



New Year's Message

A happy new year to all! We are deeply grateful for your patronage and support in 2012. Here at the start of 2013, I would like to set down some thoughts on the new year.

Last year, Japan was faced with a host of issues requiring resolution, including recovery in the areas affected by the Great East Japan Earthquake and the nuclear power question. This situation was compounded by the problem of debt crisis in Europe, the continued soaring of the yen, and losses incurred by Japanese firms in association with territorial disputes. This made the climate for Japanese manufacturers a harsh one which could no longer be overcome by the efforts of single firms working alone.

In this unstable environment, we at DENKA are deploying a companywide initiative titled "DENKA100." Although we are not changing our basic policy, which lies in applying the earnings from the carbide and styrene chains to increase sales of high-return products in areas such as electronic materials, functional materials and processed products in growth fields and regions, DENKA100 calls for prompt revision of course in growth strategy for adaptation to changes in the market. While the details are still being worked out, I can assure you that 2013 will be a year in which we make a fresh start through three steps: 1) optimization of our production setup by moving volume production of general-purpose items overseas and having domestic plants specialize in specialty/high-end products, 2) a rigorous check of all costs as a necessity for our survival, and 3) concentration of resources in product groups with good prospects to provide the driving force for additional growth.

However brilliant a strategy may be, all depends on the people who deploy it. We have consequently also instated a new personnel affairs arrangement including a revised wage scheme, so that each and every employee will be able to take up challenges with resolute determination.

Meanwhile, we have begun construction on the main DENKA Innovation Center building in the Machida district, and completion is slated for the spring of next year. The Center will have its doors wide open to the community and make a contribution to society by serving as a venue for interchange among people in the community and other parties from both inside and outside Japan.

As a chemical industry consuming energy in massive quantities, we must strive to reduce our burden on the environment and conserve energy. Besides mounting approaches to increased generation by hydropower plants, we are going to enter into megasolar business and redouble our efforts to expand utilization of clean energy this year.

Nearly two years have passed since the occurrence of the Great East Japan Earthquake. The affected areas are still in the process of recovery and reconstruction. We are trying to assist them not only through our business but also through continued volunteer activities on the sites. To reap profit is not the sole objective of a corporate enterprise. The discharge of social responsibility ranks alongside improvement of business results as one of the two pillars supporting the company's subsistence. We aspire to be a trusted manufacturer and are committed to addressing the wants and needs in society.

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

January 1st, 2013

Shinsuke Yoshitaka

President & CEO

DENKI KAGAKU KOGYO KABUSHIKI KAISHA