

## New Year's Message

A happy new year to all! We are deeply grateful for your patronage and support in 2013.

Last year, many domestic corporations, particularly those engaged in export industries, experienced recovery from stagnation, due to an upturn in market conditions driven by Abenomics—the economic and financial policies of Prime Minister Abe—and a depreciation of the yen, which had been over-valued up until the end of 2012. However, the Japanese economy is still facing a number of challenges, including the anticipated repercussions of the April 2014 consumption tax hike as well as energy supply issues, such as the handling of nuclear power generation, and concerns regarding Trans-Pacific Partnership (TPP) negotiations. Despite a trend toward gradual recovery, these factors are causing a sense of uncertainty to prevail in the outlook for the economy.

In line with the three new growth strategies formulated in April 2013, DENKA has been promoting various measures, such as those listed below, with the aim of achieving the goals of the DENKA100 Companywide initiative.

1. To create the most optimal production system, we decided to commence the overseas production of food packaging sheets and polyvinyl chloride (PVC) tapes and to withdraw from the vinyl acetate monomer business while green-lighting the further expansion of our global special cement additive business.
2. To scrutinize every cost element, we have been seeking every possible way to reduce costs and expenses, irrespective of past practices, thereby achieving significant cost reduction through remarkable cutbacks as well as meticulous cost saving measures.
3. To focus management resources on new growth drivers and develop next-generation products, we commenced the construction of ultra-pure acetylene black production facilities and collaborative research initiatives with multiple external R&D bodies.

Turning to the maintenance of occupational safety, however, DENKA experienced major accidents at its Omi, Omuta and Chiba plants in the previous year. Recognizing the critical nature of these events, we therefore renewed our commitment to rallying Companywide support to reinforce truly safe plant operations, which is essential to becoming a company that can thrive for the next 100 years. This is of the utmost importance among our New Year's resolutions.

DENKA is a chemical company that relies on energy to make products from natural resources. To remain a going concern as well as a trustworthy corporate citizen, it is essential not only to make products of value but also to take into consideration calls for saving energy and resources and for curbing emissions of environmental load substances and industrial waste. With this in mind, we promoted the utilization of clean energy while reinforcing energy conservation measures. More specifically, we increased the output of our Omi Plant's hydroelectric power generation facilities while establishing solar power generation facilities at the Shibukawa and Isesaki plants to supply clean energy. We will continue with these initiatives in a proactive manner.

In 2014, the DENKA Innovation Center main building will be completed in Machida City, Tokyo, to create an R&D center open to society. As we are pursuing next-generation product development, which constitutes a significant part of new growth strategies, this new facility will serve as a center for creating new businesses while providing us with a place to work together with external bodies to make further social contributions. Also, we acquired the naming rights for the Niigata Stadium, and on January 1, 2014, it was rebranded as the DENKA BIG SWAN STADIUM. We will aid in revitalizing local communities by promoting sports activities.

Moreover, we will continue to assist in the reconstruction of areas stricken by the Great East Japan Earthquake through our business operations as well as the dispatch of volunteer employees.

I would like to close this new year's message with my best wishes for the health and happiness of all.

January 1, 2014

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President & CEO  
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