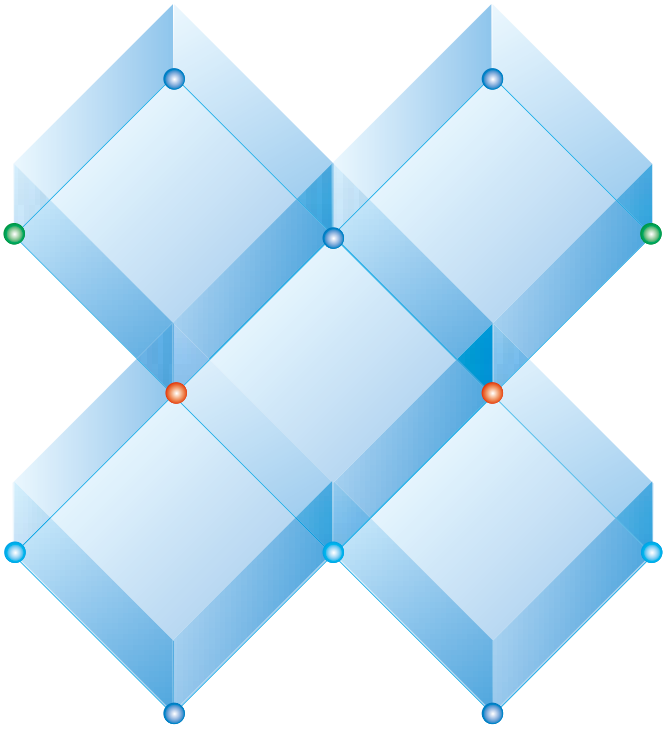
DENKA

DENKI KAGAKU KOGYO KABUSHIKI KAISHA

CSR REPORT 2008



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Editorial Policy

Regarding CSR (Corporate Social Responsibility), DENKA set up its CSR Promoting Department in April 2007 to coordinate Responsible Care* and other activities throughout the organization. The Company published its first CSR Report in October 2007.

This second edition presents our businesses and activities for customers, society, employees, and shareholders and investors, as well as environmental initiatives to demonstrate our efforts to build trust among all our stakeholders. We improved the legibility and readability based on reader feedback and focused more on community initiatives.

In preparing the report, we referred to Reports on Environmental Guidelines 2003 of Japan's Ministry of the Environment and Version 3 of the Sustainability Reporting Guidelines of the Global Reporting Initiative.

Scope of Report

Coverage

This report generally covers April 1, 2007, through March 31, 2008, although it also includes performance statistics before that period.

Scope

Unless stated otherwise, the data in this report is based on information on DENKA's plants and research center. The plant and research center data encompass major affiliates within those facilities.

For more information

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*The definition from the Japan Responsible Care Council is: Activities undertaken by the chemical industry by which manufacturers and handlers of chemical substances, under the principle of self-determination and individual responsibility, conduct self-management of environmental and safety issues surrounding aspects of chemical substances, from development through disposal.

Pursuing Lasting Trust as an Outstanding Manufacturer

DENKA has come a long way since its establishment in 1915 to manufacture and sell calcium carbide and calcium cyanamide. We have built on our carbide chemical foundations to expand into cement and other inorganic materials and petrochemicals. Our lineup now includes electronic materials and pharmaceuticals.

We have always endeavored to enhance lifestyles and foster social progress by innovating quality products that incorporate outstanding technologies.

DENKA must keep benefiting society, shareholders, customers, employees, and the environment to continue growing and building corporate value.

Pursuing lasting trust as an outstanding manufac-turer is thus a prime priority of "DENKA100". This company-wide initiative encompasses pursuing new challenges in CSR and five other areas as we drive toward our centennial.

The DENKA Group Guidelines underscore our CSR commitment as a chemical products manufacturer in 10 key respects, including the environment, safety, employment, compliance, and social contributions.

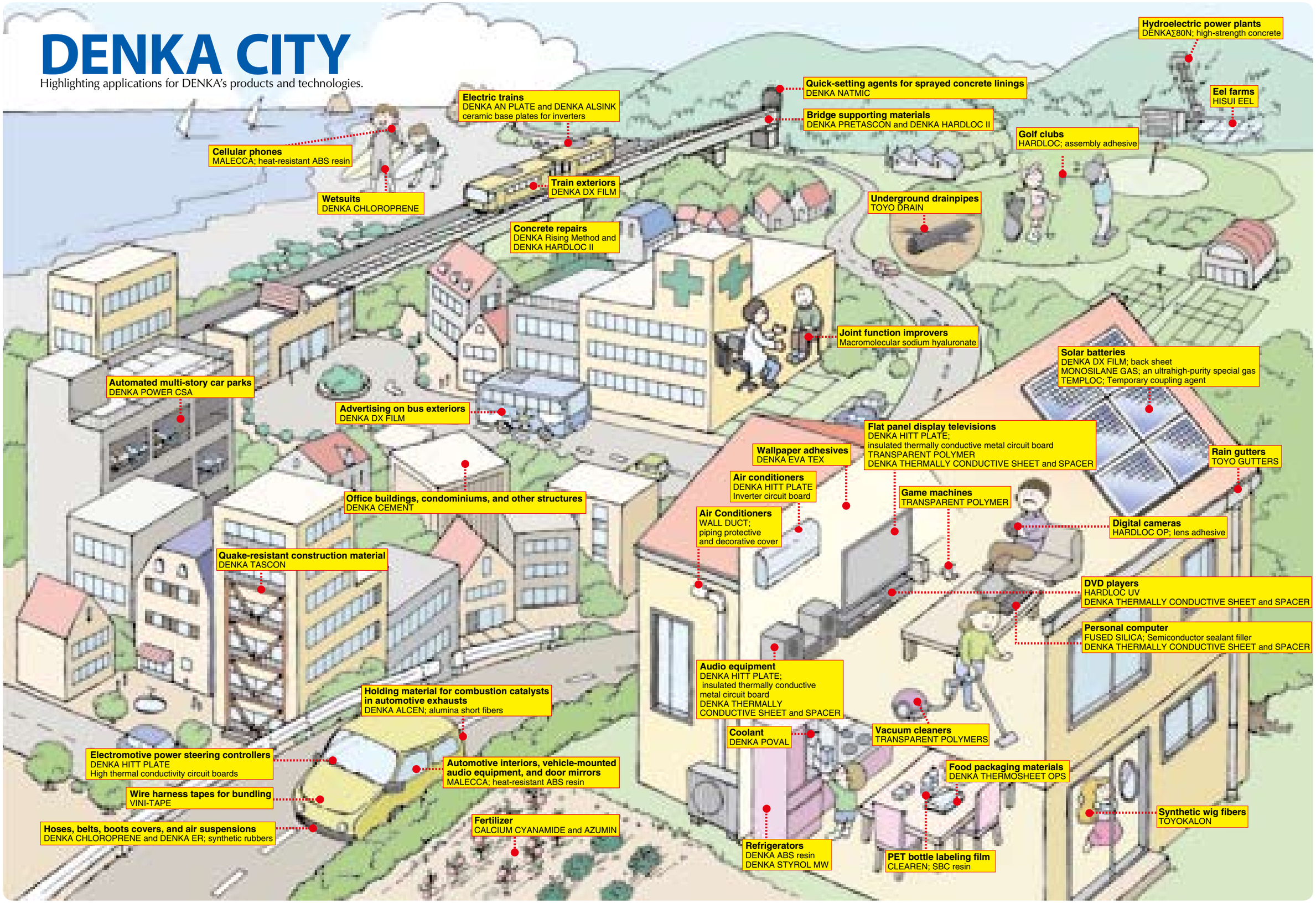
We would greatly appreciate your feedback on this report on our basic CSR activity policies and achievements, and look forward to your ongoing support as we step up our CSR endeavors.

September 2008

Seiki Kawabata
President

DENKA CITY

Highlighting applications for DENKA's products and technologies.



CSR at DENKA

At DENKA, we undertake ongoing internal and external efforts to identify ways to implement CSR.

CSR is one of six priorities in "DENKA100" (see page 11), a companywide initiative that will help us meet new challenges in driving toward our centennial.

Each employee is responsible for our CSR efforts in daily operations.

Mamoru Hoshi, Senior Executive Officer

Corporate Philosophy and Guidelines

The DENKA Group philosophy is to become a corporation that creates value from resources by fully utilizing advanced technological capabilities. The Group's 10 CSR guidelines are as follows.

DENKA Group Guidelines

1. We will promote sustainable social and business development out of a conviction that Corporate Social Responsibility is the essence of business.
2. We will contribute to sound social progress by developing and supplying products and services that are safe and environmentally friendly.
3. We will operate fairly.
4. We will keep communicating well with society and disclose appropriate information.
5. We will comply with laws and regulations and operate fairly according to social norms.
6. We will maintain safe, clean, and comfortable workplaces and respect all basic human rights.
7. We use, reuse, and recycle resources to help protect the environment.
8. We will maintain security and disaster prevention measures, participate in environmental protection activities, and communicate with society.
9. We will contribute to society as a good corporate citizen.
10. We will contribute to the social development as a good member of the global community.

01 CSR at DENKA

At DENKA, we undertake ongoing internal and external efforts to identify ways to implement CSR.

Our CSR Approach

CSR encompasses tackling companywide environmental, safety, employment, compliance, and social activities issues. Companies must be proactive and accountable in dealing with these issues.

In April 2007, we launched "DENKA100" companywide to meet new challenges heading toward our centennial in 2015.

Relationships with stakeholders are essential for us to progress sustainably. It is indispensable for us to operate in keeping with CSR requirements, which are pivotal to "DENKA100".

We are endeavoring to fulfill our CSR obligations as a good corporate citizen for the following stakeholders.

Stakeholder	CSR issue
Customers	Develop and supply high-quality products that are economical and useful.
Society	Act as a good corporate citizen to ensure compliance and communicate better with communities.
Employees	Offer comfortable and rewarding workplaces.
The environment	Prevent global warming (reduce carbon dioxide emissions), control chemical substances emissions, reduce waste, and innovate technologies that conserve energy.
Stakeholders and investors	Stably improve business results and build trust by exchanging information.

CSR Promoting Department Activities

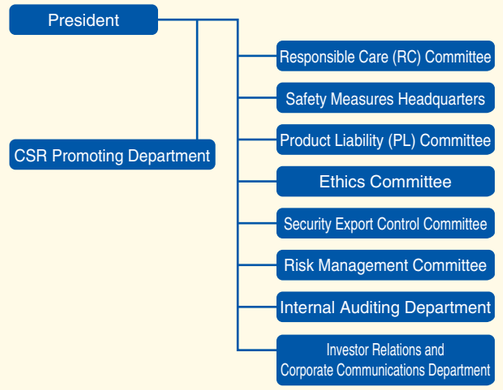
The CSR Promoting Department oversees CSR issues related to many areas of the Company. The department collaborates with the DENKA 100 Promoting Department and the Investor Relations and Corporate Communications Department to promote CSR internally and externally.

Main Activities

① Define basic CSR policies and comprehensive solutions for the DENKA Group
② Educate and enlighten on Group CSR activities
(collaborating with the DENKA 100 Promoting Department)
③ Publicize CSR activities
(Investor Relations and Corporate Communications Department)
④ Internally and externally communicate CSR achievements
⑤ Help improve our Application Management System
(collaborating with the Internal Auditing Department)
⑥ Secretariat for other CSR activities

CSR Concepts

CSR Organization as of April 2008



02 Corporate Governance and Compliance

We constantly endeavor to improve corporate governance to earn the trust of all stakeholders.

Corporate governance enhancements in 2008 included the appointment of external directors.

Corporate Governance

We must meet the expectations and respect of shareholders, customers, local community and employees, and other stakeholders. Corporate governance underpins social respect and support. We have thus taken steps to improve our board of directors and auditing system while streamlining our management organization and bolstering our compliance system.

Corporate Governance Structure

We adopted a Corporate Auditor System as the basis of our Corporate Governance System. The Board of Auditors includes two independent members, assessing our operations and management to ensure that our business properly serves stakeholders.

Shareholders appointed our two external directors at the annual general meeting on June 27, 2008, to reinforce management oversight.

The chart below shows our corporate governance structure including the internal Audit System.

Internal Controls

Internal control systems are fundamental to meeting society's expectations and gaining its respect. We will continue to improve our systems in line with the policies of the Board of Directors. The following outlines specifics.

1 Board of Directors and Executive Officers

Two of our 10 directors are external. We reformed this body by eliminating ranks within the board while reinforcing its supervisory functions.

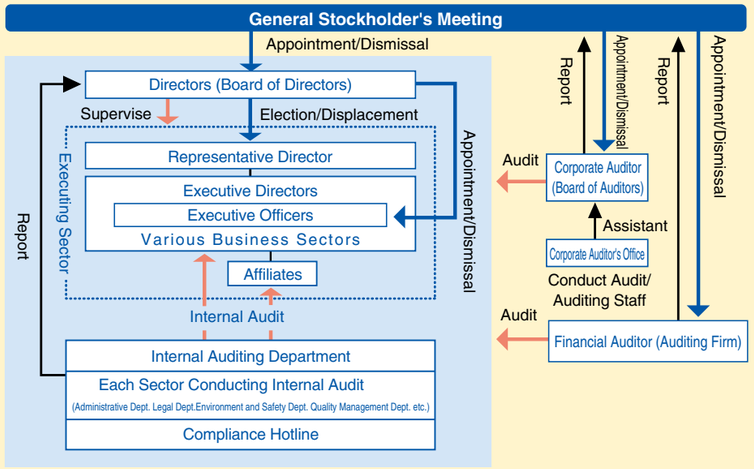
The board appoints executive officers to run operations under the leadership of the president.

2 Internal Auditing System

The Internal Auditing Department conducts most of our in-house checks, with assistance from the Legal, Environmental and Safety, and Quality Management departments. It also works closely with our Product Liability, Responsible Care, and other committees. Each department and committee collaborates to educate on legislation and audit operations. The results go to the Board of Directors.

We inaugurated the Compliance Hotline System to supplement internal audits by swiftly identifying and addressing violations (see page 9).

Corporate Governance System



We set up the Ethics Committee to enforce the DENKA Group Ethics Policy.

Compliance

Compliance is essential for sustainable growth. We accordingly adhere to internal rules and legislation refrain from acts that violate moral and ethical norms. In 2002, we codified conduct standards in the DENKA Group Ethics Policy.

We established the Ethics Committee, which the president chairs, to oversee compliance and enforce the policy. We adopted compliance policies for the Legal, Environmental and Safety, Intellectual Property, and other departments.

We educate employees on compliance through programs that the Human Resource Development Center runs.

We operate a compliance hotline to ensure fairness and swift action.

Compliance Hotline System

This system covers any shortfalls in our internal control and compliance systems by enabling us to fix organizational problems that may arise. We set up Compliance Hotline in keeping with the DENKA Group Ethics Policy.

The hotline accepts calls on actions that may or do violate that policy. The Ethics Committee quickly addresses reports.

The hotline's mandate is to remain fair and swift. It receives reports from the Corporate Auditors' Office and labor union, which operate independently, as well from the Ethics Committee Administrative Office and general affairs sections within all offices. People can send reports to an external law firm. They can also email reports to internal auditors.

The DENKA Group Ethics Policy specifically safeguards whistleblowers from discrimination and mistreatment.

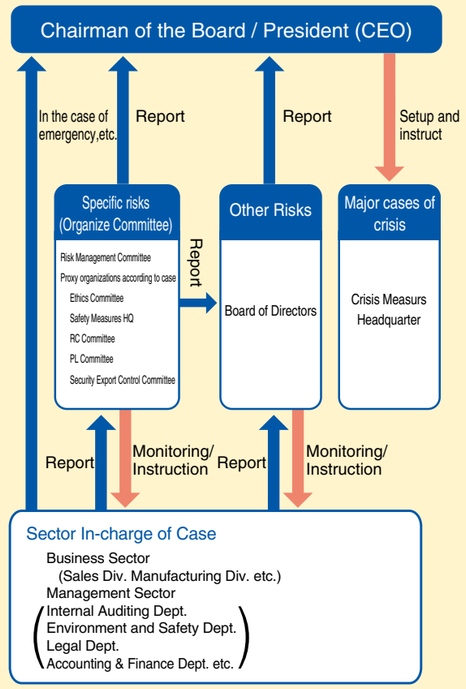
We formulated our Risk Management Guideline to comprehensively tackle incidents that greatly affect corporate activities

Risk Management

It is important to understand the diverse and numerous hazards of corporate activities through proper risk control. In general, each business unit is responsible for identifying and managing its specific risks. We maintain special sections and permanent committees to handle environmental, safety, product liability, and export control issues that affect the entire Company.

We formulated our Risk Management Guideline to comprehensively tackle incidents that greatly affect corporate activities. We also set up the Crisis Measures Headquarter and the permanent Risk Management Committee.

Overview of Risk Management



We created rules to protect personal information.

Information Management and Personal Information

We responded to the full enforcement of the Personal Information Protection Law in April 2005 by establishing a Personal Privacy Policy to prevent data leaks and improper usage. We also formulated the DENKA Group Ethics Policy and added the Safe Management of Personal Information to conduct requirements for directors and employees. Our website includes a page describing our privacy policy.

URL: www.denka.co.jp/privacy.html
Privacy Policy

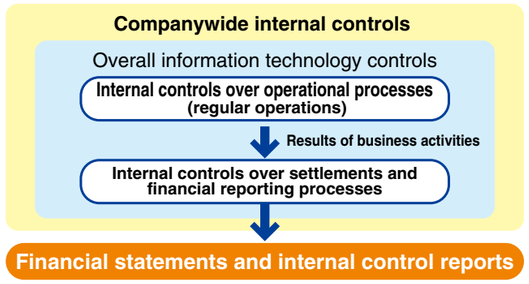
We undertake a range of internal control initiatives.

Internal Auditing (J-SOX)

The Internal Control Reporting System is a Japanese version of the Sarbanes-Oxley Act that aims to ensure the credibility of financial statements. It is crucial to clearly define and implement work practices within the organization to reduce the potential for mistakes.
We allocate tasks as follows in line with enforcement standards.

1. Companywide internal controls
2. Internal control for operational process
3. Internal controls for settlements and financial reporting
4. Controls over general information and technology

In addition, we set up the Internal Auditing Department oversee tasks groupwide and swiftly address any problems.



CSR Milestones

1985	The Canadian Chemical Producers' Association proclaims the Responsible Care(RC) ethos of independently controlling and managing chemical substances.
1990	International Council of Chemical Association(ICCA) established.
1995	Japan Responsible Care Council(JRCC) established; we become a member.
	Create our Responsible Care policy and organize our Responsible Care(RC) Committee.
1997	Start Responsible Care audits.
	Create a basic manual to promote product liability measures and organize the Product Liability(PL) Committee.
1998	Organize the Energy Saving Subcommittee.
1999	The Chiba Plant acquires ISO 14001 certification (all plants were certified by 2004)
2000	Publish our first Environmental Report.
	Discover acetylene and dioxin emissions at our alumina fiber plant and file a report with the relevant government agency (becoming a designated facility under the Dioxin Special Measures Act in 2002).
2001	Inaugurate natural gas cogeneration facilities at the Chiba Plant.
2002	The Omi Mine wins the Gold Kanban Award for mining Excellence.
	Start presenting information on affiliates in our Environmental Report
2003	Launch biomass boiler power generation operations at the Omi Plant.
	Create Negative List (a database on environmental chemical substances).
	Integrate with TOYO KAGAKU Co., Ltd.
	Start our first medium-term environmental plan
2004	Inaugurate our Good Company Program(GCP).
2005	Launch our second medium-term environmental plan.
2006	Conduct Japan Responsible Care Conference third-party audits at the Omuta Plant.
	Omi Plant begins accepting sewage sludge for its recycling system.
2007	Commence the companywide DENKA100 initiative.
	Publish our first CSR Report.

03 DENKA 100

We are pursuing new challenges companywide to prepare for our centennial.

We launched DENKA100 in April 2007 prepare for our centennial in 2015.

What is DENKA100?

We launched this companywide initiative to double operating income between fiscal 2006 and 2015 to 50 billion yen on a nonconsolidated basis and 60 billion yen in consolidated terms. DENKA100 comprises the following six key policies.

1 Business Development "DS09"

This policy is the first stage of DENKA100, covering fiscal 2007 through 2009. During that period, we aim to increase consolidated operating income from 30 billion yen in fiscal 2006, to 43 billion yen. On the nonconsolidated basis, the goal is to boost operating income to 35 billion yen, from 25 billion yen in fiscal 2006.

2 GCP2.0 Initiative to Raise Employee Awareness and Improve Operation

We are building on our Good Company Program to enhance employee awareness and pursue operational reforms, thus revitalize the Company through new thinking.

3 Cultivate Human Resources

We will better motivate employees by enabling them to think, learn, and act independently, assisting their activities through education from the Human Resource Development Center.

4 Enhancement of Productivity

We will strengthen the technological and other capabilities of production sites by more effectively using resources and raw materials, improving equipment and facility capacities, and creating high-value-added products.

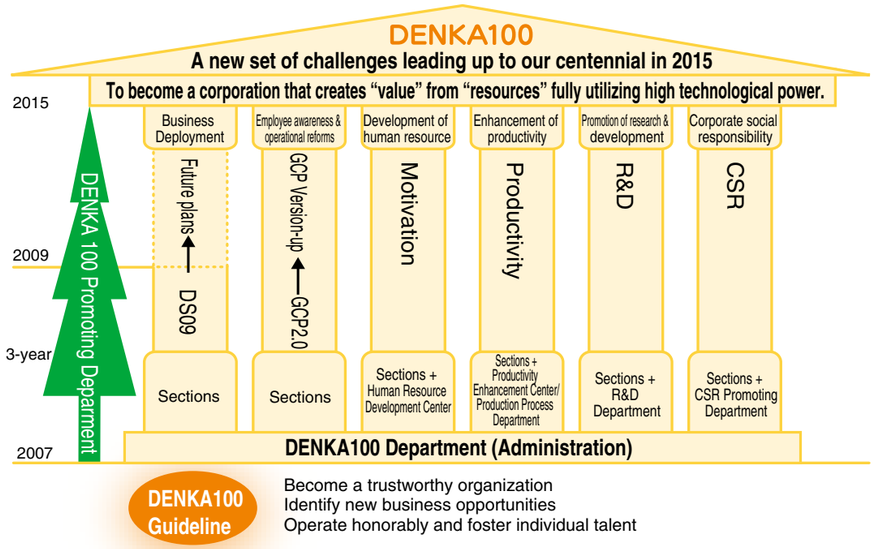
5 Promotion of Research & Development

The Research and Development Department is leading efforts to accelerate R&D, strengthen existing product lines, and create new environmentally friendly offerings.

6 CSR

We are endeavoring to fulfill our CSR requirements, focusing particularly on the environment, secure employment, compliance, and social initiatives.

Targets of DENKA100 Double operating income between fiscal 2006 and 2015 to 50 billion yen on a nonconsolidated basis and 60 billion yen in consolidated terms



Serving Society

Chemicals manufacturers can play key roles in creating sustainable societies. We benefit our customers and society at large in numerous ways by developing products that contribute to the environment, health, and safety. Good examples are light packaging materials that lower recycling costs and fire-resistant rubber products.

Field using CALCIUM CYANAMIDE

01 Products that Contribute to the Environment, Safety, and Health

Safeguarding the Environment with Multifunctional Fertilizers and Agricultural Chemicals (Fertilizer Dept.)

We were established in 1915 to manufacture and sell CALCIUM CYANAMIDE. This nitrogen fertilizer is as effective as agricultural chemicals, and has helped raise the productivity and quality of Japanese farm products. We make YORIN, a phosphate fertilizer that comprehensively improves soil in rice paddies, orchards, and fields. Another product is AZUMIN, a magnesium humate fertilizer that contains around 50% humic acid in keeping with the Soil Fertility Improvement Law.

There are also TORETARO, a new high-performance soil treatment fertilizer, and HIT ALPHA, a liquid agricultural chemical that we extract from calcium cyanamide and stabilize.

We will continue to enhance agriculture and productivity with multifunctional products that minimally effect the environment.

Special Cement Additives to Improve Performance and Safety (Special Cement Additives Dept., DENKA RENOTEC Co., Ltd.)

We commercialized DENKA CSA in 1968 as our first speciality cement additive. We have since created new value as a top manufacturer of products that improve cement and concrete.

Our products help shorten projects, a particular benefit with emergency work, and cut costs. They also provide greater strength to lighten structures, conserve resources, and reduce maintenance requirements, constraining costs to society while lowering environmental impact and boosting safety.

We responded to a shift away from scrapping and buildings by establishing DENKA RENOTEC Co., Ltd., which provides maintenance and repair services.

Technologies and Products	Features	Advantages
DENKA CSA expansive additive	Reduces the incidence of cracks	Lowers maintenance and costs
DENKA NATMIC quick-setting agent	For spraying concrete	Shortens construction and cuts costs
DENKA Σ 1000 high-strength additive	For high-strength concrete	Helps lighten concrete structures and conserve resources while reducing production costs
DENKA TASCON non-shrink grout additive	Fills gaps, provides high strength, and eliminates shrinkage	Shortens construction and cuts costs, improves reliability, and aids with emergency construction
SUQCEM superhigh-strength fiber-reinforced concrete	Eliminates the need for reinforcing bars, enabling the use of light and thin materials	Lightens structures and conserves resources
Repair and reinforcement technology (DENKA RENOTEC Co.,Ltd.)	Repairs and reinforces cracked, deteriorating, corroded, and expanded concrete	Enables more efficient resources usages, constrains maintenance costs, and assists with disaster recovery

Energy-Saving Thermal Solutions (Electronic Materials Business Unit)

Our thermal solutions products combine our inorganic and organic technologies, and include ceramics, metal substrates for circuit boards, heat sinks, and thermally conductive materials and adhesives.

We are developing thermal solutions to capitalize on a growing market for energy-saving products. Particular focuses are inverter circuit parts and thermally conductive applications for light-emitting diodes (LEDs).

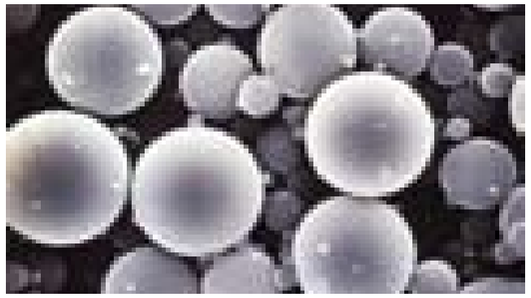
We create and supply an array of energy-saving solutions for diverse markets. We help manufacturers create more compact, lighter, and energy-saving electronic equipment that lowers greenhouse gas emissions. Our offerings include thermally conductive materials for the electronic circuits of personal computers, air conditioner inverter circuits (which are power exchange controllers), LED lights, LED backlights for liquid crystal display televisions, electrical automotive components, inverter circuits for industrial machinery parts and electric railcars, and wind power generator units.

Products and Technologies	Description	Applications
DENKA HITT PLATE	Highly thermally conductive substrate	Including air conditioner inverter circuits and automobile power steering systems
DENKA AN PLATE	Highly thermally conductive ceramic substrate	Inverter circuits for industrial machinery and electric railcars
DENKA ALSINK	Metal matrix composite	Heat sinks for industrial and railways power controllers parts
THERMALLY CONDUCTIVE SHEETS and SPACERS / ELETHERMAL	Thermally conductive silicon and acrylic sheets	Thermal solutions for densely mounted electronic parts
Thermally conductive adhesives OR Series	Twin liquid acrylic thermally conductive adhesives	Including for setting heat sinks

Spherical Fused Silica that Reduces the Use of Halogen and Lead (Functional Caramics Dept.)

One key use for our fused silica is as a filler for epoxy molding compounds in semiconductor packages.

It is increasingly important to lower environmental impact by shifting away from halogen-based flame-retardants and lead traditionally added to epoxy molding compounds. We resolved this issue by harnessing proprietary technologies to develop spherical fused silica with high flow characteristics. This offering has enabled customers to create molding compounds that reduce their environmental footprints.



Electron microscope photo of fused silica

Environmentally Friendly TEMPLOC Temporary Bonding Adhesive (Tapes & Adhesives Dept.)

Manufacturers extensively use thermoplastic paraffin wax to temporarily bond glass, quartz, ceramics, silicon, and other electronic materials for sawing, slicing, and polishing. Large volumes of inorganic and other solvents are crucial to remove the wax after completing these processes, generating a lot of contaminated solvents and waste water that are expensive to treat. Work areas also suffer.

We resolved these issues by developing TEMPLOC. This temporary bonding adhesive eliminates the need for environmentally harmful organic solvents because it is quickly peeled off in hot water. Contamination is minimal, enabling repeated reuse of the water. TEMPLOC cures rapidly under ultraviolet light to shorten adhesion and other processes.

Demand is growing for this innovative product because it cuts costs and safeguards the environment in diverse applications. They include making glass substrates for magnetic disks and cell phones, processing low-pass filter quartz and glass lenses, producing ceramics, and processing silicon for solar batteries

HARDLOC Assembly Adhesive Helps Reduce Carbon Dioxide Emissions (Tapes & Adhesives Dept.)

HARDLOC was the world's first two-part acrylic adhesive. It has been the de facto standard in structural adhesives for metals for more than 30 years.
Welding is the most common way of joining metals, but the process requires a lot of thermal energy. But HARDLOC hardens at room temperature, overlapping joints to achieve match or exceed the bonding performance of arc and spot welds.
This product has won accolades for its performance and reliability. Its numerous uses have include metal panels on elevators, exterior panels on buildings, railcars, control boxes, radio relay equipment, and outdoor products. HARDLOC has long helped to reduce carbon dioxide emissions.

OPS Packagings Are Industry's Lightest and Cut Waste (DENKA Polymer Co., Ltd.)

The wholly owned DENKA Polymer Co., Ltd., developed and is expanding sales of lightweight packagings made of biaxially oriented polystyrene sheet (OPS). If entered this field after concluding that the Containers and Packaging Recycling Law, which the Japanese government revised in April 2007, presented new business opportunities. Our packagings have reduced the regulatory and social costs of recycling while helping cut greenhouse gas emissions.

OPC-R Range of Transparent OPS Food Trays

We structurally analyzed trays to optimize their shape and ensure lightness without compromising strength, resulting in excellent packaging wrap performance. Out packagings are 20% to 30% lighter than conventional counterparts. They are the industry's lightest transparent trays for fresh fish, minced meat, dinners, and dried fish.

SOFLIGHT Special OPS Sheet

Our SOFLIGHT special OPS sheet is a next-generation material that is light and transparent. It offers improved resistance to cracks and balances rigidity and flexibility. Packagings made with this material are thinner than A-PET equivalents and are 40% to 50% lighter.

Superlight QX-R Polystyrene Food Trays

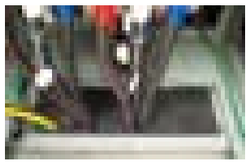
We produced materials and designs to create these trays, which are 10% to 30% lighter than previous versions. Unlike those of our rivals, our offerings feature side tapering and large footprints to improve storage. The trays are also stronger and are shaped for outstanding packaging wrap performance.

(From top) OPC-R, SOFLIGHT, and QX-R trays

Environmentally Friendly Rubber Construction Materials (CRK Corporation)

Anti-Exposure Fire-Resistant Rubber Products

The cables, ducts, and piping of office and residential buildings must be fire-resistant. Moist, fire-resistant putty normally fills the gaps. Subsidiary CRK Corporation developed an anti-exposure rubber that works as a heat layer, employing graphite to expand 4 to 10-fold when exposed to more than 200°C. The rubber blocks heat and smoke to prevent fires from spreading. The rubber is dry, unlike putty, making construction easier. High-profile applications for this product include skyscrapers, fire-prevention materials in Nippon Telegraph and Telephone (NTT) cable halls, fireproof packing for water pipe joints, and Taiwan's bullet trains. The product earned the Gunma Prefecture-sponsored Takeo Nakagawa Technical Prize in 2006.



Application for fireproof rubber

Waterproof Rubber Products

We offer butyl adhesive tapes and water-expanding rubber products to waterproof U-shaped gutters, sewers, and tunnels and prevent pollution.

NEW HOLE TIGHT; A Quake-proof Manhole Joint

We designed this expansion rubber joint to waterproof manholes and sewage pipe joints. It prevents sewage from entering water and prevents earthquake damage to sewers.

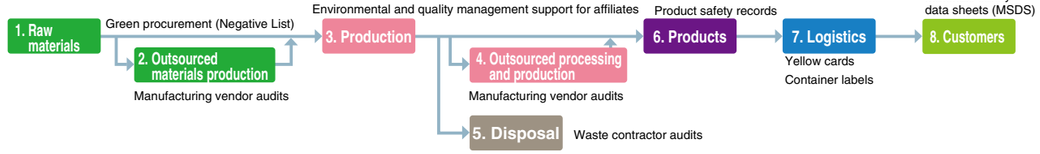
Earthquake-proof manhole joint

Example of construction

02 Maintaining Product Safety

We ensure safety through our supply chain in everything from raw materials procurement to research, production, logistics, consumption, and disposal.

Materials Safety and Management Flowchart



Managing Supply Chain Safety Complying

1. Green Procurement We produced a Negative List that defines all substances subject to Japanese and international environment management and hazardous materials regulations. Our raw materials and manufacturing processes are increasingly complying with list requirements.

2 & 4. Manufacturing Vendor Audits We outsource some raw materials production and semiconductor processes. We regularly audit manufacturing vendors based on our standards for quality, logistics, environmental management, and product safety.

3. Environmental and Quality Management Support for Affiliates We share information with the consolidated affiliates presented on pages 42 and 43 of this report to ensure that they meet our quality, environmental, and safety management standards.

5. Waste Contractor Audits We commission waste contractors in keeping with the Waste Management and Public Cleansing Law, requiring them to issue manifests and confirm collection. We regularly evaluate the operations and financial positions of these vendors and visit their sites.

6. Product Safety Records We record all occurrences of impurities or hazardous substances in our products as part of our commitment to quality and safety and minimizing our environmental impact.

7. Displaying Yellow Cards and Container Labels Accidents while transporting some products could cause significant environmental damage. We thus require drivers to carry yellow cards that explain post-accident procedures. We also label containers to ensure swift and proper remediation. We regularly inform drivers of our requirements and conduct emergency drills.

8. Materials Safety Data Sheets We produce MSDS for all products to ensure proper handling according to physical and chemical hazards and health and environmental risks. The sheets inform customers and help educate employees. We regularly revise the sheets on keeping with regulatory trends and distribute full information to customers. We are revising our sheets in line with the United Nations' Globally Harmonized System of Classification and Labeling of Chemicals (GHS).

Collaborating in Chemical Industry Initiatives

High Production Volume Program

We and other companies collaborate under the auspices of the International Council of Chemical Associations (ICCA) to evaluate the safety of around 1,000 substances that the Organisation for Economic Co-operation and Development (OECD) has designated. These substances are used heavily worldwide.

Japan Challenge Program

Under this program, manufacturers are working with the Ministry of Health, Labour and Welfare, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment to collect, disseminate, and assess safety information on around 700 chemical substances. We are participating in areas of the program that relate the substances that we use.

Long-Range Research Initiative

The Japan Chemical Industry Association, the American Chemistry Council, and the European Chemical Industry Council oversee this program, in which we are collaborating. It entails long-term basic research into carcinogenity and endocrine hypersensitivity from exposure to chemical substances.

03 Management Systems

We are pursuing ongoing improvements based on our quality and environmental management systems.

	ISO 14001		ISO 9001	
	Date certified	Registration number	Date certified	Registration number
Omi Plant	October 16, 1999	187071/A(BV)	August 19, 1994	275156(BV)
Omuta Plant	October 28, 2000	284330(BV)	November 7, 1998	439189(BV)
Chiba Plant	May 31, 1999	180943(BV)	March 22, 1995	155885(BV)
Shibukawa Plant	May 21, 2001	363444(BV)	October 23, 1996	484541(BV)
Ofuna Plant	November 9, 2001	JQA-EM1895(JQA)	October 25, 1996	JQA-1429(JQA)
Isesaki Plant	September 30, 2003	C2006-02333(PJR)	February 28, 2008	428794(BV)
Central Research Laboratory	July 5, 2004	352185(BV)	—	—

04 Fostering Recycling

We created the DENKA Cement Recycling System as part of efforts to improve our operations and thereby contribute more to society.

Overview of the DENKA Cement Recycling System

The DENKA Cement Recycling System

Using Numerous Recycled Resources to Produce Cement

The main constituents of cement are limestone, clay, silica, and iron material. Few may know, however, that cement often contains an array of recycled materials. We began making cement with such resources in 1954, well before recycling became a household word.

The First Recycling Plant

The Omi Plant along the Japan Sea coast in Niigata Prefecture is our largest production facility. Nearby is Mt. Kurohime, which has an estimated 5 billion tons of limestone, enough for the plant to continue operating for 1,500 years at the current rate. The facility has a power generating capacity of 170,000 kilowatts, and engages in proprietary acetylene chemistry. It started making cement to harness limestone that cannot be used in making carbide and slaked lime that is a byproduct of acetylene manufacturing.

Using All Sewage Sludge and Waste Plastic in Cement

The prime benefit of the DENKA Recycling System is that it is so efficient at transforming all recycled resource and fuel inputs into cement. Each ton of cement contains around 400 kilograms of recycled materials.

Employing Wastes Effectively Extends the Lives of Final Disposal Facilities

The plant has earned top marks for contributing to the community through its operations. It uses byproducts from its operations and accepts coal ash from the thermal power stations of electric power companies, slag from steelmakers, sand from foundries. It receives sewage sludge, plastic garbage, and waste tires from local government bodies. The plant also contributes to waste reductions by getting supplies of carbide from treated garbage and construction waste from Itoigawa City.

A Recycling System that Enables Sustainable Operations

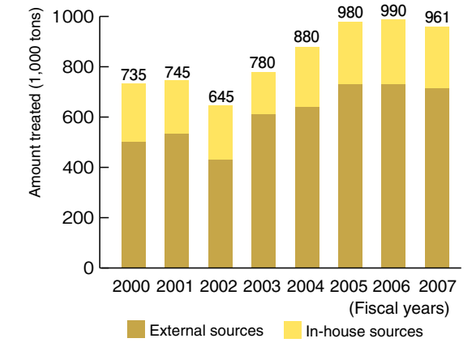
The plant charges steelmakers, power companies, and municipalities for treating their waste. The payments help make our cement recycling sustainable and allow our core operations to continue contributing to the community.
Another factor in recycling scrap wood, plastic, and other alternative wastes is that we aim to alleviate global warming by helping the consumption of fossil fuels.

Working Toward a Recycling-Oriented Society

In fiscal 2006, the Omi Plant received an award from the chairman of the Reduce, Reuse, Recycle Promotion Council. The plant aims to keep refining its waste and byproduct conversion technologies to keep contributing to a better society.

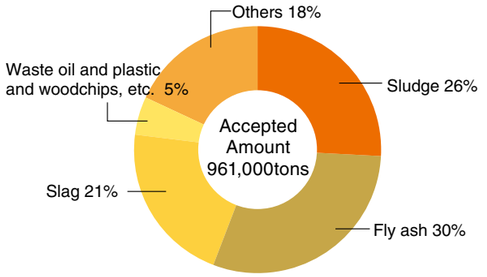
Wastes and Byproducts Accepted

In fiscal 2007, the Omi Plant accepted 247,000 tons of in-house wastes and byproducts and 714,000 tons from external sources a total of 961,000 tons. It aims to handle more of these resources in the years ahead.



Waste and Byproduct Constituents

The material recycling process reuses the sludge, fly ash, and slag which account for more than 90% of waste and byproducts. The thermal recycling process recycles material and fuel wastes and byproducts, and represents around 5% of the total. We will continue to treat sewage and fly ash according to government requests.



COLUMN

Since beginning operations, the cement facility at the Omi Plant has used byproducts and wastes from in-house and external sources in cement and fuels.
The DENKA Cement Recycling System is ideal because it harnesses all inputs and eliminates secondary wastes.
We will keep employing wastes and byproducts optimally to contribute to a better society.

Makoto Takada
General Manager Cement Department at the Omi Plant

Notes:
1. Units of measurement ; The units of measurement used in this report, and their respective abbreviations found in the body of text, are as follows:
   Metric ton: ton
   Carbon Dioxide: CO_2
2. NEDO is Japan's largest public R&D management organization for promoting the development of advanced industrial, environmental, new energy and energy conservation technologies.

Social Contributions

DENKA has a nationwide network of operations. Our six main plants engage in dialogue with local communities through various activities, spearheading efforts in fiscal 2007 to share more information and experiences with these stakeholders. We will continue striving to be valuable for local communities and society at large.

Children bear mini shrine at Shiogama Shrine

01 Community and Social Activities

We are expanding our activities in keeping with a commitment to communicating with local communities.

Enabling 8,000 Hydrangeas to Bloom Every Year

We planted 8,000 hydrangeas along the median strip of National Highway 17 in November 1999. We undertook this effort with the Ministry of Land, Infrastructure and Transport and Shibukawa City. Nakamura Council manages the flowers. The Shibukawa Plant readily accepted an assistance request from the early stages of the program. From April through November, the plant's employees work with council members to remove weeds and prune the hydrangeas.

The flowers bloom every June for the enjoyment of passers-by.

—By Akinori Kimata, Shibukawa Plant

Planting hydrangeas

Nakamura Council members and Shibukawa Plant employees

Neighborhood Cleanup Program

Each plant maintains a neighborhood cleanup program as part of its community contributions.

In fiscal 2008, the Isesaki Plant expanded its monthly beautification day efforts beyond its premises to encompass neighboring areas. Plant employees worked under coordinators from each department to weed and collect empty beverage cans and other waste from the streets.

The plant aims to broaden its endeavors to contribute more to communities in the Isesaki and Ota areas.

—By Mamoru Ura, Isesaki Plant

Cleanup around the Isesaki Plant

Primary students on a massive dump truck during a visit to the Omi Plant

Hosting plant visits from local primary and junior high school students

The Omi Plant holds facility tours for local primary and junior high school students. In fiscal 2007, more than 150 students and their parents from five local primary and junior high schools visited the plant.

One efforts to make the events as interesting as possible included allowing the students to climb on a dump truck from the Omi Mine. The vehicle is Japan's biggest, at 218 tons. The plant also enabled students to catch eels. Other attractions were simple experiments to familiarize the students with chemistry.

The plant intends to keep offering such tours to foster education and contribute to the community.

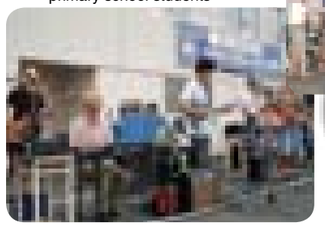
—By Akinori Adachi, Omi Plant

The Ofuna Festival

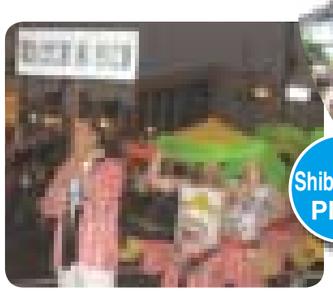
Every year, the Ofuna Plant makes its grounds available to the Fujimicho Town Association on the day of the Summer Festival. In fiscal 2008, food and beverage and children's game booths were erected at dusk to entertain numerous people into the evening. A brass band from a local primary school students proved popular, performing many encores. Members of the plant's popular music club debuted with songs from the Beatles and other bands. The event cemented the plant's friendship with the community. On the following day, local children carried the Shiogama Shrine's mini-shrine around the town, visiting the plant along the route.

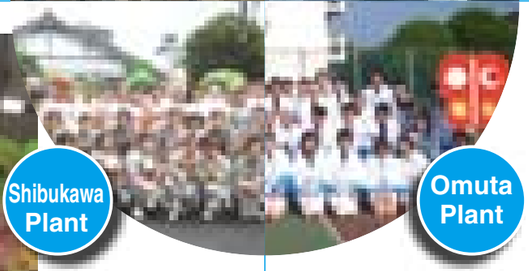
—By Kenji Yamanaka, Ofuna Plant

Brass band performance from primary school students



The Ofuna Plant's General Manager and other members of the popular music club playing at the festival





Brave members of a bellybutton dance troupe

The Belly Button Festival

The municipal government of Shibukawa produced the slogan, *Green Shibukawa—The Center of Japan*, in line with its desire to energize the city.

The city has held its summer Belly Button Festival since 1984. A highlight of several events at the carnival is a parade in which costumed participants dance showing faces painted on their navels. Around 70,000 people enjoy the festival every year. At the 24th festival on July 27 and 28, 2007, a troupe comprising the General Manager and 44 other fun-loving employees of the Shibukawa Plant, demon-strated the results of extensive practice by joining in the dancing, some wearing Japanese Kimonos or animal costumes. *—By Akinori Kimata, Shibukawa Plant*

Mr. Fukushima (right), head of the Kawagishi district resident's association in Ichihara City poses with a Chiba Plant employee

Chiba Rinkai Festival

The Chiba Plant participates in the Goi Rinkai Festival every year in Ichihara City, Chiba Prefecture. The executive committee for the festival comprises local resident, government, and business representatives. Ties between local groups are thus very close even though a large petrochemicals complex dominates the area.

Good weather blessed the festival in its 34th year in 2008. The festival included performances from local residents and entertainers, as well as a show by actors dressed as popular characters. These events and booths that local companies ran attracted more than 10,000 visitors. DENKA participated in the festival by selling beverages in PET bottles packaged in CLEAREN shrink film labels.

—By Kiyoshi Asami, Chiba Plant

Omuta Daijyayama Festival

This popular time-honored festival was on July 19 through 27, 2008. It started with a fire works display. Other attractions included the Minato Festival, the Gion Rokuzan Jyunko float parade, a mining song contest, and a procession of children bearing a mini-shrine.

A highlight was a Japanese dance parade on July 26, in which 72 employees of the Omuta Plant joined 10,000 people in escorting a majestic fire-breathing serpent through crowds of local residents and tourists.

—By Keiichi Hama, Omuta Plant

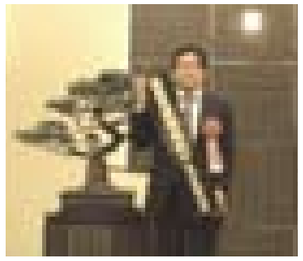
Daijyayama Festival parade

Omi Plant

Ministerial Commendation for Safe Mining

On October 18, 2007, the Minister of Economy, Trade, and Industry awarded the Omi Mine of the Omi Plant's Resource Department a Gold Award for Mining Excellence. This was in recognition of outstanding contributions to mine safety and pollution preventing.

Similarly, the Mining Safety and Health Association of Japan gave the mine its chairman's award for mine safety excellence. At the commendation ceremony, the association handed over a gilt-lettered signboard and a medal. Both awards renewed our determination to continue improving mining safety and maintaining our zero-accident record.



Shimauchi,General Manager of the Resource Department with gilt-lettered signboard

On January 28, 2008, the Omi Plant received a Gold Mark certificate for its fire prevention support team from Mr. Kenji Araki, Commissioner of the Fire and Disaster Management Agency

Gold Mark Certificate for Fire-Fighting Excellence

On January 28, 2008, the Fire and Disaster Management Agency of the Ministry of Internal Affairs and Communications held a grand certification ceremony at Nissho Hall in Minato-Ku, Tokyo. The Omi Plant received a Gold Mark for its campaign to seek cooperation from private companies to solicit collaboration from other companies to stem a decline in the number of firefighters. The certificate is for outstanding corporate contributions to maintaining and assisting firefighter organizations. DENKA was one of only four companies nationwide to receive a certificate in fiscal 2007.

Omi Plant's certificate was for assisting with local fire prevention, as part of which 96 employees serve on firefighting teams.

Omuta Plant

Holding Job Guidance Lecture for People with Disabilities

Medical institutions and employers participate in a job guidance initiative of the Omuta Public Employment Security Office for people with disabilities.

Responding to a request for collaboration in this initiative, in 2007 the Manager of the Omuta Plant's General Affairs Section delivered a lecture on the attributes of good workers, after which participants toured the facility.

This initiative aims to assist people who seek work but need more preparations or who are finding it hard to secure a job. It provides practical advice so these people can improve their chances of getting jobs.

In the lecture, the Manager described the employment challenges that people with disabilities face, the meaning of work, and the professional attitudes and self-motivation required of plant employees.

We hope that the lecture broadened participants' employment opportunities, and will continue to foster the cause of work for people with disabilities.

The job guidance lecture

Donating Money for Disaster Relief (Headquarter)

The Noto Hanto-oki Earthquake of 2007

The Noto Hanto-oki Earthquake off the Noto Peninsula on March 25, 2007, severely affected Ishikawa Prefecture.

DENKA officials visited the Ishikawa Prefectural Office on April 27 to donate funds for disaster restoration.

The Niigata Chuetsu-oki Earthquake of 2007

The Niigata Chuetsu-oki Earthquake on July 16, 2007, caused extensive damage around Niigata and Nagano prefectures. Officials from DENKA visited the Niigata Prefectural Office on August 9 and the Itoigawa Municipal Office on August 30 to offer donations for recovery efforts. The officials also expressed sympathy for victims and prayed for swift reconstruction.

On March 4, 2008, Mr. Hiroshi Izumida, the Governor of Niigata Prefecture, handed a letter of appreciation to President Kawabata.

Mr. Hiroshi Izumida (right), Governor of Niigata Prefecture, and President Kawabata

Friendship Concert in Omuta Sponsored by Mitsui Public Relations Committee

Mitsui Public Relations Committee held a Friendship Concert program in Omuta, Fukuoka Prefecture, on May 29 to 31, 2008. DENKA is a member of that organization.

The three renowned performers, known as the Fureai Trio, were violinist and leader Kyoko Yoshida, pianist Mitsutaka Shiraishi, and cellist Kazumasa Hayashi. The they have performed for 60,000 children around Japan through such concerts. The Omuta event marked 244 series concerts over five years, thanks to the enthusiasm of musicians, the Mitsui Public Relations Committee, the Foundation Japan Culture Center for Youths and Children, and Japan Arts Corporation, a music promoter.

Also contributing to the success of the Omuta concerts were employees from Mitsui Group companies and their families, as well as workers from our Omuta Plant. DENKA received a letter of appreciation from Ms. Naoko Baba, deputy headmaster of the Meiji Primary School, which was one of the concert venues.

A Moving Friendship Concert Program at Meiji Primary School

The people of the Mitsui Public Relations Committee made possible a Friendship Concert at our school. It moved me to see the trio played in front of the children in our music room and talk about their craft.

They set aside time for students to try the violin and participate in a body percussion performance for all the attendees. The children thoroughly enjoyed the exposure to classical music. I thank the people of the Mitsui Public Relations Committee for providing the students with such a wonderful experience. I wish the committee the very best in its local contribution activities.

—Ms. Naoko Baba, Deputy Headmaster of Meiji Primary School

The Fureai Trio visited the Meiji, Suwa, and Kawajiri primary schools in Omuta.

Mr.Michio Koga (front center), Mayor of Omuta, Mr. Tadao Miyata (front left), Superintendent of the Board of Education, and the Fureai Trio

Cultivating Our Employees

Human resources development is one of six key "DENKA100" priorities, as our people are central to our growth. We maintain a range of programs to enhance the skills of employees, including those of the Human Resource Development Center.


In-house training course

01 Employee Education

The programs of our Human Resource Development Center help employees develop their career paths.

In-House Education and Training

Personnel Requisite

(1) Strive constantly to better yourself through business and social activities
(2) Always respect others and remain humble and positive
(3) Always be selfless
(4) Drive change through teamwork
(5) Gain broad insights, superior problem-solving skills, and the ability to transform potential into reality
(6) Be cost-conscious

Anticipated Fruits of Training

(1) Personal Growth: Harness greater skills, knowledge, techniques, and performance to boost profits
(2) Organizational Growth: Improve better team performance from collaboration within and between business units
(3) Corporate Growth: Enhance DENKA's profitability, brand, and reputation

Key Programs

1 Mandatory Job Level-Based Training

Under these programs, employees acquire the knowledge they need to fulfill their duties. We train new managers, young employees in their fifth year with DENKA, and other employees. The main focuses are such business fundamentals as compliance and other legal areas, as well as safety initiatives. We trained more than 200 employees in fiscal 2007.

2 Specialist Courses

In fiscal 2007, nearly 700 employees took accounting, business, information technology, trade, investor relations, corporate social responsibility, and purchasing courses.

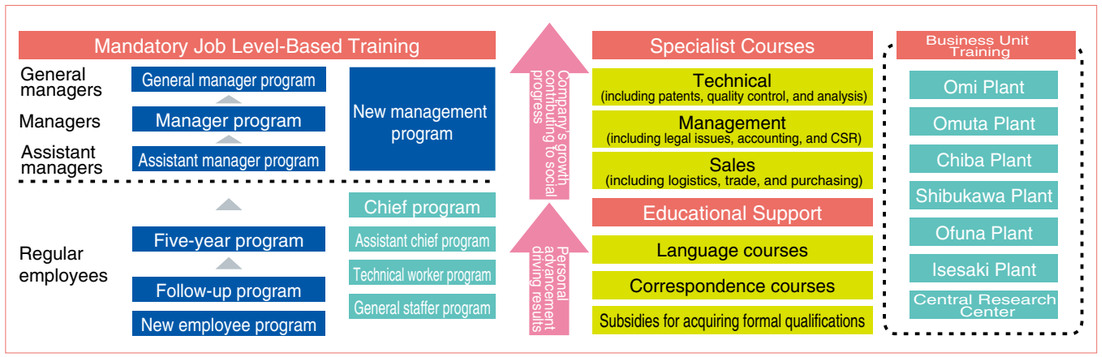
3 Educational Support

We assist employees taking language classes and correspondence courses. We also support those acquiring certain formal qualifications.

4 Business Unit Training

Each business unit identifies areas needing improvement and formulates and implements its own programs. Then effort is constantly focused on establishing, planning and executing original educational/training programs according to each operation to help improve the knowledge and skills of each individual employee.

Overview of Training and Educational Programs



02 Good Company Program Initiatives

We instituted the Good Company Program (GCP) to raise employee awareness and reform operations under "DENKA100".

All employees participate in GCP Group Activities. Departmental and sectional groups pursue improvements. They include creating accident- and disaster-free work sites and raising reform awareness.
Specific activities include maintaining and enhancing safety and hygiene, protecting the environment, reviewing production technologies, operational Kaizen initiatives, human resources development, and other priorities for department.
There were around 120 GCP groups as of July 2008, including those of affiliates. Departmental heads are group leaders.

We continued our employee awareness reform efforts through semiannual group presentations.

DENKA100 Presentations

We held two DENKA100 Presentations (formerly GCP Presentations) in June and December 2007, with 18 groups participating in the first event. The following highlights some of their presentations:

- Maintaining and improving security and safety and promoting energy saving efforts (Chiba Plant)
- Challenges in operational Kaizen and efficiency initiatives (Central Research Center)
- Progress report and the results of internal activities to reduce breakdowns (Omi Plant)
- Initiatives to enhance training and reduce breakdowns (Ofuna Plant)
- Technologies to support research and infrastructural improvement (Central Research Center)
- Safety activities (DENKA Azumin)

Departments promoting on the six main priorities of "DENKA100" participated in the second presentation, sharing their plans and reporting on progress.


"GCP Grand Award" winning group

Attendees at DENKA100 Presentation

Sales and Production Management Project

We undertook stage two of this project to share information between sales and manufacturing units so they could improve their productivity and enhance customer satisfaction. The main tasks to sort out production plan issues and properly deploy and use software.

We produce various printed materials to report on progress in GCP activities and presentation results.

Issuing *DENKA100 News*

GCP News became *DENKA100 News* in August 2007. We use this newsletter as a tool to publicize various topics, including reports on orientations, presentations, and business results.
We issued the 26th through 48th editions of this newsletter in fiscal 2007.


English version of *DENKA100 News*

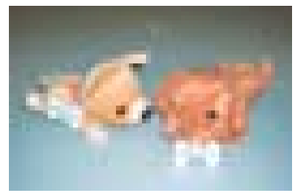
GCP Progress Report

We published this document to summarize progress since we launched the program in October 2004. We distributed the report in-house in June 2007.


GCP Progress Report

Promoting "DENKA100"

We displayed the "DENKA100" poster and distributed promotional goods to promote this initiative companywide.


Screen cleaner


"DENKA100" poster

03 Occupational Safety and Hygiene Initiatives

We endeavor to maintain safe and comfortable workplaces and prevent disasters for social peace of mind

We undertake safety activities through our Workplace Safety Exchange Program and other initiatives.

Occupational Safety and Hygiene Management System

In February 2007, the Chiba Plant acquired OHSAS18001 certification for satisfying occupational health and safety standards. The Omi Plant is building its OSHMS (Occupational Safety and Health Management System).

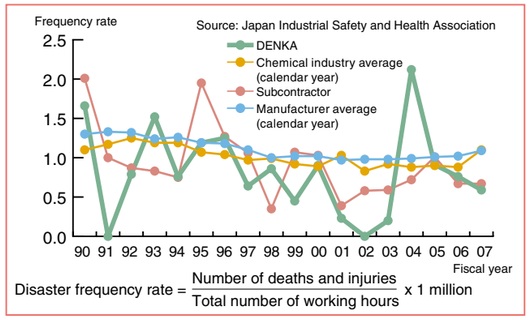
Occupational Safety Activities

We focus on preliminary risk assessments on facilities, chemical substances, and operations.

We regularly hold presentations on each plant's prime safety activities and have site operators exchange information through the Workplace Safety Exchange Program. This is an excellent opportunity for operators, as they normally seldom see each other. The program fosters collaboration between plant managers and employees alike and helps raise safety awareness.

Although accident rates declined in fiscal 2007 because of such initiatives, the accident severity rate deteriorated because one employee of a subcontractor was electrocuted. We will redouble our efforts in the years ahead.

Occupational Safety Results



Disaster frequency rate = $\frac{\text{Number of deaths and injuries}}{\text{Total number of working hours}}$ x 1 million

We tackle mental health issues.

Maintaining Hygiene

We implement and oversee voluntary standards that exceed those of the Labor Safety and Hygiene Act, and assess workplaces and individual exposure levels.

Mental health seminar

Each business site needs to care for the mental health of employees. We strive to prevent and swiftly detect disorders through educational programs (covering manager responsiveness and self-care) that meet the requirements of each operation. We also offer individual consultations through company doctors.

We prevent a disaster and improve security through experiential programs that enhance employees' risk and safety awareness.

Safety Education

Each workplace decides its standards for the qualifications, skills, and knowledge needed to engage in operations, and conducts planned training programs to improve employee capabilities. We educate on safety skills through plans to increase effectiveness, particularly among supervisors.

We have reduced employee accident risks and exposure to danger by installing foolproof and fail-safe equipment while increasing machine and device automation.

At the same time, we recognize that employees can become insensitive about the underlying risks of chemical plants. We thus hold accident simulations with models of devices and dangerous objects similar to what they find in the workplace.

We conduct preliminary safety evaluations, hold safety management conference, and fire drills.

Security and Disaster-Prevention Activities

Previous accident cases have taught us to expect the unexpected following changes in raw materials, facilities, or operating conditions.

Safety units in our manufacturing, engineering and environmental protection operations collaborate in activities to eradicate facilities accidents, manage changes, and improve and spread preliminary evaluation measures.

Safety is the top priority at plants at risk of fire or explosion or operating high-temperature equipment. In-house expert thus regularly organize safety management conferences to maintain safety and security.

Each section of the Omi Plant has held such gatherings to date. The Chiba Plant began holding such conferences in fiscal 2008.

Fire drill

Tackling Environmental Issues

Cement recycling (see pages 16 and 17) exemplifies our environmental efforts. We make cement out of waste materials that would otherwise become landfill. We have created a sustainable system that conserves resources and reduces waste without compromising profitability. The table below shows the total environmental impact of all our business sites in fiscal 2007. It demonstrates that we are making steady progress in ecological efforts as part of our Responsible Care initiatives.

Total environmental impact of all business sites in fiscal 2007

Inputs

- Fuels: 549,000 kiloliters
- Electricity: 1.53 billion kWh
- Water: 83.2 million tons
- External waste: 714,000 tons
- Raw materials

Business Activities

Plants of DENKA

Outputs

- Products
- Air emissions
  - CO_2 (from energy sources): 1.70 million tons
  - CO_2 (from nonenergy sources): 1.41 million tons
  - SOx: 1,740 tons
  - NOx: 5,900 tons
  - Soot and dust: 150 tons
  - PRTR Substances: 143 tons
- Water discharges
  - COD: 1,630 tons
  - PRTR substances: 52 tons
- Waste generated: 112,000 tons
- Waste reductions from water removal and incineration: 9,620 tons
- Amount recycled externally: 7,450 tons
- Final disposal (as landfill): 2,930 tons
- Amount recycled in-house: 92,000 tons

***Units of measurement ;** The units of measurement used in this report, and their respective abbreviations found in the body of text, are as follows:Metric ton: ton Carbon Dioxide: CO_2

Explanation of Inputs

- Fuels are the sum of all fuels used at each business site, converted into heavy oil equivalents on a calorie basis. They include fuels for our in-house power plants.
- Electricity is total hydroelectric and purchased power.

Explanation of Outputs

- CO_2 emissions from energy sources are from fuel and electricity purchased.
- COD is equivalent to BOD discharges in rivers.
- External waste recycling covers materials converted externally into resources or fuel.
- Final waste disposal refers to materials buried in in-house and external landfill sites.

This environmental impact data encompasses our key plants and major affiliates within those facilities. DENKA absorbed Denka Kako Co., Ltd. as the Isesaki Plant in October 2007, including that facility in the scope of this report.

Main affiliates

At Omi Plant: DENAL SILANE Denak, and Juzen Chemical

At Chiba Plant: Chiba Styrene Monomer, TOYO STYRENE, and Taiyo Vinyl

We are pursuing the targets of our medium-term environmental plan.

Medium-Term Environmental Plan

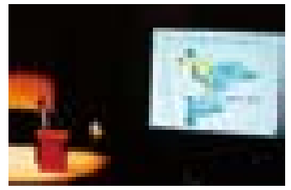
We are pursuing environmental improvements as part of medium-term initiatives. In fiscal 2007, we began the third part of a new three-year plan, EM09, which focuses on conserving energy, lowering Pollutant Release and Transfer Register emissions, and addressing wastes. We reached our waste final disposal objectives during the year, but were off-target in terms of energy conservation and Pollutant Release and Transfer Register emissions. We are analyzing why, and will deploy solutions from next fiscal year.

Item	The third three years of the medium-term environmental plan (EM09)				
	Fiscal 2006	Fiscal 2007		Fiscal 2008	Fiscal 2009
	Actual	Target	Actual	Target	Target
Energy conservation (with fiscal 1990 as base year)	90.5%	89.1%	89.9%	87.5%	87.1%
Emissions of PRTR Substances	221 tons	172 tons	195 tons	158 tons	117 tons
Final waste disposal	3,660 tons	3,920 tons	2,930 tons	2,390 tons	1,720 tons

Fiscal 2007 Responsible Care Objectives and Achievements

We established the following specific environmental, safety, and hygiene benchmarks.





Assessment codes : ○= Reached target △= Partially missed target ×= Missed target

Key area		Initiatives and final-year targets	Fiscal 2007 Goals	Fiscal 2007 Achievements	Evaluation	Relevant page
Conservation	Prevent global warming and conserve energy	Lower energy consumption to below 90% of fiscal 1990 levels by fiscal 2010	Lower energy consumption to 89.1% that of fiscal 1990	We failed to reach our medium-term target of 89.9% owing to a decline in hydropower generation. Total carbon dioxide emissions from energy consumption are 1.7 million tons annually, and we aim to lower them by 2.5% per year and cut them as a proportion of production volume	△	P28
	Prevent air and water pollution	Implement EM09 environmental plan, covering fiscal 2007 through 2009	NOx: 5,600 tons SOx: 2,080 tons Soot and dust: 122 tons COD (BOD): 1,530 tons	NOx: 5,900 tons SOx: 1,740 tons Soot and dust: 150 tons COD (BOD): 1,630 tons We failed to reach our goals because we operated at full capacity, as did our filtering equipment, which was unable to cope with a decline in the quality of coal and other raw materials	×	P31
	Reduce waste (zero emissions)	Constrain and lower wastes		Emissions dropped owing to revisions in waste handling and processes	○	P32
		Recycle resources	In-house and external reusage: 111,000 tons	There was progress in reusing resources at our cement plant and through external recycling, but we were unable to reach our target of 99,500 tons.	×	
		Cut final disposal to less than 1,200 tons by 2010	In-house and external landfill: 3,920 tons	The Omuta Plant lowered final disposal 20%, from 3,663 tons 2,930 tons, through increased recycling, enabling to reach our medium-term target.	○	
	Use resources effectively	By 2010, raise wastes and byproducts in cement to 400 kg per ton and contribute to recycling	Increase wastes and byproducts in cement to above fiscal 2006 level of 404 kg per ton	Increased wastes and byproducts in cement to 406 kg per ton. We attained our target recycling and reusing industrial wastes.	○	P16
Product safety	Take steps to manage chemical substances	Comply with Globally Harmonized System (GHS) of Classification and Labelling of Chemicals in keeping with the revised Industrial Safety and Health Law Comply with the European Union's 2006 Reduction of Hazardous Substances (RoHS) mandate	Address chemicals safety regulations, such as the European Union's Registration, Evaluation, Authorization, and Restriction of Chemical Substances (REACH), and the GHS	We educated about REACH, chose registered substances, and conducted a survey on whether there was a need to register substances in our supply chain. We are producing Materials Safty Data Sheets (MSDS) based on GHS requirements	○	P15
	Manage chemical substances and suppress emissions	Lower emissions of substances on the Pollutant Release and Transfer Register (PRTR) to less than 117 tons by fiscal 2009	Cut companywide emissions of substances on PRTR to 172 tons	We cut emissions 12%, from 221 tons to 195 tons, owing to planned improvements at each plant and enhanced removal equipment efficiencies. Denka failed to reach medium-term objectives because of Omi Plant production rises.	△	P32
	Ensure safe transportation	Fulfill responsibilities as owner of shipped goods	•Target a zero accident rate for in-house logistics •Step up our Safe Transportation Code of Conduct as a Shipped Good Owner	We attained a zero accident rate. We will continue to revise our yellow card system and yellow cards for containers (labels). We evaluated and analyzed transportation safety levels and instituted improvements.	○	P29
Labor safety and hygiene	Reduce occupational accidents	Reduce occupational accidents using the Educational and Safety Control System	Conduct risk assessments and identify and eliminate unsafe work practices	All business sites conducted risk assessments of occupational accident prevention measures and made quantitative and qualitative improvements. The number of accidents thus declined from eight, to six, although the accident severity rate increased among affiliates from 0.038, to 1.30, because of a death.	△	P24
	Manage employee health	Create comfortable work environments and improve communications	Maintain normal concentration levels	We regularly assessed operating environments and exposure to individuals. The results were normal, satisfying our administrative requirements.	○	
Disaster prevention	Eliminate major accidents		Intensify preliminary safety assessments Maintain safety standards	We made preliminary assessments and held safety meetings and disaster drills, and otherwise engaged in preventive efforts to meet safety standards. There were no major accidents as a result.	○	P24
Community relations	Maintain community trust		Participate in local activities Improve environmental reporting	Each plant hosted tours and participated voluntarily in social activities to engage with local communities.	○	P18

01 Tackling Global Warming

We are striving to lower our carbon dioxide CO_2 emissions in keeping with our social responsibilities as a manufacturer.

Conserving energy to help reach our CO_2 reduction targets.

CO_2 Reduction Goals

The initial pledge under the Kyoto Protocol (see note 1) of February 16, 2005, was to lower average greenhouse gas (see note 2)emissions 6% between 2008 and 2012. The chemical industry took voluntary steps to conserve energy and reach its reduction targets.

The Japanese government will implement the amended Law Concerning the Rational Use of Energy (see note 3) and the Law Concerning the Promotion of the Measures to Cope with Global Warming (see note 4) in April 2009. The new legislation will require greater efforts to cut energy consumption in offices and other structures, reversing rises in recent years. From June 2008, DENKA launched a companywide initiative to reduce energy usage at its headquarters, branches, sales offices, and other facilities.

In fiscal 2007, we lowered energy consumption units (see note 5) by 0.6 percentage point from fiscal 2006, to 89.8% of our fiscal 1990 level. We achieved this by more efficiently using styrene monomer, vinyl chloride, and acetate monomers.

In line with EM09, we plan to install highly efficient gas turbine cogeneration systems and improve our production processes.

We are pursuing the following energy conservation target while using clean energy to lower CO_2 emissions.

Target

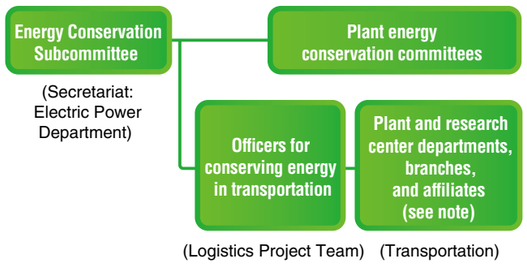
Reduce energy consumption units to 87% or lower of fiscal 1990 levels by fiscal 2010

Energy conservation committees at each business site undertake ongoing initiatives.

Energy Conservation Efforts

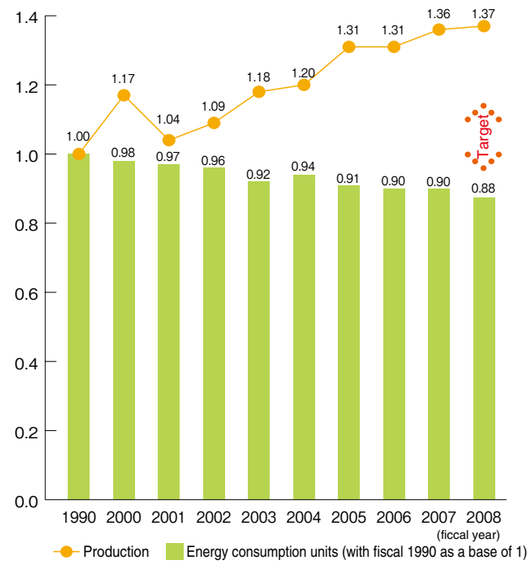
We have designated six plants as primary energy management facilities of the Law Concerning the Rationd Use of Energy. Energy conservation committees at each of these facilities drive efforts to reduce consumption.

Energy Conservation Structure



Note: Affiliates covered are DENKA Azumin and Kyushu Plastic Kogyo.

Energy Consumption Units Since Fiscal 1990



Notes:
1. The Kyoto Protocol was endorsed at the 3rd Conference of the Parties of the United Nations Framework on Climate Change in Kyoto in 1997. This protocol defines statistical goals, deadlines, and methodologies for reducing greenhouse gases .
2. Greenhouse Gases: These include secondary CO_2, methane, nitrous oxide, hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF6) that stay in the atmosphere to create a greenhouse effect that keeps the heat from the sun in the earth's atmosphere. The name Greenhouse Gases is the general term used to call these gases that warm the earth's surface (greenhouse effect). Recent human activity has increased the concentration of greenhouse gases, thus, causing warming on a global scale.
3. The government implemented the Law Concerning the Rational Use of Energy to lower national energy consumption.
4. The government revised the Law Concerning the Promotion of the Measures to Cope with Global Warming in June 2002 to include a clause defining plans to reach Kyoto Protocol targets.
5. In keeping with the Law Concerning the Rational Use of Energy, we calculate this measure by converting fuel, electricity, and other energy used into kiloliters of crude oil.

Our CO_2 emissions from energy sources were 1.7 million tons in fiscal 2007.

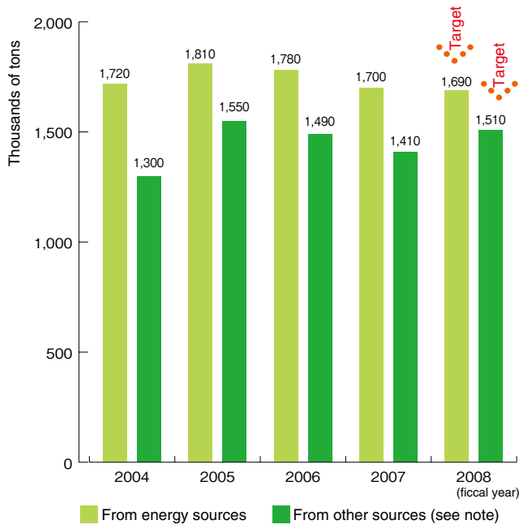
CO_2 Emissions

The government has designated each of our plants as emitting more than 3,000 tons of greenhouse gases annually. We have accordingly taken the following steps to attain the targets of our medium-term environmental plan.

We aim to improve energy consumption units at each plant while switching from crude oil to natural gas to fuel our thermal power plants. We also seek to boost hydroelectric generating efficiency and output, contributing further to CO_2 emission reductions.

Our CO_2 emissions from energy sources were 1.7 million tons in fiscal 2007, or 2.5% less than a year earlier. Emissions from other sources were 1.41 million tons, or 5.2% lower.

CO_2 Emissions



Note: Energy from sources other than energy is that generated in processing raw materials during manufacturing or treating waste.

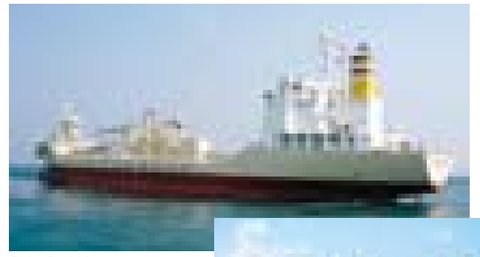
The Logistics Project Team is spearheading ongoing improvement in transportation efficiency.

Cutting CO_2 Emissions from Transportation

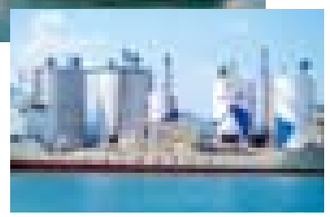
The Logistics Project Team is leading a companywide effort to achieve sustainable transportation efficiencies, improve logistics quality, and save energy.

For example, we reviewed logistics within our plants from a manufacturer's perspective and deployed new cement tankers to streamline transportation of cement and fly ash. We upgraded our fly ash silos and took advantage of deregulation to start operating triple-axle trailers. On top of that, we made modal shifts, using 20-metric-ton trailers for roll-on, roll-off vessels and cargo ships with Box-shape badies. We used local ports to receive and transport container cargo.

In fiscal 2007, our CO_2 emissions from logistics were 47,500 tons from 797 million ton-kilometers of cargo shipped. We will keep endeavoring as a designated emitter t conserve energy.



Shin Omi Maru, a new cement tanker



Our upgraded fly ash silo complex at Port Himekawa

Carbon Dioxide (CO_2)

I oversee the department that supplies plant energy. DENKA notably generates a lot of its energy in-house form clean energy sources. But I see our mission as increasing efficiencies from the power we produce ourselves and the electricity we buy. We have taken several steps to combat global warming that in fiscal 2007 enabled us to lower unit energy consumption to 90% of fiscal 1990 levels. We are focusing on switching to low-emissions natural gas to fuel our in-house thermal power plants, an endeavor that I would like to make central to our battle against global warming.

Michiaki Takashima

General Manager of Electric Power Department and head of Energy Conservation Subcommittee Secretariat

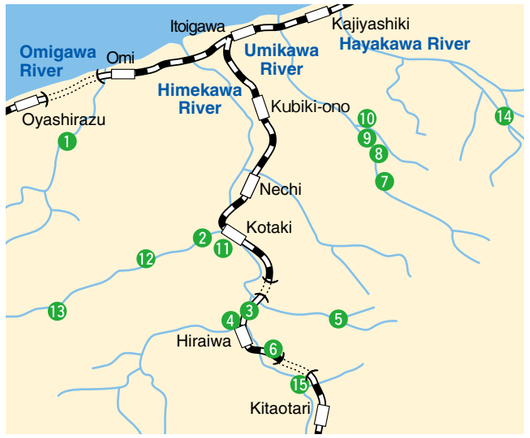
We are harnessing clean hydropower.

Hydroelectric Generation

We own and operate 10 hydroelectric power plants along the Himekawa River area in Niigata Prefecture. We jointly own another five facilities in the area with the Hokuriku Power Company. The total generating capacity of these facilities is 110,000 kilowatts.

They together supply 30% of our electricity, equivalent to 150,000 kiloliters of crude oil. Our clean hydropower operations significantly lower our greenhouse gas emissions.

After replacing a water turbine at the Oami Power Plant, we also upgraded other equipment to dramatically increase the efficiency and output of that facility. We plan capacity increases at other power plants.



1. Omigawa Power Plant (3,300 kilowatts)
2. Kotakigawa Power Plant (4,200 kilowatts)
3. Oami Power Plant (25,100 kilowatts)
4. Otokorogawa Power Plant (8,400 kilowatts)
5. Yokokawa Power Plant No. 1 (10,000 kilowatts)
6. Yokokawa Power Plant No. 2 (16,000 kilowatts)
7. Umigawa Power Plant No. 1 (3,800 kilowatts)
8. Umigawa Power Plant No. 2 (4,400 kilowatts)
9. Umigawa Power Plant No. 3 (2,600 kilowatts)
10. Umigawa Power Plant No. 4 (900 kilowatts)
11. Himekawa Power Plant No. 6 (jointly owned; 26,000 kilowatts)
12. Takigami Power Plant (jointly owned; 15,000 kilowatts)
13. Nagatsuga Power Plant (jointly owned; 5,000 kilowatts)
14. Sasakura Power Plant No. 2 (jointly owned; 10,200 kilowatts)
15. Kita-otari Power Plant (jointly owned; 10,500 kilowatts)

Oami Power Plant

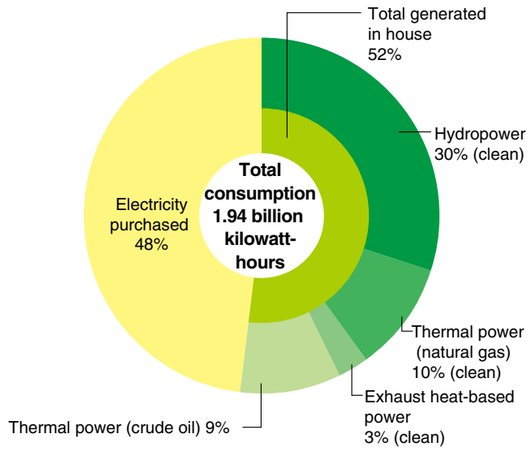
Hydropower, natural gas cogeneration facilities, and exhaust heat-based power account for 43% of our electricity usage.

Our Power Source Composition

We source electricity in-house from a hydroelectric power plant, three thermal power plants, one natural gas cogeneration (see note 1) facility, and one exhaust heat-fueled (see note 2) plant. We also buy electricity. We consumed 1.94 billion kilowatt-hours of electricity in fiscal 2007. Clean energy sources accounted for around 43% of that total, notably hydropower, natural gas, and exhaust heat-based generation.

We plan to shift away from crude oil to natural gas for our thermal power plants, installing cogeneration facilities and thereby raising our clean energy usage.

Power Sources in Fiscal 2007



Tomi Natural Gas Turbine at Omi Plant

Notes:
1. Cogeneration systems draw on heat from industrial furnaces and other machinery.
2. Exhaust heat-based power facilities employ heat from industrial furnaces and other machinery.

02 Outputs

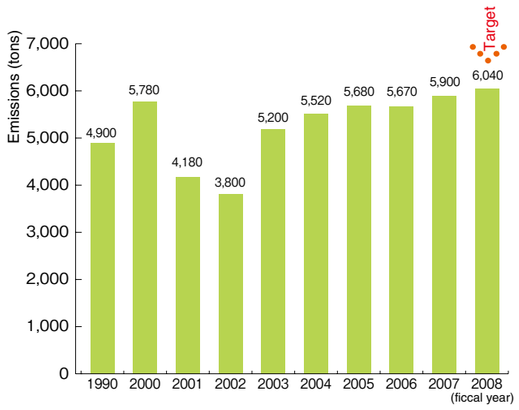
We are suppressing and properly treating substances and wastes result from our production activities.

We are pursuing voluntary reduction targets for substances from our plants.

Environmental Conservation

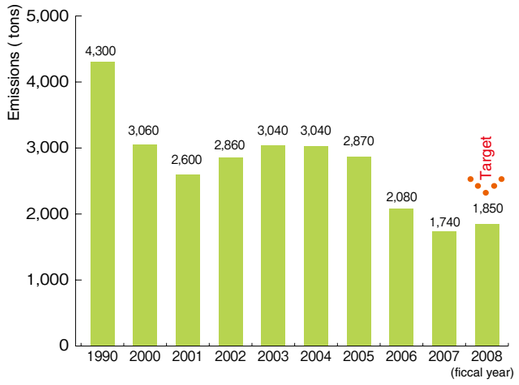
NOx (see note 1)

In fiscal 2007, these emissions rose around 230 tons, or 4%, because of higher nitrogen concentrations in the coal we used.



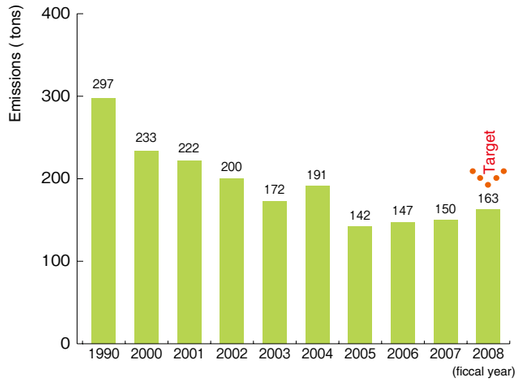
SOx (see note 2)

We slashed SOx emissions by switching from crude oil to natural gas. We aim to maintain current emission levels in fiscal 2008.



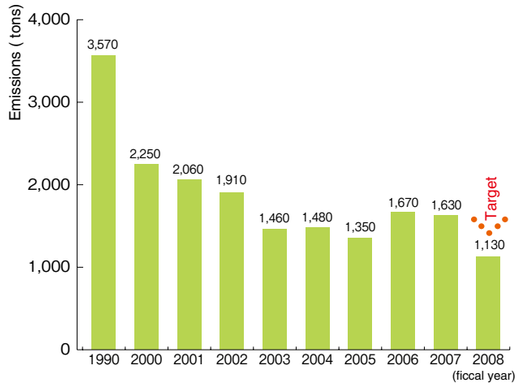
Soot and Dust (see note 3)

Although the production mix changed, emissions remained the same in fiscal 2007.



COD(BOD) (see notes 4 and 5)

Water discharges were only slightly lower in fiscal 2007 because production of polyvinyl alcohol and chloroprene remained high. Production will probably continue to rise in fiscal 2008, but we will take steps to ensure discharge reductions.



Notes:
1. Nitrogen oxides (NOx) : These produce photochemical oxidants and cause acid rain.
2. Sulfur oxides (SOx) result from burning fossil fuels like petroleum and coal, as well as hydrosulfide minerals like pyrite and chalcopyrite. They also cause acid rain.
3. Soot and dust are solid particles.
4. Chemical oxygen demand (COD) indirectly measures organic compounds in water and indicates oxygen consumption when organic compounds decompose with oxidants. Chemical oxygen demand benchmarks organic pollutants in oceans, lakes and rivers.
5. Biochemical oxygen demand (BOD) measures oxygen consumed in decomposition by microorganism and organics in water, and indicated water quality.

We will keep cutting waste to achieve zero emissions.

Final Disposal

Production levels remained unchanged in fiscal 2007, but we were able to reduce final disposal by properly recycling soot and dust from the Omuta plant.

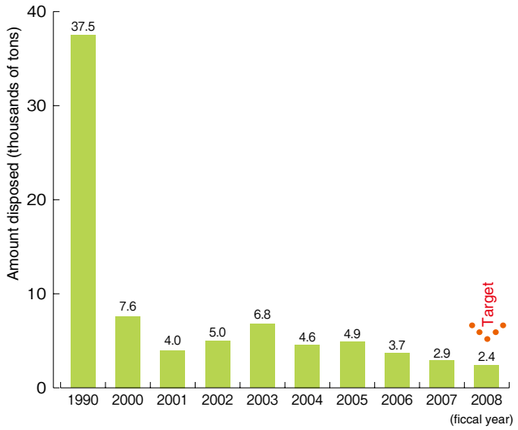
The companywide emissions rate in fiscal 2007 dropped 0.4 percentage point, to 2.6%in comparison to the previous year.

In fiscal 2008, we will continue to improve energy unit consumption and boost internal recycling rates.

Our definition of zero emissions

$$\frac{\text{Final waste disposal}}{\text{Total wastes generated}} \times 100 < 1$$

Final Waste Disposal



Soot and dust recycling facility

We are decisively lowering emissions of substances in the Pollutant Release and Transfer Register (PRTR)

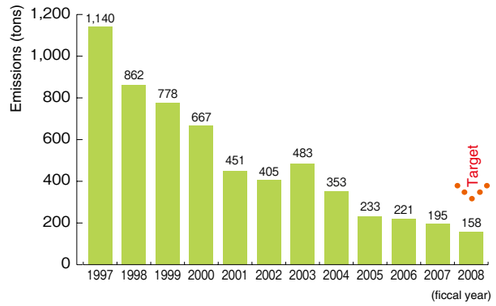
PRTR Substances

We have made significant progress in reducing emissions of PRTR substances by analyzing the causes of such emissions, exploring effective solutions, and modifying our facilities.

In fiscal 2007, the Chiba Plant lowered its emissions of substances on the register by upgrading its waste water treatment facilities and switching to solvent-free tape adhesive.

We will take advantage of changes in adhesive to reduce toluene and other emissions by 20% in fiscal 2008.

PRTR Emission



Substance Emissions and Transfers Exceeding One Ton

PRTR substances	Emissions					Amount transferred
	Air	Water	Soil	Landfill	Total	
Zinc	0	0	0	0	0	2
Ethyl acrylate	1	0	0	0	1	0
Acrylonitrite	5	0	0	0	5	45
Adipic acid bis (2-ethyl hexyl)	0	0	0	0	0	1
Acetaldehyde	3	23	0	0	26	0
Aniline	0	0	0	0	0	3
Ethyl benzene	3	0	0	0	3	61
Ethylene glycol	0	13	0	0	13	3
Vinyl acetate	24	0	0	0	24	0
Dinitrotoluene	0	1	0	0	1	0
Dimethyl formamide	0	0	0	0	0	43
Styrene	35	0	0	0	35	256
Water soluble copper salt	0	3	0	0	3	65
Toluene	60	0	0	0	60	38
Secondary carbon sulfide	0	1	0	0	1	0
Hydroquinone	0	1	0	0	1	0
Butadiene	8	0	0	0	8	129
Phthalic acid bis (2-ethyl hexyl)	0	0	0	0	0	3
Hydrogen fluoride	1	1	0	0	2	20
Boron and boron compounds	0	9	0	0	9	18
Methacrylic acid 2-ethyl hexyl	0	0	0	0	0	2
Methyl methacrylate	3	0	0	0	3	25
Total	143	52	0	0	195	719
Dioxins (mg-TEQ) (see note 2)	213	30	0	0	243	0

Units: tons (excluding dioxins)

Notes:
1. PRTR: The Pollutant Release and Transfer Register is a framework for statistically assessing, analyzing, and disclosing data on hazardous chemical substances according to their origins, environmental discharges, and concentrations in waste transported from plants and research laboratories.
2. Dioxins: Dioxin is a common name for organic chlorinated compounds classified as polychlorinated dibenzodioxins. The word generally covers toxic substances that closely resemble dioxins generated from burning chlorinated substances.

03 Environmental Accounting

In fiscal 2006, we began accounting for our investments, spending, and environmental and economic effects to assess the impact of our conservation investments.

Coverage: Plants and Central Research Center
Period: April 1, 2007, to March 31, 2008

1. Conservation Costs

We increased our investments more than three times in fiscal 2007, of which 50% was for initiatives to reduce environmental impact and another 46% was to reduce energy consumption.

Category	Details	Conservation costs (millions of yen)	
		Investments	Expenses
1. Business site costs		2,740	2,330
①Pollution prevention	Environmental impact reduction measures	1,370	1,520
②Conservation	Conserving energy	1,270	0
③Recycling resources	Using resources effectively	104	815
2. Upstream and downstream costs	Changing raw materials	0	0
3. Administrative costs	Environmental education	0	8
4. R&D costs	Conservation	0	933
5. Social activity costs	Community relations	0	3
6. Environmental damage costs		0	227
7. Others		0	0
Total		2,740	3,500

2. Conservation Effects

We calculated the environmental load data.

Environmental load	Units	Fiscal 2006 results	Fiscal 2007 results	Effects
CO_2 (from energy sources)	tons	3,200,000	3,110,000	90,000
PRIR emissions	tons	221	195	26
NO_x emissions	tons	5,680	5,900	▲220
SO_x emissions	tons	2,080	1,740	340
Soot and dust emissions	tons	147	150	▲3
Water used	Cubic meters	87,100,000	83,200,000	3,900,000
COD・BOD discharges	tons	1,670	1,630	40
Waste	tons	121,000	112,000	9,000
Final waste disposal	tons	3,660	2,930	730
CO_2 emissions from transportation	tons	51,000	48,000	3,000

3. Economic Effects

We calculated proceeds from selling wastes, energy savings, reductions in waste treatment costs, and profit improvements.

Category	Item	Details	Effects (millions of yen)
Profits	Proceeds from selling waste from core operations and income from recycling wastes	Sales profits	596
Cost reductions	Lowering energy costs by conserving energy	Conserving energy	229
	Reducing waste treatment costs by using or recycling resources	Using resources effectively	10
	Improved yields		269
Total			1,100

Our Environmental Accounting Approach

After DENKA began publishing its CSR Report in fiscal 2006, we began calculating environmental accounting data in keeping with the guidelines of the Ministry of the Environment. I think that there is still scope for improvements to satisfy all our stakeholders. We greatly increased our investments in fiscal 2007. They included allocations for local environmental efforts at the Omi Plant, particularly on equipment to reduce odors. We have yet to calculate conservation and economic effect data for those endeavors. Still, this is one illustration of how we are pursue environmental improvements.

Hiroshi Nishikawa
General Manager of Environment and Safety Department

04 Environmental Performance

We disclose performance data for environmental activities at six plants.

Environmental Performance Data

Plants	Item	Units	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008 targets
Omi Plant	Energy consumption rate	Compared with fiscal 1990	0.92	0.92	0.96	0.91
	CO_2 (from energy sources)	tons	1,040,000	1,070,000	1,050,000	1,040,000
	PRTR emissions	tons	45	36	42.7	19.3
	NOx emissions	tons	3,890	4,030	4,220	4,120
	SOx emissions	tons	2,470	1,730	1,510	1,630
	Soot and dust emissions	tons	124	128	137	148
	Water used	tons	73,000,000	71,710,000	69,100,000	—
	COD (BOD) discharges	tons	1,290	1,590	1,600	1,100
	Waste	tons	92,000	89,600	79,900	87,500
	Final waste disposal	tons	1,700	1,190	1,470	1,790
Omuta Plant	Energy consumption rate	Compared with fiscal 1990	0.98	0.96	0.92	0.92
	CO_2 (from energy sources)	tons	140,000	110,000	120,000	120,000
	PRTR emissions	tons	6	6	8	8
	NOx emissions	tons	1,220	1,140	1,160	1,400
	SOx emissions	tons	1	1	2	1
	Soot and dust emissions	tons	5	5	4	4
	Water used	ton	1,230,000	1,200,000	1,300,000	1,300,000
	COD (BOD) discharges	tons	1	1	1	1
	Waste	tons	7,390	7,020	8,980	10,100
	Final waste disposal	tons	2,970	2,180	1,190	375
Chiba Plant	Energy consumption rate	Compared with fiscal 1990	0.89	0.88	0.83	0.83
	CO_2 (from energy sources)	ton	610,000	560,000	500,000	490,000
	PRTR emissions	tons	174	171	138	124
	NOx emissions	tons	540	485	508	508
	SOx emissions	tons	364	326	209	193
	Soot and dust emissions	tons	12	14	8	10
	Water used	tons	9,810,000	9,860,000	9,730,000	9,790,000
	COD (BOD) discharges	tons	45	68	24	24
	Waste	tons	23,500	23,100	22,000	22,400
	Final waste disposal	tons	171	206	211	203
Shibukawa Plant	Energy consumption rate	Compared with fiscal 1990	1.33	1.18	1.01	0.99
	CO_2 (from energy sources)	tons	10,000	10,000	10,000	10,000
	PRTR emissions	tons	5	6	5	6
	NOx emissions	tons	29	10	9	13
	SOx emissions	tons	35	27	25	28
	Soot and dust emissions	tons	0	1	1	1
	Water used	tons	5,270,000	3,920,000	2,700,000	2,700,000
	COD (BOD) discharges	tons	11	9	3	3
	Waste	tons	737	474	552	458
	Final waste disposal	tons	44	19	13	4
Ofuna Plant	Energy consumption rate	Compared with fiscal 2002	0.93	0.84	0.79	0.76
	CO_2 (from energy sources)	tons	10,000	10,000	10,000	10,000
	PRTR emissions	tons	2	1	1	2
	NOx emissions	tons	5	3	4	3
	SOx emissions	tons	0	0	0	0
	Soot and dust emissions	tons	2	0	0	0
	Water used	tons	63,000	67,000	67,000	—
	COD (BOD) discharges	tons	0	0	0	0
	Waste	tons	299	200	194	187
	Final waste disposal	tons	31	13	13	12
Isesaki Plant	Energy consumption rate	Compared with fiscal 2005	—	0.99	0.95	0.95
	CO_2 (from energy sources)	tons	—	10,000	10,000	10,000
	PRTR emissions	tons	—	0	0	0
	NOx emissions	tons	—	0	0	0
	SOx emissions	tons	—	0	0	0
	Soot and dust emissions	tons	—	0	0	0
	Water used	tons	—	—	320,000	360,000
	COD (BOD) discharges	tons	—	0	0	0
	Waste	tons	—	275	211	200
	Final waste disposal	tons	—	59	28	7

Serving Shareholders and Investors

In fiscal 2007, we achieved much in electronics and pharmaceuticals,a which are driving our growth. We also did well in the chloroprene rubber business, a key earnings source.
We will pursue further progress through “DENKA100”.

For institutional investors

We held a full-year results orientations in May 2007 and an interim one in November analysts, fund managers, and other institutional investors. We disclosed our environmental efforts and focuses and arranged small meetings and individual orientations and distributed videos explaining our financial results on our website.

Results orientation >>

For individual investors

We held many orientations around Japan, including in Niigata, Sendai, and Nagoya, to present our results performances and business sites and outline each operation. Many attendees gave their views their opinions and asked questions. These events helped the public to better understand DENKA.

<< Company orientation

01 Consolidated Financial Highlights

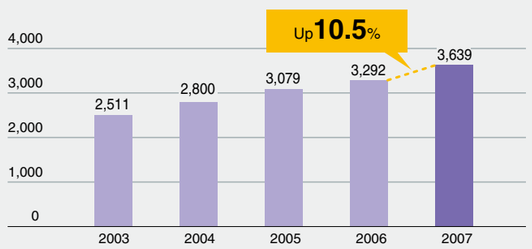
Below are our key financial results for the past five years

(Millons of yen)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Net sales	251,116	280,033	307,923	329,262	363,996
Operating income	21,451	25,585	26,069	29,877	29,912
Ordinary profit	17,610	21,897	23,913	26,006	24,918
Net income	10,554	13,587	15,365	15,734	6,660
Total assets	315,742	328,248	349,689	365,301	375,364
Total net assets	114,964	130,715	146,148	164,643	161,870
Shareholders' equity ratio (%)	36.41	39.82	41.79	43.52	41.57
Net income per share (yen)	21.70	27.70	31.08	32.03	13.57
Total net assets per share (yen)	238.13	265.71	297.23	323.81	317.91

(Hundred million of yen)

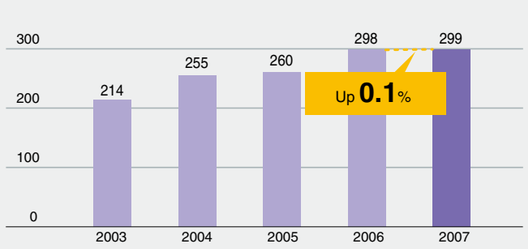
Net Sales



- The increase reflected higher prices in response to hikes in raw materials costs.

(Hundred million of yen)

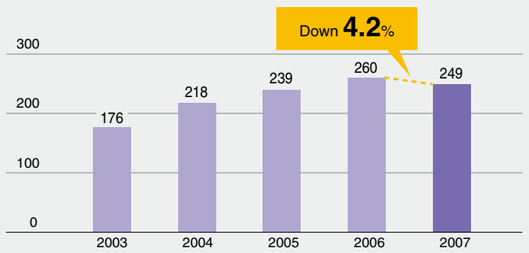
Operating Income



- Boosted prices to offset higher raw materials costs.
- Fixed asset depreciation rose following a tax law revision.

(Hundred million of yen)

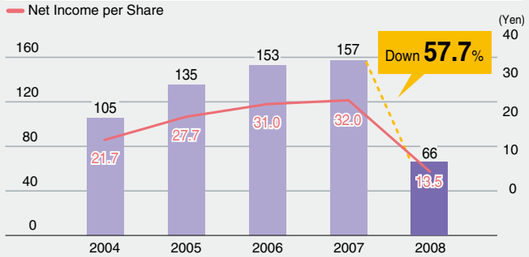
Ordinary Profit



- The drop reflected foreign exchange losses stemming from the yen's rapid appreciation.

(Hundred million of yen)

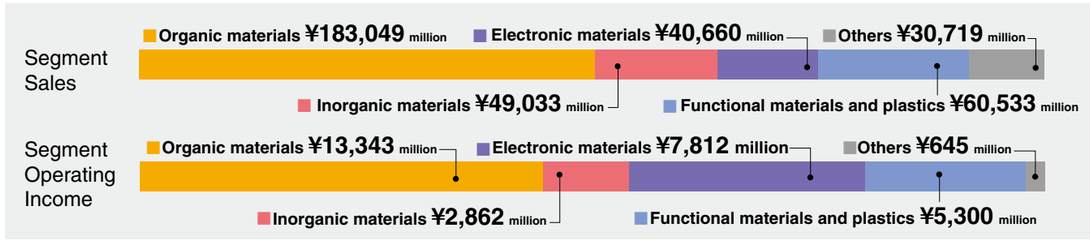
Net Income



- The decline was because of expense allowance allocations under the European Union's Competition Law.

02 Review of Operations in Fiscal 2007

Presenting results from our principal business segments.



Organic Materials

50.3%

Including raw materials for synthetic resin, synthetic resin, acetic chemical products, and synthetic rubber

Sales of styrene monomer rose on a surge in exports and price increases to reflect higher raw materials costs. Subsidiary Denka Singapore boosted polystyrene resin sales after boosting production capacity. Exports helped improved sales of AS resin and ABS resin.

Functional resin sales were up in Japan, mainly because of the greater use of specialty resin CLEAREN as shrink film on PET bottles. Denka Singapore's sales volumes of transparent polymers and CLEAREN were less than projected despite the launch of new facilities a year earlier.

Sales of vinyl acetate increased because higher prices offset a decrease in volume. Sales of PVA were up on a rise in exports and domestic and overseas price rises.

Sales of chloroprene rubber improved because exports grew, mainly for automotive and adhesive applications, and prices increased. Domestic and overseas volumes gained for acetylene black, particularly high-grade versions, for higher sales.

As a result of these factors, segment sales advanced ¥29,422 million, or 19.2%, to ¥183,049 million.

From left: Transparent polymer used in flat-panel television sets; CLEAREN film for PET bottle labels; and chloroprene rubber used in windshield wipers and other automotive parts

Inorganic Materials

13.5%

Fertilizer and inorganic chemical products, cement, and special cement additives

Sales of calcium cyanamide and AZUMIN magnesium humate fertilizer increased on volume gains. Higher volumes and prices boosted sales of alumina cement and FIRELEN nitrogen compound and other refractories.

At cement and ready-mix concrete manufacturing and sales subsidiaries, volumes and sales were down amid drops in public sector investment and in large corporate projects.

The operating climate was generally tough in special cement additives, despite export growth, and sales of these offerings declined.

Segment sales slipped ¥603 million, or 1.2%, to ¥49,033 million.

From left: Calcium Carbaide; a cement plant that accepts and recycles wastes and other materials; and a bridge incorporating our non-shrink grout additive

Electronic Materials

11.2%

Electronic products, electronic packaging materials, and functional ceramics

In electronic products, sales volumes of electronic circuit substrates and other thermally conductive products increased for information technology equipment, industrial power supplies, and electric trains. Volumes were also up for HARDLOC OP lens adhesive and HARDLOC UV, which cures under ultraviolet light. These adhesives are for optical lenses and other applications.

In electronic packaging materials, we boosted volumes and sales with cover-tape film for embossed carrier tapes used to transport electronic parts and semiconductors, as well as embossed carrier sheets, and ELEGRIP TAPE for dicing and grinding semiconductor wafers.

In the functional ceramics category, demand for spherical fused filler for semiconductor sealants fell owing to customer inventory adjustments in the fourth quarter of the year. Volumes were up, however, as a result of higher demand for high-performance offerings delivering minimal environmental impact. Singaporean subsidiary Denka Advantech Pte., Ltd. boosted its sales of spherical fused filler. DENAL SILANE's sales volumes of MONOSILANE GAS basically unchanged.

Segment sales climbed ¥3,076 million, or 8.2%, to ¥40,660 million.



From left: Carrier and cover tape for transporting electronic parts; FUSED SILICA FILLER for semiconductor packaging; and DENKA THERMALLY CONDUCTIVE and SPACER, which contributes to the heat resistance and compactness of electrical equipment

Functional Materials and Plastic Products

16.6%

Packaging, construction, and industrial materials, and medical and pharmaceutical products

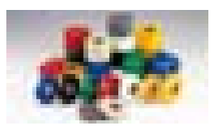
Sales grew for biaxially OPS sheet used in food packaging owing to price rises we made in response to an increase in raw materials costs. Nonetheless, the operating climate was difficult for packaging materials, owing to delays at DENKA Polymer in transferring higher plastic product costs to customers.

Volumes declined in construction materials, partly because of the impact of the amended Building Standards Law on demand for plastic rain gutters. Lackluster demand depressed volumes for corrugated pipes used in agriculture and engineering.

In industrial materials, volumes and sales rose for TOYOKALON synthetic fiber for wigs, reflecting demand growth in North America and Africa.

In pharmaceuticals, volumes grew steadily for SUVENYL, a high-molecular-weight hyaluronic acid preparation that improves joint functions. DENKA SEIKEN posted record sales following a surge in measles, which boosted demand for diagnostic reagents, as well as a jump in demand for influenza vaccines.

Sales for this segment therefore advanced ¥3,847 million, or 6.8%, to ¥60,533 million.


From left: OPS food containers; VINI-TAPE electrical insulating tape; and SUVENYL preparation for improving joint functions

Topic

DENKA SEIKEN Co., Ltd. became a wholly owned subsidiary

We made DENKA SEIKEN Co., Ltd. a wholly owned subsidiary on April 1, 2008, following a share swap.

That company specializes in making vaccines and diagnostic reagents. It is playing an increasingly important social role amid growing concerns worldwide about the potential for pandemics from new or revived influenza strains, as well as greater public interest in Japan in preventing metabolic and other illnesses.


Flu-Syringe (SEIKEN), prefilled with an influenza HA vaccine

CRP-Latex inflammation marker

HDL and LDL diagnostic reagents

03 Research and Development Activities of DENKA Group

We cultivate proprietary technologies to develop highly specialized and functional products.

Our research and development structure focuses on specific fields and links closely with production sites so we can flexibly apply our technologies and R&D results.

Research and Development Structure

We reinforce our existing offerings with proprietary technologies while cultivating peripheral technologies to develop highly functional products. A key priority is to rapidly meet market demands. In fiscal 2007, we allocated ¥9.7 billion to R&D operations, which employed 613 researchers.

1 Organic Materials

We evolve production technologies, improve quality, and create new styrene-based functional resins, including transparent and thermal resins and shrink materials. In the promising chloroprene rubber field, we are developing new processes based on facilities upgrade plans to enhance our competitive edge.

2 Inorganic Materials

In special cement additives, we are focusing on new product development. Examples include fiber-reinforced concrete for a growing maintenance and repair market, and ultrahigh strength, high-durability concrete products. In alumina fiber, we are looking into new markets, particularly automotive applications.

3 Electronic Materials

In electronic components, we are investing aggressively to cultivate products and markets for thermal substrates and other components. That is because we expect demand to increase in the growing LED market and energy conservation fields. We are working on functional adhesives that harness our ultraviolet light-curing technology. We are meeting market needs by stepping up development in tapes for transporting electronic components and adhesive tapes for protecting and fastening semiconductor wafers. In spherical fused silica, and spherical alumina for semiconductor sealants and thermal materials, we are boosting efforts in nanofillers and other functional fine particles.

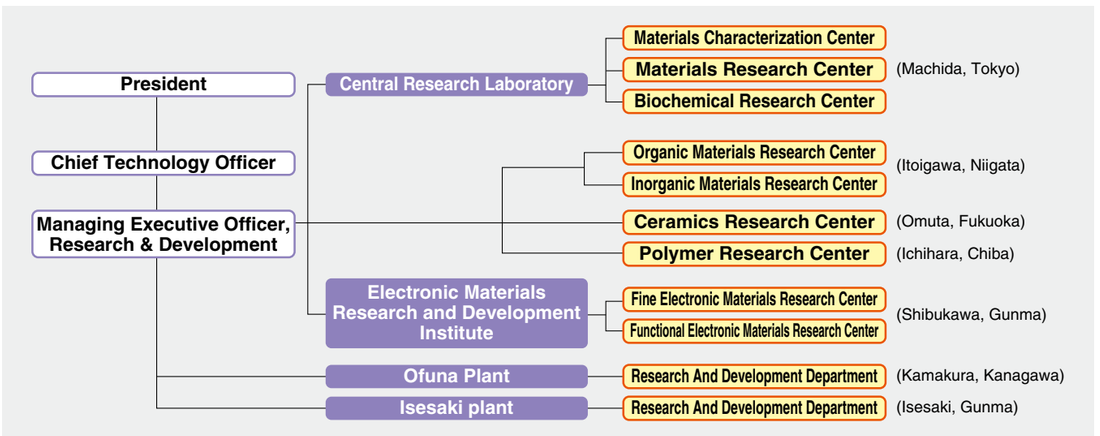
4 Functional Materials and Plastics

In polymer processing products for packaging, construction, and industrial materials, we aim to expand by taking advantage of our technological prowess from film and sheet manufacturing, profile extrusion, and adhesive applications. A prime R&D priority in pharmaceutical products is fermented high molecular hyaluronic acid to improve joint function. Another is to create new applications that take advantage of the properties of hyaluronic acid. As well as developing safe and effective vaccines, DENKA SEIKEN is working on bacterial diagnostic reagents to detect infectious diseases, as well as virus, clinical biochemistry, and immunity diagnostic reagents.

5 Other Businesses

Denka Engineering Co., Ltd. designs and installs industrial equipment. Its R&D is focusing on more efficient pneumatic transfer equipment for powders and waste water treatment facilities.

Research and Development Organization (as of October 2008)



04 Production and Marketing Bases

Our six plants in Japan collaborate with production and marketing bases around the globe.

European Marketing Unit

❶DENKA Chemicals GmbH (Düsseldorf)

New Marketing units in Hong Kong and Taiwan

We opened units in Hong Kong and Taiwan to cater for the fast-growing Chinese market.

❸Denka Chemicals Shanghai Co., Ltd. Marketing Unit
❹Denka Advanced Materials (Suzhou) Co., Ltd. Plant
❺Denka Chemicals Hong Kong Ltd. Marketing Unit
❻Denki Kagaku Kogyo Kabushiki Kaisha Taiwan Representative Office Marketing Unit

Shanghai

Suzhou

North American Marketing Unit

❼Denka Corporation (New York)

❷DENKA Singapore Group

DENKA Singapore Pte., Ltd. Merbau Plant

The plant manufacturers acetylene black, an amorphous carbon that is essential for dry cell batteries and other products. In fiscal 2007, the plant undertook such CSR initiatives as reducing paper bag losses, strictly complying with air and water quality requirements, and preventing soil pollution, as well as having small teams focus on machinery maintenance. The plant obtained an upgrade to the 2004 version of ISO14001.

DENKA Singapore Pte., Ltd. Seraya Plant

In 2006, this plant built new styrene-based resin facilities to create the world's largest facility of its type. In fiscal 2007, the plant collaborated with other companies to convert all waste oil into boiler fuel, conducted closed samplings to test shipments, and reduced packaging materials by opting for bulk transportation. The plant obtained an upgrade to the 2004 version of ISO14001.

DENKA Advantech Pte., Ltd. Tuas Plant

This plant, together with the Omuta Plant, have the top global market share in spherical fused silica fillers. In fiscal 2007, the plant improved material-specific consumption, strictly complied with air and water quality requirements, managed hazardous wastes, and increased recycling. The plant obtained an upgrade to the 2004 version of ISO14001.

DENKA Singapore Pte., Ltd. DENKA Advantech Pte., Ltd.

Hong Leong Office (Singapore)

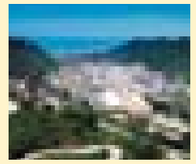
Activity Results

This table highlights environmental initiatives at three plants.

	Activity	Goal	2005	2006	2007	2007 activity
Merbau Plant	Manage wastes	Less than 0.5% of paper bag losses	0.3	0.3	0.2	Machinery maintenance by small group activities
Seraya Plant	Effectively use resources	360 liters per hour in 2008	80	260	260	Collaborated with other companies to transform all waste oil into fuel
Tuas Plant	Manage wastes	Less than 2% of loss rate	1.2	2.4	2.1	Improved material-specific consumption

Domestic Operations

1. Omi Plant



This facility maintains unique lime and calcium carbide businesses. It takes advantage of ample resources that include Mt. Kurohime, a mountain made entirely of limestone. Reserves are an estimated 5 billion tons. The plant also operates a 170,000-kilowatt power plant.

2. Omuta Plant

This longest-serving DENKA plant harnesses proprietary electrical furnace, high-temperature, and nitride technologies to create leading-edge ceramics. It is also our prime site for inorganic chemistry products, and has entered such new fields as functional ceramics and electronics materials.

3. Chiba Plant

This is one of Japan's biggest styrene monomer facilities. It is boosting its capabilities in functional resins, including TRANSPARENT POLYMERS and CLEAREN. It is also focusing on petrochemicals, including ER rubber, and spearheads styrene-based resin operations, notably for polystyrene and ABS resin.

4. Shibukawa Plant

After we launched this plant to manufacture general-purpose chemical products, the facility began making fine chemicals. It is our main production base for organic-based electronic materials, such as electronic circuit boards, Emitters, and structural adhesives.

5. Ofuna Plant

This facility develops and manufactures synthetic fibers and packing tape, drawing on ejection molding and adhesion coating technologies. It recently augmented its lineup with highly functional films to become a core operation for our resin-processing business.

6. Isesaki Plant

This plant makes sheets and films for transporting semiconductor and electronic parts. It also offers food packaging products. It is exploring new horizons for plastics by combining its development expertise in resin materials and processing technologies. The plant also maintains a facility in Ota.

7. Central Research Center

This facility is focusing on highly function products that draw on core and peripheral technologies. It is the Group's main R&D facility, and is undertaking new initiatives to attain the goals of "DENKA100".

05 Major Affiliates

We maintain a diverse group of companies that includes DENKA Polymer, which mainly manufactures food trays and packaging materials, and DENKA SEIKEN, which specializes in vaccines and diagnostic reagents.

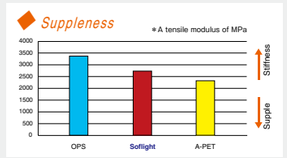
DENKA Polymer Co., Ltd.

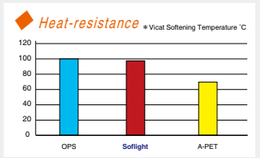
Address Head Office: 12-8 Kiba, 5-chome, Koto-ku, Tokyo
Plants: 3 in Chiba Prefecture (Sakura, Goi, Katori)
Employees 490
Major Products OPS products, PSP food trays, food containers, Soflight products, packaging wrap, agricultural packs

Major Activities and Achievements

We pursued weight reductions in all products so our containers can alleviate environmental impact and conserve resources and energy.
For example, we drew on our Group strengths as an integrated manufacturer of everything from monomers to finished products to innovate Soflight.
Soflight is:

1. A next generation, lightweight, and transparent raw material that overcomes the vulnerability of OPS to cracks because it is both rigid yet supple.
2. Around 40% lighter than A-PET and saves resources.





DENKA SEIKEN Co., Ltd.

Address Head Office: 4-2 Kayaba-cho, 3-chome, Nihonbashi, Chuo-ku, Tokyo
Plant: Gosen City, Niigata (Niigata Plant, Kagamida Plant)
Employees 500
Major Products Influenza vaccines, virological diagnostic reagents, bacteriological diagnostic reagents, immunological diagnostic reagents, clinical chemistry diagnostic reagents, and general biological diagnostic reagents

Major Activities

Strengthening communications with local residents and other external stakeholders

Achievements

- Each department basically reached energy-saving targets.
- The Kagamida Plant started to operate equipment to treat BOD waste water.
- Responding to a complaint about noise from new building construction, we identified the noise source and undertook work to address the problem.
- There were four complaints about noise and smell in fiscal 2007, or half the number of a year earlier.
- The Kagamida Plant implemented an earthquake drill.


Niigata Plant


Kagamida Plant

CRK Corporation

Address 306-banchi, Koyagi-cho, Takasaki City, Gunma
Employees 78
Major Products Rubber compounds, industrial rubber products, fire-resistant rubber products, butyl adhesive tape, water swelling leakage stop rubber tape, quakeproof manhole joints

Major Activities and Achievements

■Environmental activities
We took steps to prevent source waste emissions by enhancing yields and preventing defects. During the year, wastes increased only slightly despite significantly higher new product sales, and yields improved.
■Safety and hygiene activities
We continually identified and eradicated hazards to ensure employee safety and hygiene.

Community Relations

■We participated in community events in the industrial park.

■Every month, we cleaned and beautified within and outside the premises, including the streets around the site.

Hinode Kagaku Kogyo

Address 660 Aza Kuratani, Maizuru City, Kyoto
Employees 49
Major Products YORIN (fused magnesium phosphate) and TORETARO (fused silicate phosphate fertilizer)

Major Activities

■We complied with environmental legislation and prevented accidents and disasters by boosting employee awareness through education and training programs.
■We conserved energy and resources and reduced discharges.
■We participated in community environmental activities.

Achievements

■We took part in cleanups.

Community Relations

■The Society for Maizuru's Waterways and Sea visited our site as part of its patrols of businesses.

■We participated in the Maizuru Clean Campaign.

Others

■The Maizuru City Hazardous Materials Safety Association gave us an award for business excellence.

DENKA Azumin Co., Ltd.

Address 118, 5 Chiwari, Nimai-bashi, Hanamaki City, Iwate
Employees 23
Major Products Azumin (magnesium humate fertilizer)

Major Activities

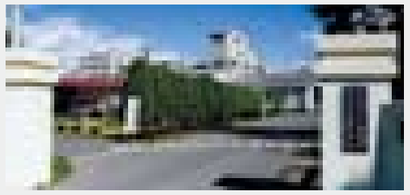
■We continued efforts to eliminate accidents and disasters through the activities of three sub-committees (the Safe-Operation Committee, the Safety Patrol Committee, and the Environment Committee). We also met with the Omi Plant to exchange safety information.
■We conducted a fire drill with the local fire department.

Achievements

■We remained free of accidents and fires or other disasters in fiscal 2007.

Community Relations

■We permitted semiannual patrols by the Anti Pollution Measure Council, a local citizen's group, and exchanged information.



■Four local plants including us took part in an annual information exchange meeting with a local pollution prevention council and the City of Hanamaki's Lifestyle and Environmental Department.
■We met with four local companies (Iwate Kumiai Hiryo, Kitanihon Kumiai Feed, and Asuplaza Yamabiko) to exchange disaster information and confirm mutual emergency assistance arrangements.

06 Presenting Our Consolidated Financial Statements

Consolidated Financial Statements

Financial Statements (Consolidated)

Consolidated Balance Sheets (Summary) (Millions of Yen)

Account item \ Amount	As of March 31, 2008	As of March 31, 2007
Assets		
Current assets	134,284	126,446
Cash and time deposits	3,212	3,879
Notes and accounts receivable	71,037	66,937
Inventories	47,575	44,555
Other current assets	12,679	11,285
Allowance for doubtful accounts	△ 221	△ 211
Fixed assets	241,080	238,854
Property, plant and equipment	185,683	184,456
Intangible fixed assets	2,240	2,901
Investment securities	41,175	46,394
Other	12,152	5,355
Allowance for doubtful accounts	△ 171	△ 252
Total assets	375,364	365,301

(Millions of Yen)

Account item \ Amount	As of March 31, 2008	As of March 31, 2007
Liabilities and Shareholders' Equity		
Current liabilities	161,319	150,914
Notes and accounts payable	53,554	58,325
Short-term bank loans	48,632	45,553
Commercial paper	5,000	2,000
Current portion of corporate bonds	10,000	10,000
Other current liabilities	44,132	35,035
Long-term liabilities	52,173	49,743
Corporate bonds	20,000	20,000
Long-term debt	8,696	12,585
Other long-term liabilities	23,477	17,157
Total liabilities	213,493	200,657
Net Assets		
Shareholders' equity	138,176	138,885
Common stock	36,998	36,998
Capital surplus	41,576	41,563
Retained earnings	60,286	60,855
Treasury stock, at cost	△ 684	△ 533
Valuation and translation adjustments	17,845	20,103
Minority interests	5,848	5,654
Total net assets	161,870	164,643
Total liabilities and net assets	375,364	365,301

Consolidated Financial Statements

Financial Statements (Consolidated)

Consolidated Statements of Income (Summary) (Millions of Yen)

Account item \ Amount	Fiscal 2007	Fiscal 2006
Net sales	363,996	329,262
Cost of sales	283,833	250,001
Selling, general and administrative expenses	50,250	49,383
Operating income	29,912	29,877
Non-operating income	2,328	2,524
Non-operating expense	7,321	6,395
Ordinary profit	24,918	26,006
Extraordinary gains	77	—
Extraordinary losses	7,883	—
Income before income taxes	17,112	26,006
Current	7,669	9,705
Deferred	2,360	205
Minority interest in earnings of consolidated subsidiaries	423	361
Net income	6,660	15,734

Consolidated Statements of Cash Flows (Summary) (Millions of Yen)

Account item \ Amount	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007
Net cash provided by operating activities	22,944	25,064
Net cash used in investing activities	△ 21,668	△ 22,057
Net cash used in financing activities	△ 1,815	△ 4,877
Effect of exchange rate changes on cash and cash equivalents	△ 139	19
Net increase (decrease) in cash and cash equivalents	△ 678	△ 1,851
Cash and cash equivalents at the beginning of the year	3,841	5,710
Increase of cash and cash equivalents resulting from inclusion and exclusion of subsidiaries from consolidation	—	△ 17
Cash and cash equivalents at the end of the year	3,162	3,841

Consolidated Statements of Shareholder' Equity FY2007 (April 1, 2007, to March 31, 2008)

(Millions of Yen)

	Shareholders' equity					Valuation and translation adjustments				Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Unrealized gain on securities	Gains (Losses) on deferred hedge	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2007	36,998	41,563	60,855	△ 533	138,885	11,403	8,596	103	20,103	5,654	164,643
Changes of items during the term											
Dividends from retained earnings			△ 4,663		△ 4,663				—		△ 4,663
Net income			6,660		6,660				—		6,660
Net increase in treasury stock				△ 241	△ 241				—		△ 241
Gain on sales of treasury stock		12		90	102				—		102
Net changes of items other than shareholders' equity			△ 2,566		△ 2,566	△ 4,208	2,566	△ 615	△ 2,258	193	△ 4,630
Total changes of items during the term	—	12	△ 569	△ 151	△ 708	△ 4,208	2,566	△ 615	△ 2,258	193	△ 2,772
Balance at March 31, 2008	36,998	41,576	60,286	△ 684	138,176	7,194	11,163	△ 512	17,845	5,848	161,870

Corporate Data (as of March 31, 2008)

Established: May 1, 1915

Paid-in capital: ¥36,998,436,962

Number of employees: 4,653 (consolidated) and 2,687 (non-consolidated)

Directory

Head Office:

Nihonbashi Mitsui Tower, 1-1, Nihonbashi Muromachi 2-chome, Chuo-ku, Tokyo 103-8338, JAPAN

Tel: +81-3-5290-5055

Branches

Osaka, Nagoya, Fukuoka, Niigata, Hokuriku (Toyama), Sapporo, and Tohoku (Sendai)

Sales Offices

Nagano, Takasaki, Shizuoka, Hiroshima Takamatsu, Akita, Ageo, and Taipei, Taiwan

Plants

Omi (Niigata), Omuta (Fukuoka), Chiba, Shibukawa (Gunma), Ofuna (Kanagawa), and Isesaki (Gunma)

Research Center

Central Research Center (Tokyo)

Overseas Subsidiaries

New York, Dusseldorf, Singapore, Shanghai, Shuzhou, and Hong Kong

Board of Directors (as of June 27, 2008)

Directors, Corporate Auditors, and Executive officers

Seiki Kawabata	President and Representative Director, Chief Executive Officer
Higashi Ito	Representative Director, Executive Vice President, Chief Operating Officer
Koji Minai	Representative Director, Senior Managing Executive Officer
Toshio Hiruma	Director, Senior Adviser
Takashi Toratani	Director, Managing Executive Officer
Shigetoshi Toyooka	Director, Managing Executive Officer
Tetsuro Maeda	Director, Managing Executive Officer
Shinsuke Yoshitaka	Director, Senior Executive Officer
Kozo Tanaka	Outside Director
Tadasu Horikoshi	Outside Director
Nobuyoshi Sakuma	Senior Executive Officer
Kuniaki Taketomi	Senior Executive Officer
Hitoshi Watanabe	Senior Executive Officer
Kenichi Ono	Senior Executive Officer
Mamoru Hoshi	Senior Executive Officer
Takashi Fukuda	Senior Executive Officer
Akira Kobayashi	Executive Officer
Haruo Kimura	Executive Officer
Hideo Oishi	Executive Officer
Tatsuhiro Aoyagi	Executive Officer
Mitsukuni Ayabe	Executive Officer
Daiichiro Uematsu	Executive Officer
Shotaro Fujii	Executive Officer
Shinji Sugiyama	Executive Officer
Shigeru Matsumoto	Executive Officer
Yukinori Totake	Standing Corporate Auditor
Takayasu Tanaka	Outside Standing Corporate Auditor
Kenichi Tsuchigame	Corporate Auditor
Toshiaki Tada	Outside Corporate Auditor

Shareholder Information (as of April 1, 2008)

Presenting data subsequent to share exchange with DENKA SEIKEN Co., Ltd.

Total number of authorized shares 1,584,070,000

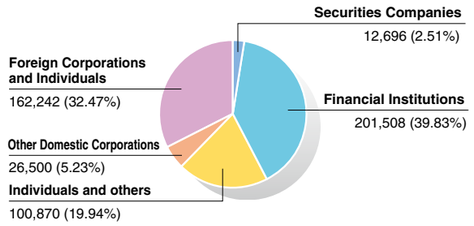
Shares of common stock issued 505,818,645

Number of shareholders 47,518

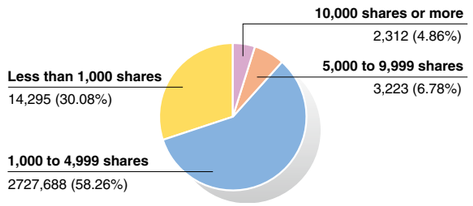
Major Shareholders

Shareholders	Number of shares held (thousands)	Percentage of shares held (%)
	(thousands)	%
Japan Trustee Service Bank, Ltd. (Trust Account)	42,257	8.35
The Master Trust Bank of Japan, Ltd. (Trust Account)	36,688	7.25
National Mutual Insurance Federation of Agricultural Cooperatives	21,965	4.34
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	15,275	3.01
Mitsui Life Insurance, Co., Ltd.	11,908	2.35
The Sumitomo Trust & Banking Co., Ltd. (Trust Account B)	10,873	2.14
Trust & Custody Services Bank, Ltd. (Securities Investment trust Account)	7,260	1.43
Mitsui Sumitomo Insurance Co., Ltd.	6,916	1.36
Mellon Bank N.A. as Agent for Its Client Mellon Omnibus US Pension	6,365	1.25
State Street Bank and Trust Company 505103	6,331	1.25

Shareholder Composition (Thousand shares)



Shareholder Composition by Number of Shares Held (persons)

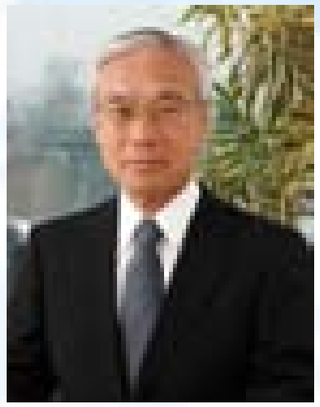


Implementing Third-Party Audits

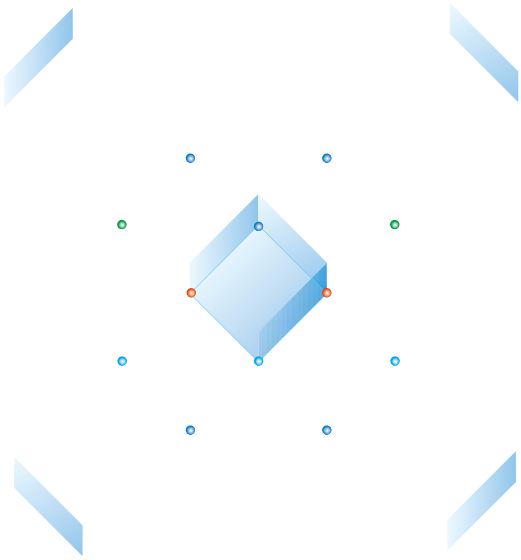
Editorial Afterword

Thank you for reading the CSR Report 2008.
We published our first Environmental Report in fiscal 2000 to document our environmental, safety, and hygiene efforts. We issued our first CSR Report in fiscal 2007 to expand on the Environmental Report.
The Hokkaido Toyako Summit in 2008 illustrated that it has become more important for the global community to reduce carbon dioxide emissions and otherwise safeguard the environment. We are committed to stepping up our environmental protection efforts to fulfill our responsibilities as a good corporate citizen.
We would greatly appreciate your feedback on this report. We would like the opinions of as many stakeholders as possible, and aim to reflect those views in our CSR activities. We hope that the report enhances understanding of DENKA's activities and efforts.

September 2008



Higashi Ito
Executive Vice President and
Chief Operating Officer



DENKA CSR REPORT 2008

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