

News Releases : 2013

**Notice Regarding Revisions in Growth Strategies
under the DENKA100 Management Plan**

DENKI KAGAKU KOGYO KABUSHIKI KAISHA
(DENKA)

DENKA launched the DENKA100 management plan in 2007, laying out its basic business policies and setting numerical targets for business performance, with the target year set at 2015—when DENKA will mark its centennial. Since then, DENKA has rallied its strengths Companywide to implement this management plan as it strives to step forward to the next growth stage.

The abovementioned numerical targets included doubling operating income from the 2007 level to ¥60 billion by fiscal 2015. To accomplish this, DENKA has placed priority on strengthening and expanding the scope of its mainstay, chloroprene rubber, pharmaceutical and fused silica businesses and expanding product lineups in electronic materials as well as in functional materials and processed products business by applying the cluster strategy. In line with these policies, DENKA has made major investments of more than ¥10 billion each in the chloroprene rubber and pharmaceutical businesses. At the same time, we implemented proactive investments in Japan and overseas with the aim of promoting our products in potential growth fields.

However, the business environment has deteriorated due to the historic appreciation of the yen and global economic stagnation resulting from the European debt crisis. In addition to these adversities, the structure of market demand and end-user needs have changed far more than forecasts allowed. It will thus be extremely difficult for us to achieve the aforementioned targets by the target year, if we were to implement only conventional strategies.

Taking the above into consideration, DENKA revised its current strategies under the DENKA100 management plan. Resetting the target year to 2017, we made adjustments to our business strategies to stay in step with the evolving market, thereby ensuring that the DENKA100 management plan will steadily move toward realization. As fiscal 2013 began, we thus launched a new phase of DENKA100, aiming to achieve our targets over the next five years as we look to the end of fiscal 2017.

1. New Growth Strategies

To accommodate the changes in the business environment that have hampered the Company's progress toward its original fiscal 2015 targets, DENKA is strengthening the competitiveness of existing products and moving to secure earnings in growth markets by addressing the latest customer needs. To that end, we are promoting the following three strategies:

- ① Create the most optimal production system
- ② Scrutinize every cost element
- ③ Focus management resources on new growth drivers and develop next-generation products

Numerical Targets (fiscal 2017)

Consolidated operating income of ¥60 billion or more

Operating income ratio of 10% or greater

Overseas sales to net sales ratio of 50% or greater

(1) Create the Most Optimal Production System

As for products targeting overseas markets, we will promote a shift to local production and thereby strengthen the competitiveness of existing products. At the same time, we will dedicate domestic plants to production aimed at Japanese markets as well as to the manufacture of high-end products. As for some of our commodity products, we will accelerate the reorganization of the business structure by seeking out alliances and collaborating with other companies.

The following are examples of products for which DENKA is accelerating local production (exclusive of items already being produced at local plants).

Shift to local production under way	Considering local production
Synthetic fiber for wigs and hairpieces: TOYOKALON (Singapore)	Chloroprene rubber (Americas, Asia)
Electronic packaging sheets (China)	Fused silica (Southeast Asia, etc.)
Food packaging sheets (China)	Vinyl tape (Southeast Asia, etc.)
Special cement additives for construction use (China, Southeast Asia)	Alumina fiber (Americas, etc.)
Temporary adhesive: TEMPLOC (China)	
Structural adhesive: HARDLOC (China)	
Thermally conductive insulated metal substrate: DENKA HITTPATE (South Korea, the Philippines, China)	

(2) **Scrutinize Every Cost Element**

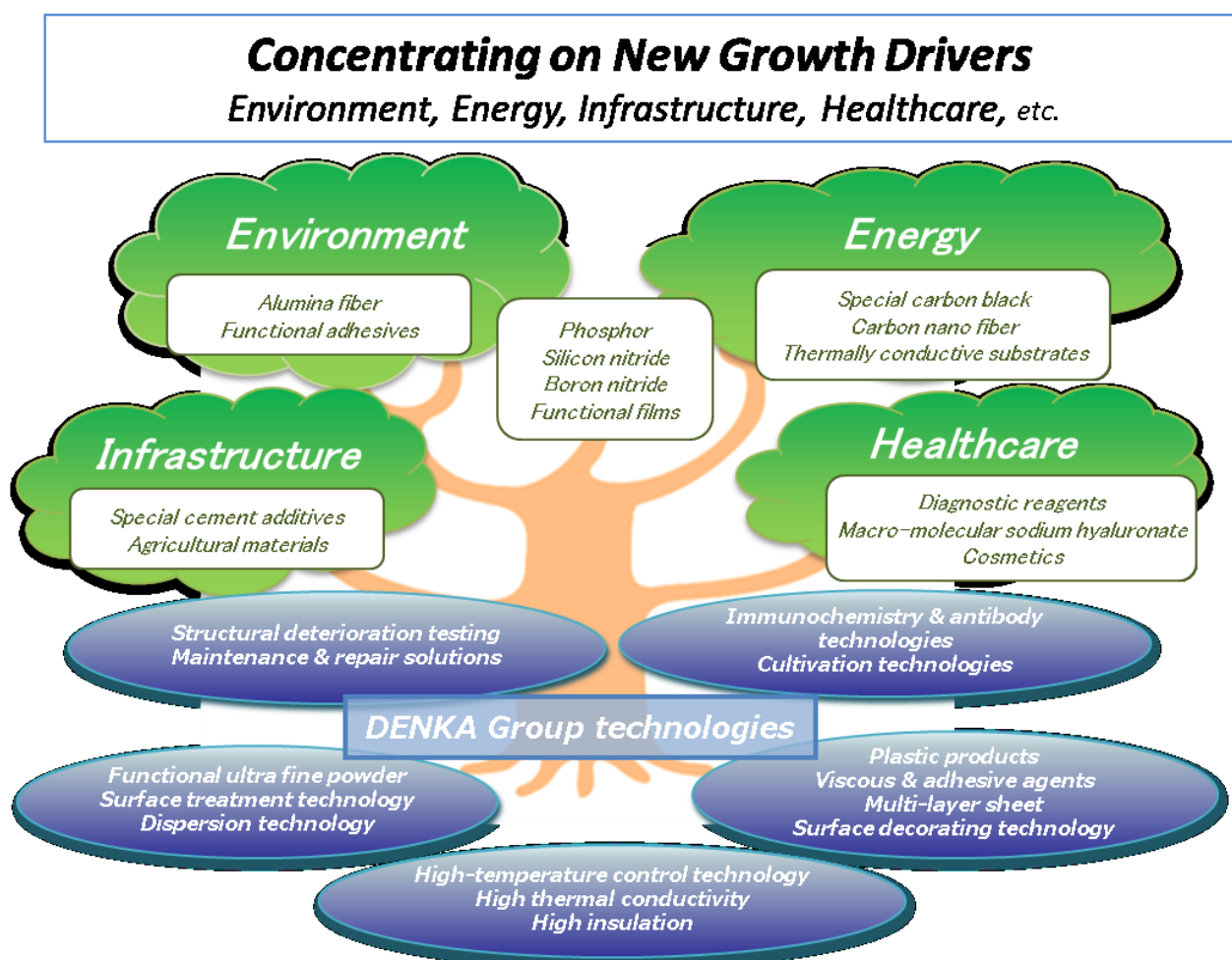
We will thoroughly review all cost elements, including those associated with production processes, yield rates, raw materials and facility maintenance, based on whether or not they are capable of withstanding international competition. All domestic and overseas business sites will be subject to this review irrespective of past practices to promote cost reduction.

Target: ¥10 billion cost cut in 5 years

(3) **Focus Management Resources on New Growth Drivers and Develop Next-Generation Products**

We will focus our competitive edge and management resources on such growth fields as the environment, energy, infrastructure and healthcare. Simultaneously, we will seek to develop new products by promptly capturing the latest market needs and, to this end, reorganize our overall business structures to take more aggressive business approach.

Focusing on Growth Fields



Concrete Steps to Develop Next-Generation Products

- Shifting from a conventional technology-centric approach, we will promote product development that is more in step with the market. We will go beyond the scope of a material manufacturer, expanding our product lineups and field of operations to comprise finished products and solution businesses.
- We will strengthen collaborative initiatives with strategic users and partners, external research organizations and other outside entities. The DENKA Innovation Center main building, a new facility being constructed in Machida City, will be used for that purpose.
- We will promote M&As and seek out business alliance partners in a proactive manner.
- Striving to cultivate a more aggressive business approach, we will revitalize our corporate organization through the following measures:
 - Renew organization structure and management team while adopting new personnel system that values employees who take on challenges
 - Promote diversity and provide younger employees with more career opportunities
 - Integrate six business divisions that were previously based on type of material into four divisions in line with market needs

Previous divisions

Medical Science Div.
Styrenic Div.
Electronic Materials Div.
Living & Environmental Products Div.
Chemicals Div.
Cement & Special Cement Additives Div.

Reorganized divisions

Elastomers & Performance Plastics Div.
(Chloroprene, acetylene black, ABS resins, transparent resins, etc.)
Infrastructure & Inorganic Materials Div.
(Cement, special cement additives, fertilizer, alumina fiber, etc.)
Electronics & Innovative Products Div.
(Fused silica, electronic circuit substrates, fine ceramics, adhesives, etc.)
Life Science & Environment Products Div.
(Food packaging, macro-molecular sodium hyaluronate, vinyl tape, rain gutters, etc.)

2. Initiatives for the Next 100 Years

We will invest more than ¥10 billion in environmental conservation, safety and energy saving as well as in infrastructure development, employee welfare and CSR activities. The investment will cover the following initiatives:

- Augmentation of the Omi Plant's hydroelectric power generation facilities (expand the power generation capacity of existing facilities and establish new facilities by fiscal 2017)
- Construction of mega solar power generation facilities at the Shibukawa and Iseaki plants (combined maximum output: 3.2MW) for supplying clean energy
- Development of Company-sponsored housing and dormitories
- Improvement of workplace environment at each plant
- Local contribution and volunteer activities