

## New Year's Message

Happy New Year! As we welcome in 2018, I would like to extend my greetings to our stakeholders.

Last year, there was an upturn in the global economy, leading to modest but continued growth in markets worldwide. Despite a sense of anxiety attributable to political turmoil and geopolitical instability, we have seen an improvement in exports. Moreover, domestic demand is expected to continue growing due to such favorable factors as burgeoning capital expenditure and rising demand for consumer durables. Against this backdrop, Denka Company Limited has enjoyed firm sales in a variety of product categories. Specifically, sales of our chloroprene rubber and electronic materials have been strong. Taking these factors into account, we expect our fiscal 2017 net sales and operating income to hit record highs.

Now, I will discuss the Denka Group's three priority themes for 2018.

First, we are determined to get initiatives under "Denka Value-Up," a new five-year management plan, on track. To be launched in April 2018, this plan sets forth a threefold growth vision aimed at creating a "Specialty-Fusion Company," securing "Sustained Growth" and achieving "Sound Growth." Under this vision, we will concentrate our management resources on growth fields of health, the environment and energy, and infrastructure. In these ways, we will create new specialty businesses while promoting the specialization of our key operations. We will also execute production, R&D and operational process reforms, focusing on truly essential operations and introducing IoT, AI and other cutting-edge technologies with the aim of securing sustained growth. In addition, we will develop a working environment capable of accommodating needs for a variety of work styles. We will thus realize both employee happiness and robust corporate activities, thereby ensuring sound growth.

Second, we will remain committed to our fundamental policy of placing the utmost priority on safety in all aspects of our business activities. In line with this policy, we encourage employees to tell each other "goanzen ni!" (keep safe!) and wish their colleagues "a safe day" while setting aside a budget for safety countermeasures. Also, we will step up such priority measures as risk assessment and human resource development based on milestones stipulated in the upcoming five-year management plan.

Through these and other activities, we will relentlessly strive to ensure that the prioritization of safety is embraced by all workplaces as an underlying culture.

Third, we will endeavor to raise employee awareness of our social responsibilities. For businesses to earn the trust of society, compliance with legal regulations and corporate ethics is essential. This ultimately depends on the strong moral compass of each employee. Due to the recent exposure of a number of instances of corporate misconduct, however, businesses are finding the sincerity of their commitment to fulfilling social responsibilities being called into question. With this in mind, we will stay vigilant and closely review every aspect of our operations to ensure that no mishap is overlooked.

Denka is on its way to becoming an even stronger company. Blazing a new trail toward the future, we will build on the heritage of our predecessors. Over the course of more than a century of operations, Denka has established an extensive lineup of products to meet evolving customer needs while accumulating the technological strengths that back such products. In line with the maxim “maintaining an earnest attitude and being sincere in our dealings,” we have successfully adapted and overcome a number of challenges along the way. Remaining true to this tradition, we will steadily promote the Denka Value-Up management plan, with all employees working as one to realize the Denka Value, our corporate philosophy.

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