

FY2018–FY2022 Management Plan

Denka Value-Up

**Interim Review and FY2022
Numerical Targets**

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Basic Policy

Threefold Growth Vision



Two Growth Strategies

Business Portfolio Shift

Innovative Processes

Changes in Business Environment

- Changes in the social structure caused by COVID-19 pandemic
- Initiatives toward realizing carbon neutrality gaining momentum worldwide



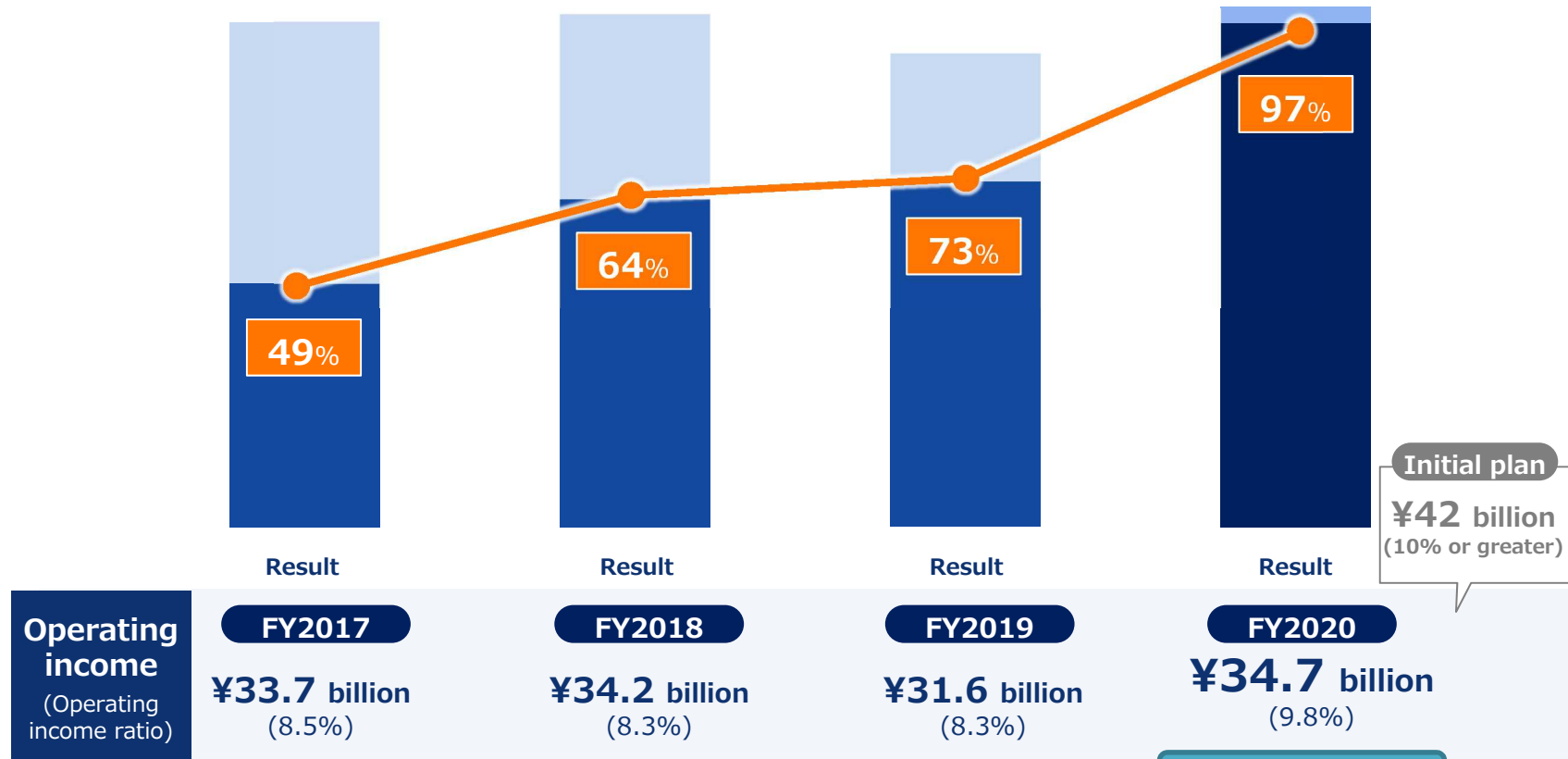
Vision

To be a company that is truly needed by society and is indispensable for the world and that Denka’s employees and stakeholders can be proud of

Operating income, Operating income ratio, Ratio of specialty business

■ Operating income of specialty business

—●— Ratio of specialty business



*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.

Business Portfolio Shift

1. Accelerate growth of specialty businesses

	Achievements	Issues
<p>Healthcare</p>	<ul style="list-style-type: none"> ● COVID-19 Testing Kits ● Decision to strengthen facility capacity for supplying influenza vaccine 	<ul style="list-style-type: none"> ● Delay in earnings and overseas deployment of new businesses ● Dependence on the spread of influenza
<p>The environment and energy</p>	<ul style="list-style-type: none"> ● Enhanced capabilities of electronic materials for xEV and 5G 	<ul style="list-style-type: none"> ● Accurate and rapid response to the constantly changing markets
<p>High-value-added infrastructure</p>		<ul style="list-style-type: none"> ● Slow growth due to delay in overseas deployment
<h2>2. Specialize our key operations</h2>	<ul style="list-style-type: none"> ● Reinforcement of MS polymer ● Entry into the biostimulant market 	<ul style="list-style-type: none"> ● Delay in the development of specialty-grade polymer
<h2>3. Redefine the positioning of the commodity businesses</h2>	<ul style="list-style-type: none"> ● Suspension of production of calcium carbide at the Omuta Plant 	<ul style="list-style-type: none"> ● Acceleration of drastic measures in unprofitable business

Innovative Processes

1. Achievements



Production process reforms

- Digitalization and automation of production processes



R&D process reforms

- Development of R&D support system, strategic development of research staff



Operational process reforms, work style reforms

- Computerization of approval, adoption of online meetings and reduction of meeting hours

2. Issues

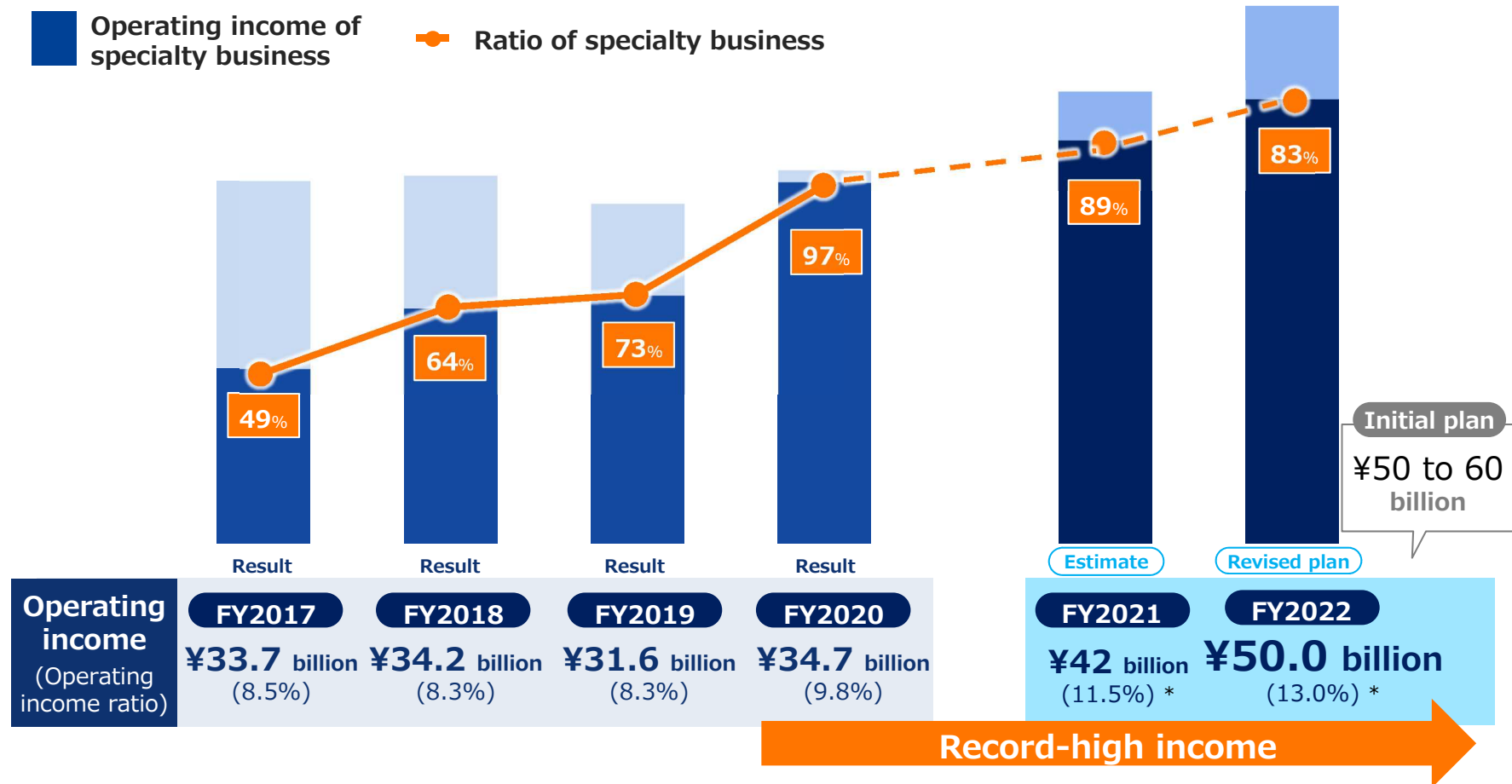
(1) DX (digital transformation)

- Business model and organizational reforms using DX
- Securing DX specialists

(2) Human resources strategy

- Enhancement of operational productivity with flexible work styles
- Securing talented human resources without being bound by gender, mother tongue and age

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%

Threefold Value-Up

Realization of threefold Value-Up to be a company “indispensable for society”

(1) Business Value-Up



Business portfolio shift through “**concentration in businesses in which we outperform others**”

(2) Environment Value-Up



Reduction of greenhouse gas emissions by **50%** by 2030,
Realization of **carbon neutrality** by 2050

(3) Human Resources Value-Up



Be a company in which workers can feel **growth through job satisfaction and work**



(1) Business Value-Up

1. Business Portfolio Shift

◇ Accelerate growth of specialty businesses

The environment and energy

- Expand sales to markets related to xEV, 5G, semiconductors and renewable energy
- Focus on developing product lineups that are ahead of time



Healthcare

- Actively contribute to measures for novel & re-emerging infectious diseases
- Respond to diagnosis using genetic detection and digitalization in the clinical field



High-value-added infrastructure

- Accelerate overseas development, new product development and drastic reforms of unprofitable products
- Pursue a new growth track as the field continues to be an area of priority



◇ 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

◇ Merge processes using DX and pursue business model and organizational reforms

Production process reforms

- Automate visual inspection, introduce robots, focus on enhancing sensors, etc.



R&D process reforms

- Pursue full-fledged use of R&D support system, materials informatics



Operational process reforms, work style reforms

- Adoption of online meetings, computerization of documents and approval
- Remove 3D (dangerous, dirty, demanding) workplaces



(2) Environment Value-Up



Environmental management (Initiatives toward carbon neutrality)

With environmental load reduction at the base of management, aim to reduce greenhouse gas emissions by 50% by 2030 (compared to the 2013 level), and achieve carbon neutrality by 2050

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

(3) Human Resources Value-Up



Toward becoming a company in which workers can feel growth through job satisfaction and work

- Set KPIs for “securing specialists,” “diversity promotion” and “work style reforms”
- Implement system reforms on evaluation, hiring, development, labor environment, etc.
- Provide staff education for early development of senior management candidates, pursue bold organizational and human resources restructuring
- Promote sound management by putting in place an environment in which employees can fully demonstrate their skills

Investment

We **expect to exceed** the plan by actively implementing strategic investments (specialty businesses and process reforms)

	2018 to 2020	2018 to 2022	
	3-year result	5-year plan:	5-year estimate:
Strategic investment	¥51.8 billion	¥75.0 billion	¥85.0 billion
Regular investment	¥75.8 billion	¥125.0 billion	¥125.0 billion
Total	¥127.6 billion	¥200.0 billion	¥210.0 billion

Shareholder returns

Keep committed to the **targeted total shareholder return ratio of 50%** set in the plan

	FY2018 result	FY2019 result	FY2020 result
Net income attributable to owners of the parent	¥25.0 billion	¥22.7 billion	¥22.8 billion
Total cash dividends	¥10.5 billion	¥10.8 billion	¥10.8 billion
Amount of shares repurchased	¥2.1 billion	¥0.0 billion	¥0.0 billion
Total shareholder return ratio	50%	48%	47%