

February 5, 2016

Denka Company Limited

Denka to Streamline the Chiba Plant's Utilities to Boost Competitiveness

Denka Company Limited (headquarters: Chuo-ku, Tokyo; president: Shinsuke Yoshitaka; hereinafter "Denka") hereby announces its decision to boost the competitiveness of the Chiba Plant by streamlining its utilities. This move is in line with the Company's policy of promoting close cooperation among companies throughout the Maruzen Petrochemical complex (Ichihara, Chiba), including oil refineries as well as factories producing ethylene and its derivatives.

At present, Denka's Chiba Plant employs two boilers to provide steam and electricity to its styrene monomer and styrene-based special functional resin production facilities as well as polymer processing facilities. Based on utilities optimization studies focused on supply and demand considerations, it was decided to shut down one boiler and associated power generation system in June 2016 in conjunction with the plant's scheduled periodic stand down for repairs. The remaining boiler, equipped with a highly efficient gas turbine power generation system, will stay up and running. The resulting shortfall in steam supply will be taken up by Maruzen Petrochemical Co., Ltd.'s Chiba Plant, which houses robust ethylene production facilities, in accordance with an agreement between Denka and Maruzen Petrochemical.

We expect this arrangement to help decrease both steam procurement cost and costs associated with the maintenance, upgrading and repair of boilers, an estimated total annual cost savings of around ¥300 million. At the same time, Maruzen Petrochemical's Chiba Plant benefits from the agreement as Denka facilities will consume its steam output at a steady rate and thus ensure the more-effective utilization of this by-product of its ethylene production facilities. Going forward, we will step up cooperation with companies based in the Maruzen Petrochemical complex with the aim of enhancing the competitiveness of the complex as a whole. Moreover, we will work collaboratively to curb the complex's total CO₂ emissions.

In line with the Denka100 management plan growth strategies, we are working to create an optimal production system, to this end dedicating our domestic plants to the production of high-performance products and items targeted at domestic markets. Simultaneously, we are scrutinizing every cost element. Irrespective of past practices, such items as production processes, yield improvement, raw material costs and maintenance expenses are being reviewed with an eye to enhancing the competitiveness of existing products. Also, to further strengthen our business foundation, we will leverage the strategic location in the populous Kanto area of our Chiba Plant, a core Group facility, exploiting its geographical advantages to precisely meet the needs of this, Japan's most thriving market region.

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