

September 9, 2019

Denka Company Limited

Notice Regarding Decision to Increase MS Resin Production in Singapore by Renovating Polystyrene Production Facilities

Denka Company Limited (headquarters: Chuo-ku, Tokyo; president: Manabu Yamamoto; hereinafter “Denka”) has decided to terminate the production of polystyrene (GPPS^{*1}; Product name: Denka Styrol) at its consolidated subsidiary (Singapore Private Limited; hereinafter, “DSPL”) and boost the production capacity of MS resin^{*2} by renovating the production facility, as part of business portfolio transformation initiatives implemented under the Denka Value-Up management plan. The total amount of investments pertaining to the renovation of the facilities is approximately 2.7 billion yen.

MS resin is currently in a situation where the supply capacity is not meeting demand. This is attributable to optical applications of the material as light guide plates for backlights whose demand is sharply growing as LCD TVs and monitors employ larger displays and narrower frames, as well as being partly due to the expansion of non-optical applications for products such as cosmetics containers whose needs are growing significantly in the Asia Pacific area, including China, among other countries.

To respond to growing demand, Denka, which is the leading manufacture of MS resin, will double production capacity of MS resin (capacity for the expansion: up 70,000 tons, total 140,000 tons) by renovating the existing polystyrene production facilities, and continue to address the rise in demand, down the road. In addition, it will step up its BCP efforts by enhancing the current single facility-based production system to a dual facility-based production system.

Denka commenced the production and sale of polystyrene in 1997 in Singapore, with a focus on MW-1, a highly robust GPPS which has been used in more than 30 countries around the world including ASEAN and China.

However, with the supply of polystyrene surpassing demand in overseas markets, Denka has recently decided to terminate the production of polystyrene and transform its production facilities into those for MS resin, a higher value-added functional resin.

Denka instituted the Denka Value-Up management plan to achieve 90% of operating income from specialty businesses by fiscal 2022. Going forward, it will continue to make investments speedily to respond to future demand, and by doing so, aim to facilitate further specialization in its core businesses.

[Outline of the investment]

* Facilities in which the investment will be made: Denka Singapore Private Limited Seraya Plant (Singapore) 40 Seraya Avenue, Singapore 627873

* Purposes of the investment: Enhancement of the production capacity of MS resin by renovating polystyrene production facilities

*Investment amount: Approximately 2.7 billion yen

*Commencement of operation: First half of 2021 (Termination of the sale of polystyrene: End of 2020)

Impact on consolidated results: The investment does not have any impact on Denka's consolidated results for the fiscal year ending March 31, 2020.

*1) GPPS (General Purpose Polystyrene)

Refers to general purpose polystyrene resins

*2) MS resin

Refers to methyl-methacrylate-styrene, a copolymer material comprising styrene and methyl methacrylate (MMA) featuring high-level dimensional stability, low specific gravity and excellent moldability, which are qualitative advantages attributable to the material having low-level moisture absorbency. DSPL produces MS resin products that feature low contamination and an excellent exterior in a stable fashion by leveraging precision control technologies at its plant equipped with a continuous production process. By doing so, it has been facilitating the differentiation of its products from those of other companies and garnering high evaluations of its excellent quality in the market.

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