

Notice Regarding Transfer of Cement Sales Business to a Wholly Owned Subsidiary through Company Split (Simplified Absorption-Type Company Split), Transfer of Shares in the Wholly Owned Subsidiary (Changes in Subsidiaries) and Withdrawal from Cement Business

Denka Company Limited (hereinafter "Denka") announces that at a meeting of the Board of Directors held today, it has decided to transfer its cement sales business to a wholly owned subsidiary that Denka will newly establish (hereinafter the "New Company") by means of an absorption-type company split (hereinafter the "Absorption-type Company Split") and then transfer shares in the New Company to Taiheiyo Cement Corporation (hereinafter "Taiheiyo Cement") (hereinafter the "Share Transfer", and the Absorption-type Company Split and the Share Transfer are collectively called the "Transaction"), and concluded a share transfer agreement with Taiheiyo Cement today. In addition, at the same meeting, the Company has decided to withdraw completely from the in-house limestone mining and cement manufacturing businesses by around the first half of 2025.

The Share Transfer is subject to the completion of obtaining necessary permits and approvals from the relevant authorities in accordance with the Antimonopoly Act and other laws and regulations.

The Absorption-type Company Split, which is part of the Transaction, is a simplified absorption-type company split in which the wholly owned subsidiary that Denka will newly establish becomes the successor company. Therefore, some disclosure items and the details thereof have been omitted from this disclosure.

1. Purpose

Denka entered into the cement business in 1954 and has since been manufacturing and selling cement at its Omi Plant in Itoigawa City, Niigata by making effective use of stones of a purity and size that cannot be used for calcium carbide, from among the abundant limestone resources of the adjacent Mt. Kurohime. In addition, by accepting by-products generated during the manufacturing of other finished products in the plant, such as calcium carbide and chloroprene rubber, and effectively utilizing them as raw fuel for cement, Denka has established a unique calcium carbide chain(*). This has helped the Company improve the competitiveness of its other products and pursue zero emissions in its plants, while also contributing to resource recycling in the local society by accepting waste from outside the Company.

In recent years, however, Denka's cement business has been facing severe situations where demand for cement has remained sluggish in Japan including the Hokushinetsu region, its main sales destination, and where substantial investments will be inevitable to replace aging facilities and become carbon neutrality. For those reasons, Denka has been considering structural reforms by positioning the cement business as commodity

business that needs business restructuring in its management plan Denka Value-Up. Recently, however, we have come to the conclusion that it will be difficult to maintain and grow the cement business in the future with our operation alone.

Myojo Cement Co., Ltd. (hereinafter "Myojo Cement"), a wholly owned subsidiary of Taiheiyo Cement, has a cement plant in Itoigawa City, the same place where Denka operates the Omi Plant. Therefore, Taiheiyo Cement will collaborate with Myojo Cement, and the two companies will undertake the task of supplying limestone and making effective use of by-products in the Denka calcium carbide chain after Denka's withdrawal from the in-house limestone mining and cement businesses.

In addition, Denka has been working on a joint project with Taiheiyo Cement and Myojo Cement to develop limestone mines in Mt. Kurohime, building mutual trust in the course of discussions. As a consequence, it has agreed to the Transaction.

As part of the portfolio reforms in the Denka Value-Up management plan, Denka has been actively investing its management resources in priority fields such as Environment and Energy, Healthcare, and High Value-added Infrastructure. Further, looking ahead to the next management plan for FY2023-FY2030, Denka will pursue a growth strategy through M&A, investment in facility capacity expansion, and the early creation of new businesses for the purpose of solving social issues, with the aim of achieving sustainable corporate growth.

2. Overview of the Company Split

(1) Outline of the Company Split

i. Schedule of the Company Split

Board resolution for approval of absorption-type company split agreement	Fourth quarter of FY2022 (plan)
Conclusion of absorption-type company split agreement	Same as above
Effective date of the absorption-type split	March 31, 2023 (plan)

(Note) The Absorption-type Company Split to be conducted by Denka (the splitting company) satisfies the requirements for a simplified absorption-type company split defined in the paragraph 2 of Article 784 in the Companies Act. It will therefore be carried out without obtaining the approval of a general meeting of Denka's shareholders.

ii. Method of the Company Split

The Absorption-type Company Split will be implemented with Denka and the New Company operating as a splitting company and a successor company, respectively.

iii. Allocation related to the Company Split

There will be no allotment of shares or payment of cash or other financial considerations with respect to the Absorption-type Company Split.

- iv. Handling of share acquisition rights and bonds with share acquisition rights associated with the absorption-type company split
Not applicable.
- v. Change in capital as a result of the Company Split
There will be no change in the Company's capital as a result of the absorption-type company split.
- vi. Rights and obligations to be assumed by the successor company
The New Company will take over the assets, liabilities, contractual status / rights / obligations, etc. associated with Denka's cement sales business that will be specified separately in the absorption-type company split agreement on the effective date of the Absorption-type Company Split takes effect.
- vii. Prospect of fulfillment of debt obligations
Denka considers that there will be no problem in the possibility of fulfillment with respect to obligations that the New Company should bear, either on and after the effective date of the Absorption-type Company Split.

(2) Overview of the companies participating in the Company Split

	Splitting company in an absorption-type company split (as of March 31, 2022)	Successor company in an absorption-type company split (Not established yet as of October 25, 2022)
(1) Name	Denka Company Limited	TBD
(2) Address	1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo 103-8338, Japan	TBD
(3) Name and title of representative	Toshio Imai, Representative Director, President	TBD
(4) Business	Manufacture and sales of organic materials, inorganic materials, electronic materials and functional and processed products, as well as sales of cement and cement-related products	Sales of cement and cement-related products
(5) Share capital	36,998 million yen	TBD
(6) Establishment	May 1, 1915	TBD
(7) Number of issued shares	88,555,840 shares	TBD
(8) Fiscal year-end	March 31	March 31 (plan)
(9) Large shareholders and their shareholding ratios	The Master Trust Bank of Japan, Ltd. (Trust account) 18.15% Custody Bank of Japan, Ltd. (Trust account) 9.03%	Denka Company Limited 100.00%

Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust (Mizuho Bank Account)Re-trust Trustee: Custody Bank of Japan, Ltd. 3.73%	
National Mutual Insurance Federation of Agricultural Cooperatives, Taiju Life Insurance 2.76%	
Company Limited	

(10) Financial position and consolidated operating results of the splitting company for the most recent three years

Fiscal year	Denka Company Limited (Consolidated)		
	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Consolidated net assets (million yen)	254,014	270,036	292,094
Consolidated total assets (million yen)	501,448	526,035	557,646
Consolidated net assets per share (yen)	2,906.95	3,101.92	3,345.34
Consolidated sales (million yen)	380,803	354,391	384,849
Consolidated operating income (million yen)	31,587	34,729	40,123
Consolidated ordinary income (million yen)	30,034	32,143	36,474
Net income attributable to owners of parent (million yen)	22,703	22,785	26,012
Consolidated net income per share (yen)	262.62	264.24	301.67

(Note) The New Company's fiscal year has not been finalized because the company was not established as of October 25, 2022.

(3) Outline of the business division to be split

i. Business contents of the segment to be split

Sales of cement and cement-related products.

ii. Operating results of the division to be split (fiscal year ended March 31, 2022)

Million yen

	Cement business (a)	Consolidated results (b)	Ratio (a/b)
Sales	11,347	384,849	2.9%

iii. Items and book value of assets and liabilities to be split (as of March 31, 2022)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	519 million yen	Current liabilities	519 million yen
Non-current assets	454 million yen	Non-current liabilities	—
Total assets	973 million yen	Total liabilities	519 million yen

(Note) The above amounts have been calculated based on the balance sheet as of March 31, 2022. Actual amounts of assets and obligations to be split will reflect an increase or decrease from the above amounts that may arise by the effective date.

(4) Status after the Company Split

There will be no changes in the trade name, location of headquarters, representative, capital or accounting periods of Denka. In addition, Denka will transfer all shares in the New Company to Taiheiyo Cement on the execution date of the Share Transfer. Details are provided in 3. Overview of the Share Transfer.

3. Overview of the Share Transfer

(1) Reason for transfer

Details are provided in 1. Purpose.

(2) Method of transfer

Denka will transfer its cement sales business to the New Company through an absorption-type company split and then transfer all shares in the New Company that Denka holds to Taiheiyo Cement.

(3) Outline of subsidiary being transferred

Details are provided in the successor company section in the aforementioned "(2) Overview of the companies participating in the Company split".

(4) Overview of a party to which shares will transferred (as of March 31, 2022)

(1) Name	Taiheiyo Cement Corporation	
(2) Address	1-1-1 Koishikawa, Bunkyo-ku, Tokyo	
(3) Name and title of representative	Masafumi Fushihara, President and Representative Director	
(4) Business	Cement business, natural resource business, environmental business, construction materials/ construction, and civil engineering businesses, etc.	
(5) Share capital	86,174 million yen	
(6) Establishment	May 3, 1881	
(7) Consolidated net assets	544,799 million yen	
(8) Consolidated total assets	1,103,007 million yen	
(9) Large shareholders and their shareholding ratios	The Master Trust Bank of Japan, Ltd. (Trust Account)	16.17%
	Custody Bank of Japan, Ltd. (Trust account)	5.37%
	JP MORGAN CHASE BANK 385632	3.80%

	STATE STREET BANK AND TRUST COMPANY	3.55%
	505001	2.43%
	GOLDMAN SACHS INTERNATIONAL	
(10)Relationship between Denka and the relevant company	Capital relationship	Not applicable.
	Personal relationship	Not applicable.
	Business relationship	Denka has been purchasing materials from the relevant company.
	Status as related party	Not applicable.

(5) Number of shares to be transferred, transfer price and the number of shares held before and after transfer

Number of owned shares before the share transfer	TBD (Percentage of voting rights: 100.0%)
Number of shares to be transferred	All of shares to be issued
Amount of transfer	In light of confidentiality obligations covered by the share transfer agreement, Denka will refrain from making disclosures. The amount of transfer has been determined by comprehensively taking into account evaluations by independent calculation agency (a third party).
Number of shares held after the transfer	0 shares (percentage of voting rights 0.00%)

(6) Schedule for the transfer of shares

Date of resolution by the Board of Directors	October 25, 2022
Date of share transfer agreement	October 25, 2022
Date of share transfer	March 31, 2023 (plan)

4. Overview of withdrawal from business

(1) Reason for withdrawal from the business

Details are provided in 1. Purpose.

(2) Overview of cement business

Operating results for the most recent year (FY2022/03)

Million yen

	Cement business (a)	Consolidated results (b)	Ratio (a/b)
Sales	11,347	384,849	2.9%

(3) Future Plan

As described in the aforementioned "2. Overview of the Company Split" and "3. Overview of the Share Transfer," Denka will transfer its cement sales business, including assets, liabilities, contractual status / rights / obligations, etc., to the New Company through an absorption-type company split, and will then transfer all shares in the New Company to Taiheiyo Cement by around March 2023.

Thereafter, Denka will terminate cement production and limestone mining by around the first half of 2025, and withdraw from the cement business completely. Limestone that Denka uses for calcium carbide production will be procured from Taiheiyo Cement, while by-products generated in the Denka calcium carbide chain will be accepted by Myojo Cement and used effectively as raw fuel for cement.

5. Outlook

For the impact of the Absorption-type Company Split, Share Transfer and withdrawal from the cement business, please refer to the "Notice Regarding Revisions to Consolidated Results Forecasts for the First Half and the Full Year of the Fiscal Year ending March 31, 2023 and Posting of Extraordinary losses," which was disclosed simultaneously today.

If matters to be disclosed arise in the future, such matters will be promptly disclosed.