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## **Denka to Execute Group Reorganization Aimed at Better Positioning Itself to Achieve Goals of Denka Value-Up**

(Absorbing Consolidated Subsidiary Denka Seiken and Merging Two Other Subsidiaries)

Denka Company Limited (headquarters: Chuo-ku, Tokyo; president: Manabu Yamamoto; hereinafter “Denka”) hereby announces that, based on a resolution passed at a Board of Directors meeting held today, the Company will absorb a consolidated subsidiary via merger while simultaneously merging two other subsidiaries together. These two mergers are scheduled to take effect on April 1, 2020, and are intended to strengthen operations related to the priority healthcare field in addition to optimizing the Group’s trading functions. By doing so, Denka aims to better position itself to achieve the goals of the Denka Value-Up management plan, which was launched in April 2018.

In conjunction with the passing of the resolution by Denka’s Board of Directors, the three Group subsidiaries that will be affected by the aforementioned actions have signed memorandums with regard to their respective mergers, backed by resolutions passed by each of their boards of directors.

In addition, the subsidiary being absorbed by Denka via merger is a wholly owned subsidiary, while the two subsidiaries being merged together are both consolidated subsidiaries. Because of this, Denka has opted to partially omit informational content to be disclosed in connection with the mergers on the ground that Japanese corporations are legally exempted from disclosing certain items under such circumstances.

### **1. Strengthening Healthcare-Related Operations (absorption of a consolidated subsidiary via merger)**

#### (1) Overview

- Denka Company Limited will absorb Denka Seiken Co., Ltd. (hereinafter “Denka Seiken”) via merger with the aim of integrating the healthcare-related operations handled by the two companies.

#### (2) Background

- The Denka Group’s healthcare-related operations encompass a range of sections, such as the production of vaccines and diagnostic reagents by Denka Seiken, the manufacture of macromolecular sodium hyaluronate preparation by Denka, and the development of norovirus vaccines using proprietary plant-based gene modification technologies by Icon Genetics GmbH, a Germany-based subsidiary. Most recently, the Group has expanded these operations to include gene alteration analysis and cancer remedy information services.
- Having positioned healthcare as a priority field under the Denka Value-Up management

plan, the Group's efforts are now under way to strengthen and expand operations in this field.

(3) Objectives

- In line with the Denka Value-Up management plan growth strategies, this merger is aimed at helping the Group significantly gear up efforts to accelerate the growth of its specialty businesses and expand its healthcare-related operations by achieving the following objectives.

(i) Improved governance

Through the integration of healthcare-related operations, the Group aims to secure even more robust governance systems that will, in turn, enable it to accurately address various risks specific to these operations.

(ii) Speedier decision making

In anticipation of future needs for major investment in the field of healthcare, the Group aims to equip itself to make speedier decisions in conformity with its corporate philosophy and management strategies.

(iii) Synergies in human resource and organizational management

The integration of operations is expected to help the Group step up human resource exchange while strengthening relevant organizations.

(4) Details of the Merger

(i) Date of the merger

The merger is scheduled to take effect on April 1, 2020.

Note: In accordance with Article 796, Paragraph 2, of the Companies Act, this merger is defined as a type of merger that exempts Denka from obtaining the approval of its General Meeting of Shareholders with regard to a merger agreement. Similarly, in accordance with Article 784, Paragraph 1, of said act, the merger is defined as a type of merger that exempts Denka Seiken from obtaining the approval of its general meeting of shareholders. Therefore, the companies will merge without the approval of either of their general meetings of shareholders.

(ii) Method for the merger

Denka will absorb Denka Seiken via merger and become the surviving company, while the latter is expected to dissolve after the merger.

(iii) Reallocation associated with the merger

Because Denka holds all outstanding Denka Seiken shares, there will be no reallocation of shares or other consideration issued as a result of this merger.

(iv) Handling of subscription rights and corporate bonds with subscription rights issued by the company being dissolved

Denka Seiken has not issued any subscription rights or corporate bonds with subscription rights related to this merger.

(5) Outline of Merging Companies

	Surviving company	Absorbed company
Company name	Denka Company Limited	Denka Seiken Co., Ltd.
Location	1-1, Nihonbashi Muromachi 2-chome, Chuo-ku, Tokyo	1-1, Nihonbashi Muromachi 2-chome, Chuo-ku, Tokyo
Name and title of representative	Manabu Yamamoto, Representative Director, President & CEO	Mitsukuni Ayabe, Representative Director, President & CEO

Main business	Manufacture and sale of organic, inorganic and electronic materials as well as functional products and processed products	Manufacture and sale of various vaccines and diagnostic reagents
Paid-in capital	¥36,998 million	¥1,000 million
Establishment	May 1, 1915	February 11, 1950
Number of shares issued	88,555,840	8,178,137
End of fiscal year	March 31	March 31
Major shareholders and ratios of their shareholdings	The Master Trust Bank of Japan, Ltd. (Trust Account): 9.72% Japan Trustee Service Bank, Ltd. (Trust Account): 7.24% Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account Re-entrusted by Mizuho Trust & Banking Co., Ltd.): 3.67% National Mutual Insurance Federation of Agricultural Cooperatives (standing proxy: The Master Trust Bank of Japan, Ltd.): 3.15% Mitsui Life Insurance, Co., Ltd. (standing proxy: Japan Trustee Service Bank, Ltd.): 2.72%	Denka Company Limited: 100%
Financial position and operating results in the most recent fiscal year ended March 31, 2018		
Total net assets	¥171,603 million	¥36,612 million
Total assets	¥367,469 million	¥44,741 million
Net assets per share	¥1,958.04	¥4,476.86
Net sales	¥237,833 million	¥28,228 million
Operating income	¥21,003 million	¥6,798 million
Ordinary income	¥22,703 million	¥6,212 million
Profit attributable to owners of parent	¥16,732 million	¥4,590 million
Profit attributable to owners of parent per share	¥190.15	¥561.29

(6) Post-Merger Company Status

- Even after the merger, there will be no change in the surviving company's name, location, representative (name or title), main business, paid-in capital or fiscal year-end.

(7) Future Outlook

- The impact of this merger on Denka's consolidated operating results is insignificant as it entails only the merger between the parent company and its wholly owned subsidiary.

## 2. Optimizing the Group's Trading Functions (merger between consolidated subsidiaries)

(1) Overview

- Akros Trading Co., Ltd. (hereinafter “Akros Trading”) and YK Inoas Co., Ltd. (hereinafter “YK Inoas”)—two of Denka’s consolidated subsidiaries serving as trading companies for the Group—will merge together as equals.

(2) Objectives

- Akros Trading and YK Inoas have together served as trading companies handling various chemicals, especially products manufactured by Denka Group companies. By achieving the following objectives, the merger of these two companies is intended to better position the resulting company vis-à-vis customer services and support the realization of the goals of the Denka Value-Up management plan.
  - (i) Ensuring the effective use of management resources possessed by both companies and improving management efficiency
  - (ii) Maximizing synergies in the marketing of such products as electronic materials and special cement additives
  - (iii) Boosting the Group’s sales capabilities at home and abroad

(3) Details of the Merger

(i) Schedule for the merger

Approval of the merger agreement (by the respective boards of directors at Denka and the two consolidated subsidiaries) and the signing of said agreement: March 11, 2019

Effective date of the merger: April 1, 2020

Note: Discussions between the both companies with regard to the merger are still under way. Therefore, the schedule for and procedures associated with the merger can be modified.

(ii) Method for the merger

Akros Trading will absorb YK Inoas via the merger and become the surviving company, while the latter is expected to dissolve after the merger.

(iii) Reallocation associated with the merger

Applicable information has not yet been finalized and is expected to be determined based on discussions between Akros Trading and YK Inoas.

(4) Outline of Merging Companies

	Surviving company	Absorbed company
Company name	Akros Trading Co., Ltd.	YK Inoas Co., Ltd.
Location	4-1, Shibakoen 2-chome, Minato-ku, Tokyo	26-9, Yushima 3-chome, Bunkyo-ku, Tokyo
Name and title of representative	Shinji Sugiyama, Representative Director, President & CEO	Hideyuki Udagawa, Representative Director, President & CEO
Main business	Sale of organic and inorganic products and resin products for industrial use	Sale of materials for industrial, civil engineering, and construction use as well as for interiors
Paid-in capital	¥1,200 million	¥100 million
Establishment	April 11, 1932	November 5, 1954
End of fiscal year	March 31	March 31
Major shareholders and ratios of their shareholdings	Denka Company Limited: 68.47% JAPAN PULP AND PAPER COMPANY LIMITED: 13.28%	Denka Company Limited: 100%

	Mizuho Bank, Ltd.: 3.97% NIPPON TOCHI-TATEMONO Co., Ltd.: 3.84% TOAGOSEI CO., LTD.: 2.83%	
Financial position and operating results in the most recent fiscal year ended March 31, 2018		
Total assets	¥19,891 million	¥11,055 million
Net sales	¥54,368 million	¥25,047 million
Operating income	¥211 million	¥192 million
Profit attributable to owners of parent	¥239 million	¥85 million

(5) Post-Merger Company Status

- In conjunction with the merger, Akros Trading, the surviving company, will change its company name on April 1, 2020.
- Other details associated with the merger will be determined based on discussions between Akros Trading and YK Inoas.

(6) Future Outlook

- The impact of the merger on Denka's consolidated operating results is insignificant.