



New Year's Message

Happy New Year. At the start of 2022, I would like to extend my greetings to our stakeholders.

First, I would like to express my sympathies to all of people suffering from this unprecedented catastrophe around the world and I sincerely wish that peacefulness and tranquility will return as quickly as possible. I must thank the healthcare professionals and express my respect of all of the people confronting natural disasters which are occurring more frequently all around the world.

This is the final year of our Denka Value-Up management plan. To date, we have focused on threefold Value-Up initiatives. Let's review their progress.

Let's start with Business Value-Up. From the current fiscal year, we have shifted from a five-division structure to a reorganized structure consisting of four divisions. Under this new structure, we are steadily changing our portfolio by accelerating the growth of our specialty business and reviewing our existing businesses. Since the sales of environment and energy- and healthcare-related products have significantly increased, our operating income for the current fiscal year will be a record high, topping last year's figure.

For the environment and energy, semiconductor-related products are selling especially well and it has been decided to install additional functional filler production equipment at the Omuta Plant. In Singapore, a new spherical alumina plant has partially come online and will begin full-scale operations this coming spring. The Shibukawa Plant is positioned as the hub for the production of our electronic materials and it has been decided that new equipment for heat dissipation sheets will be introduced and our production capacity will be nearly doubled.

For healthcare, we sped up the expansion of the availability of the COVID-19 rapid antigen test kit. We have launched a combo kit which also tests for influenza to aid diagnosis and supplied it to the Ministry of Health, Labour and Welfare's project for distributing test kits aimed at improving antigen testing preparedness. In addition, G47Δ, which is an epoch-making oncolytic virus for the purpose of treating malignant glioma has been launched, and the construction of a new plant for influenza vaccines has been completed and we have started preparing to supply vaccines beginning with the next season.

For high-value added infrastructure, we have fully launched LEAF, a carbonation admixture, in pursuit of the ubiquitousization of CO₂-SUICOM, a CO₂-absorbing concrete. Further, the Recolte biostimulant was launched on October last year in Japan.

In our key operations, we have reviewed our cement sales system and shifted our Singapore-based polystyrene resin plant to the manufacturing of MS resin.

The second initiative is Environment Value-Up. Our measures for a 50% reduction of GHG emissions by 2030 and the achievement of carbon neutrality by 2050 are steadily progressing. New Omigawa Power Plant has started supplying electricity. This is the first hydraulic power station constructed in the last 50 years. We are also working with Hokuriku Electric Power Company to construct the New Himekawa Power Plant No 6, which will be completed very shortly. Technological development on the recovery and efficient use of CO₂ is under way in the Omi Plant and also involves cooperation with outside organizations. Also, discussions with TOYO STYRENE CO., LTD. about the chemical recycling business are in their final stages.

The third initiative is Human Resources Value-Up. Last April, we published the Declaration of Health and Productivity Management and declared the Denka Group's commitment to our employees' well-being. In this fiscal year, we have a biennial revision of our labor agreement and have decided to improve our rules regarding annual leave, support for childcare and nursing care and other matters. Going forward, we will stay committed to Human Resources Value-Up so that our employees can really feel that they are improving by working in the Denka Group.

As we experienced numerous events in the past year, some problems have surfaced.

Most of all, ensuring safety comes first. Last year, two workers of a construction company lost their lives, which are irreplaceable. The two were engaged in mine development at that time and became victims of a vehicle fall accident at the Omi Plant. In the safety promotion meetings and on other occasions, we reinforce risk assessment from a higher perspective.

The second issue is quality assurance. Quality problems tremendously inconvenience our valuable customers and can nullify the trust we have slowly earned from them over a long time. We must continue to avoid this by any means. To mitigate quality risks, we will repeatedly assess the risks in each manufacturing process and continue working to elucidate the science involved in the reaction process, chronological changes, storage and transportation conditions and other matters to prevent quality problems.

The third issue is preparedness for natural disasters. Similar to the year before last, in the last year there have been heavy rains, heavy snow, lightning, hurricanes and other natural disasters which have caused losses and limited supplies. Today, the natural environment is obviously different from what it had been before. For us to fulfill our responsibility to supply products, we also need to look at the entire supply chain and continue to strengthen it by, for example, securing raw materials and means of transportation.

Finally, the Denka Value-Up plan culminates this year. Elevating the threefold Value-Up initiatives, we will work to achieve our operating income target of 50 billion yen.

With the SDGs as its compass, Denka continues its efforts throughout 2022 to be a company indispensable for society, creating a better world for all through work Denka can outperform others.

Let me conclude my New Year's message by wishing for your continued and even greater success and prosperity.

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Toshio Imai
Denka Company Limited
Representative Director, President