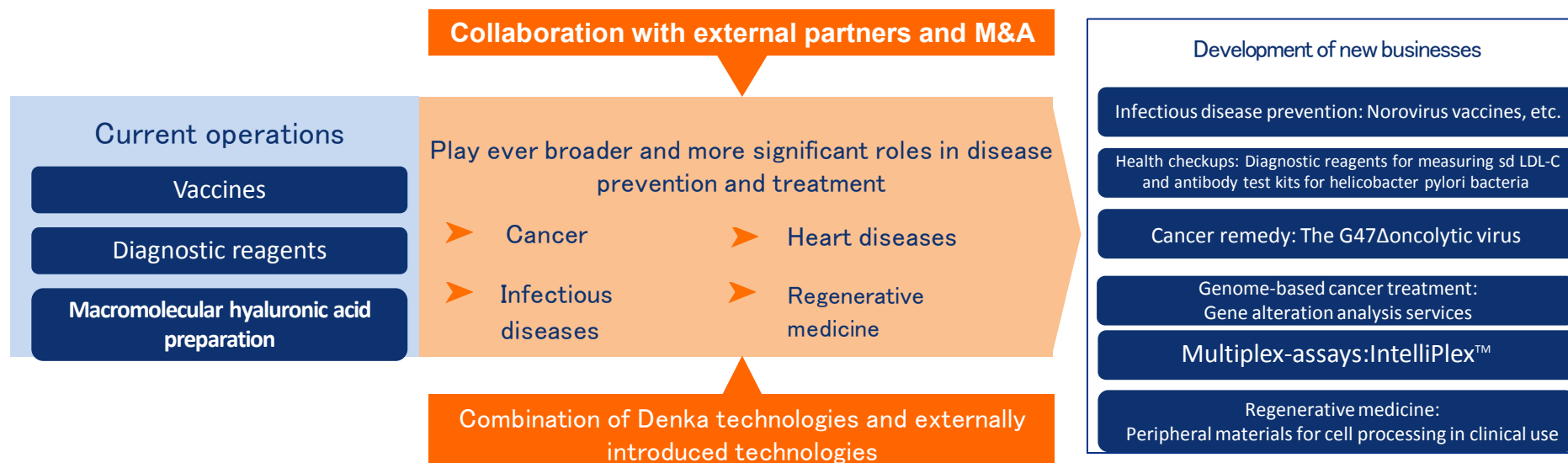
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1. Accelerate Growth of Specialty Businesses



Healthcare

Policies	Primary themes
<ul style="list-style-type: none"> Expand into cancer remedy and gene alteration analysis to help enhance people's quality of life in addition to providing illness prevention and early diagnosis 	<ul style="list-style-type: none"> Diagnostic reagents to measure lipoprotein subclasses, methods capable of multiplex-assays (genes and proteins) and technologies to manufacture proteins using the tobacco plant services aimed at assisting in genome-based cancer treatment (the selection of candidate drugs for molecular-targeted therapy) and processes for mass-producing oncolytic viruses



Growth Strategy I- Business Portfolio Shift

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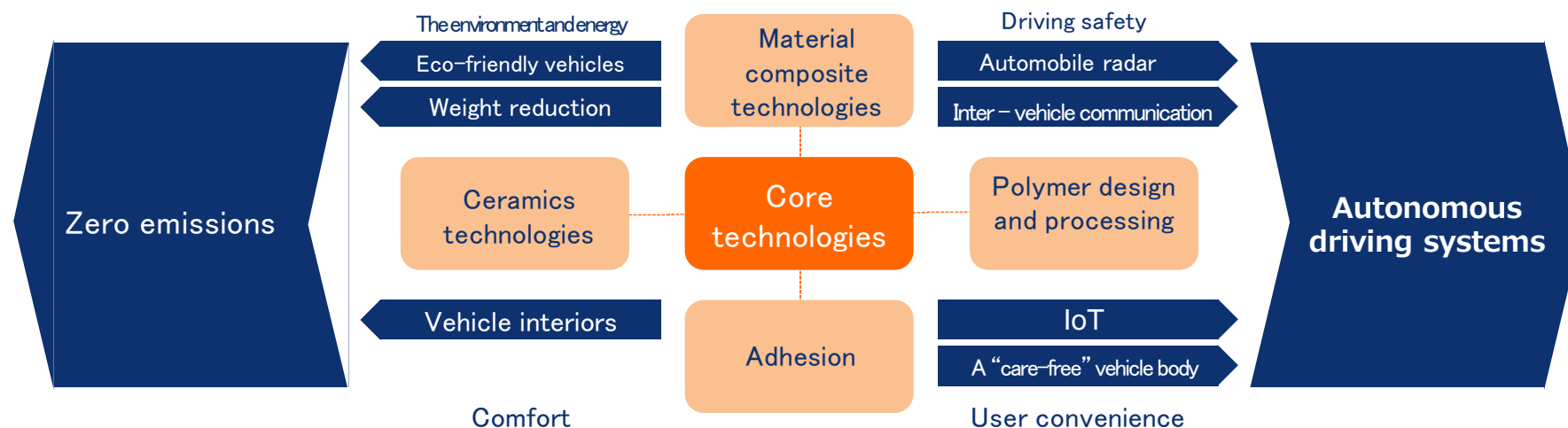
1. Accelerate Growth of Specialty Businesses



The Environment and Energy

Policy	Primary themes
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Lithium ion battery materials, materials for holding fuel cell catalysts, films as alternatives for coatings, materials for surface decoration of interiors, etc.

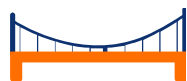
Areas where Denka can play new roles (Features of futuristic automobiles)



Growth Strategy I- Business Portfolio Shift

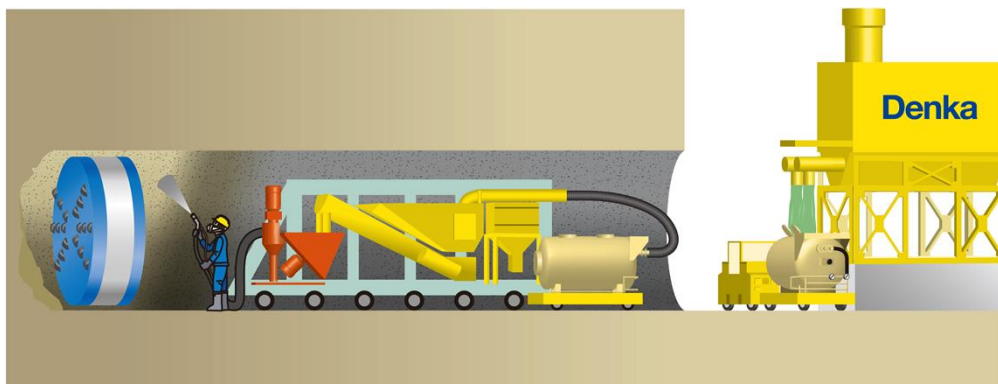
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1. Accelerate Growth of Specialty Businesses

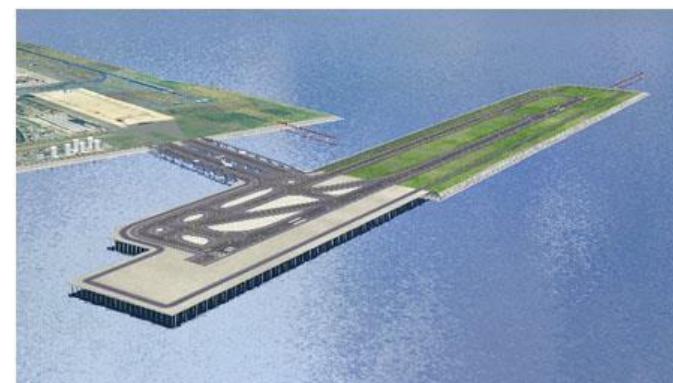


High-Value-Added Infrastructure

Policy	Primary themes
<ul style="list-style-type: none">● Satisfy high-profile infrastructure development needs in countries around the world through the provision of cutting-edge materials and solutions	<ul style="list-style-type: none">● Promote global expansion via M&A and market products tailored to meet region-specific needs● Deliver structural diagnosis solutions



➤ Tunnels: A mortar-spraying construction system



➤ Runways: Ultrahigh-strength fiber-reinforced concrete

Growth Strategy I- Business Portfolio Shift

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2. Specialize our key operations

Policies

- Work to increase “specialty grade” ratio in product lineup to secure resilience to changes in external conditions
 - Place greater emphasis on product functionalities to promote specialization of our CR business
- Shift our focus to the solution 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

Growth Strategy I- Business Portfolio Shift

3. Redefine the positioning of the commodity businesses

Policies

- Establish a dedicated Head Office organization in charge of designing our future strategies, thereby facilitating the transformation of our portfolio
- Redefine the positioning of commodity businesses that are intrinsically unsuitable for specialization

Optimization of value chains for calcium carbide and styrene-based products】

- Suspended the production of calcium carbide at the Omuta Plant, decisively overhauling operations boasting a century-long track record since 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

Growth Strategy II Introduction of Innovative Processes **Denka**

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

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

Operational process reforms



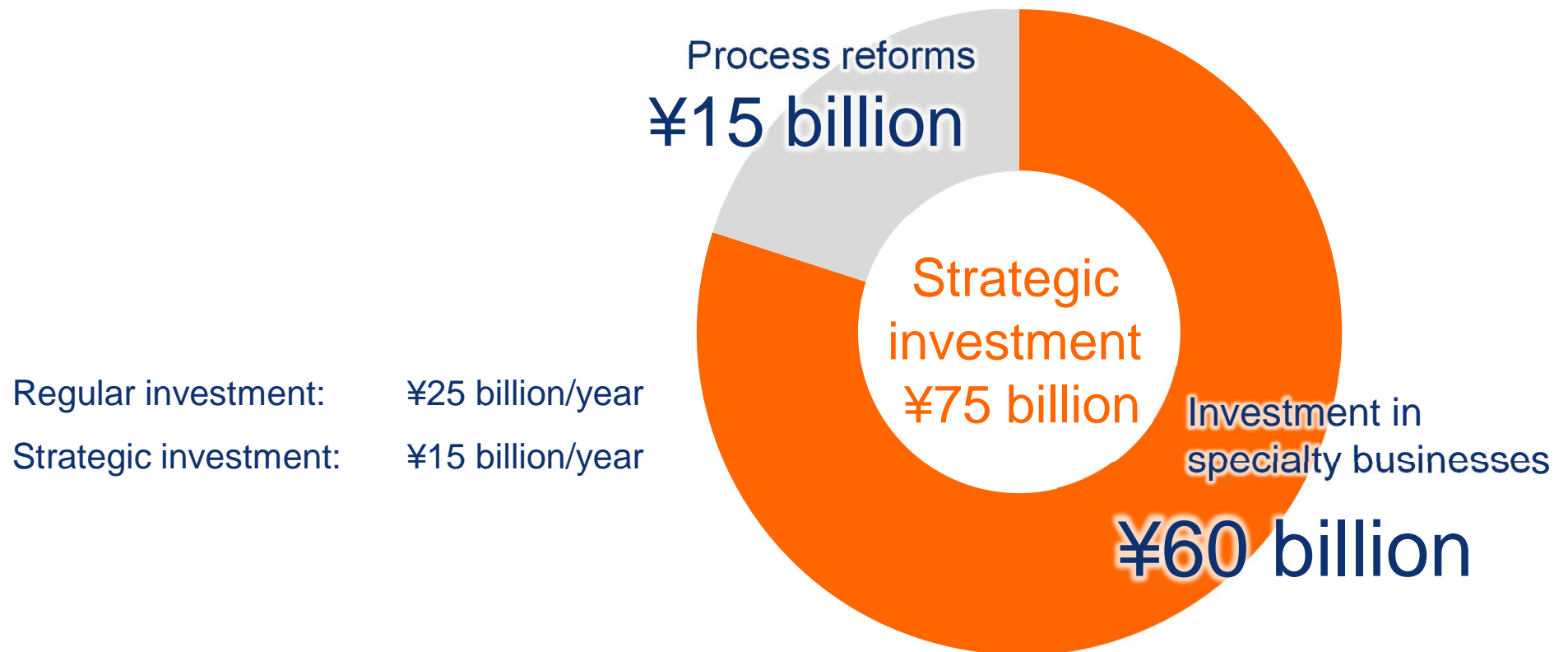
- Facilitate active in-house collaboration through the introduction of futuristic office functions
- Enhance operational productivity
- Develop a location-free working environment

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

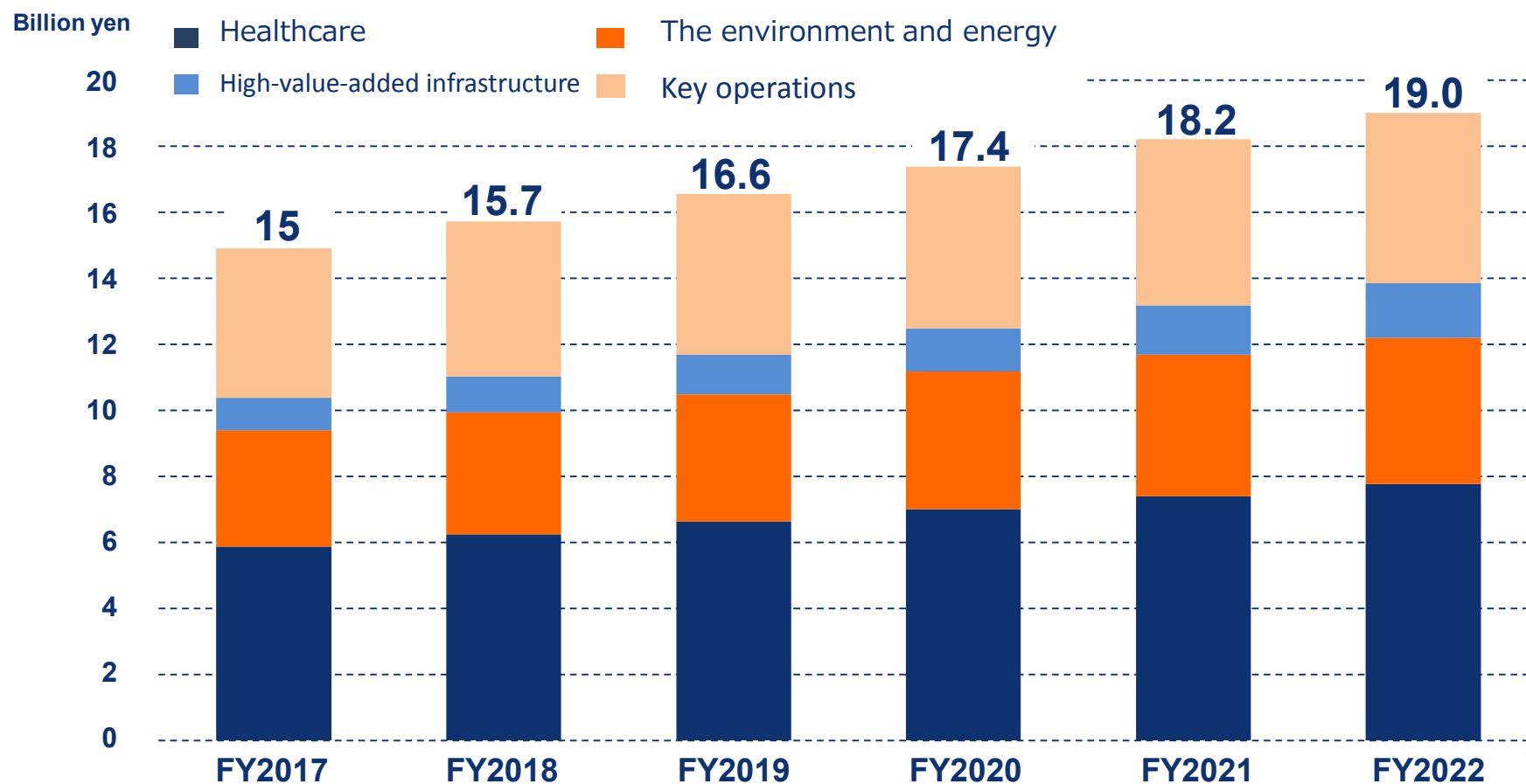
Investment Plan

- Five-year investment budget totaling ¥200 billion
Of this, we allocate ¥75 billion to strategic investment



R&D Plan

➤ Invest a total of ¥90 billion in R&D over a five-year period



➤ Our Shareholder Return Policy

Keep committed to the targeted total
shareholder return ratio of 50%

Maintain focus on stable dividend payout

**Flexibly carry out own-share repurchases by giving
due consideration to trends in stock prices**