

## **A New Year's Message(Summary)**

### **1. Looking Back on 2018**

While positive outlook was dominant at the beginning of 2018 given rising stock prices based on a forecast of stable growth for the world economy and expectations for the expanding electronics market driven by technical innovation, the world economy is now increasingly chaotic. International political risk is emerging such as continuing confused situation in the Middle East and protectionist moves seen in the trade friction between the United States and other countries, and natural resource prices are rising.

Meanwhile, the value of companies to society, including their response to global warming, is drawing more attention against a backdrop of the growing trends such as ESG or SDGs.

### **2. Trends in the Chemical Industry and Challenges of the Tokuyama Group**

Although economic growth led by emerging countries and firm demand in the semiconductor industry are expected for the medium term, the chemical industry is in an unpredictable situation in 2019 because uncertainty over natural resources prices is growing and the economic downside risk is increasing due to the impact of the trade friction between the United States and China.

In this environment, to accomplish our Medium-Term Management Plan, it is essential to enhance our fundamental capabilities of investment, plant maintenance and operation not depending on the strength of our own power plants, with the aim of achieving Japan's leading cost competitiveness in our traditional business. We must press ahead with the thorough reduction of variable and fixed costs by adopting superior external technologies and promoting operating process reforms with introducing innovative technologies such as AI and IoT based on a full understanding of the entire process from the procurement of raw materials to the shipment of final products.

In growth businesses, it is also important to tighten the relationships with customers to increase the next-generation development themes and actively utilize open innovation to accelerate the speed of development.

To move forward with the aforementioned challenges, we will build a feasible system by not only cultivating human resources, but also actively recruiting either new graduates or mid-career employees who we need.

### **3. What I want you to Value the most This Year**

The most important thing for you is to grow as a person and become financially affluent through your work.

If you understand the overall process of your job, you will come up with ideas for reforms. Then, you will have a stronger sense of responsibility for your job and realize that you are learning and growing through your work. This kind of virtuous circle should be generated.

Please approach your work with excitement, following the four values set in our Vision.

#### **4. To Realize Sustainable Society**

At Tokuyama Factory, a new initiative started in October 2017, with the aim of significantly reducing CO<sub>2</sub> and fully utilizing energy from our power plants, with the Factory Planning and Administration Department taking a central role. We also want to become a company that can be proud of its environmental efforts around the world.

I believe that the motivation to achieve goals and the aptitude towards autonomy among all the employees of the Tokuyama Group will be developed if they recognize how the Group's efforts and products are helping the world and if they feel proud of the Company. Realizing that we are not doing enough in this regard, I will deliver this message robustly going forward.

Let's go back to our founding spirit and make Tokuyama Group filled with autonomous thinking.

Hiroshi Yokota  
President  
January 7, 2019