

DENKA
DENKI KAGAKU KOGYO KABUSHIKI KAISHA

www.denka.co.jp/eng

CSR Report 2012



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* Responsible Care as it pertains to the chemical industry is defined as an approach to business activities in which manufacturers and handlers of chemical substances, in line with the principles of self-determination and individual responsibility, conduct the self-management of environmental and safety issues surrounding aspects of chemical substances, from development through to disposal.

Editorial Policy

DENKA set up its CSR Promoting Dept. in April 2007 as part of DENKA100, a Companywide initiative to meet new challenges while heading toward its centennial in 2015, and has reported all of its CSR activities since October 2007. (In January 2012, the CSR Promoting Dept. was absorbed by the CSR & Corporate Communications Dept.)

The *CSR Report 2012* features the DENKA Group's response to the Great East Japan Earthquake, which we believe must be given priority of place in our reporting, along with a timely report on our international contributions. In addition, we improved the structure of the *CSR Report*, placing focus on occupational safety and health in light of an unfortunate increase in occupational accidents in fiscal 2011. Furthermore, to facilitate investors' and shareholders' understanding of DENKA, we included consolidated financial highlights.

In preparing this publication, we referred to the *Environmental Reporting Guidelines 2012* by Japan's Ministry of the Environment and Version 3.1 of the *Sustainability Reporting Guidelines* of the Global Reporting Initiative.

Coverage

This report generally covers fiscal 2011—April 1, 2011, through March 31, 2012—however, it also includes numerical targets and performance statistics from dates preceding that period as well as information on subsequent events.

Scope

Unless stated otherwise, the data in this report is based on information on the business sites of DENKA and key affiliates. These sites are the Omi, Omuta, Chiba, Shibukawa, Ofuna and Isesaki plants and the Central Research Institute. The key affiliates are Denal Silane Co., Ltd., Denak Co., Ltd., JUZEN Chemical Corporation at the Omi Plant, and Chiba Styrene Monomer Limited Company, TOYO STYRENE Co., Ltd., and Taiyo Vinyl Corporation at the Chiba Plant.

Financial information presented on page 13 and references thereto is consolidated data.

Website-Only Content

The following references for the *CSR Report 2012* are presented on our website.

(URL: <http://www.denka.co.jp/eng/csr/report/index.html>)

- DENKA100 Corporate Philosophy (Full Version)
- Corporate Governance/Compliance
- The DENKA Group Guidelines
- Information Control/System Administration/Response to Insider Trading Regulations
- Breakdown of Consolidated Net Sales by Principal Business Segment
- Research and Development Activities
- Financial Statements
- Rationalizing Logistics
- Input, Output
- Utilization of Environmental Related Subsidies
- Environmental Accounting
- Occupational Safety and Health Management System
- ISO 14001 and 9001 Management System
- Product Safety Control and Management System
- Environment-Friendly Product Development
- Site Reports

Domestic Business Sites: Omi, Omuta, Chiba, Shibukawa, Ofuna, Isesaki and Denka Innovation Center
Overseas Business Sites: Merbau, Seraya, Tuas, Suzhou and Denka Chemicals Development Suzhou
Major Affiliates: DENKA Polymer, DENKA SEIKEN, CRK, Hinode Kagaku and DENKA Azumin

DENKA100 Corporate Philosophy

Taking on New Challenges as We Near Our Centennial

To Become a Company That Creates New Value from Resources by Fully Employing Our Technological Capabilities

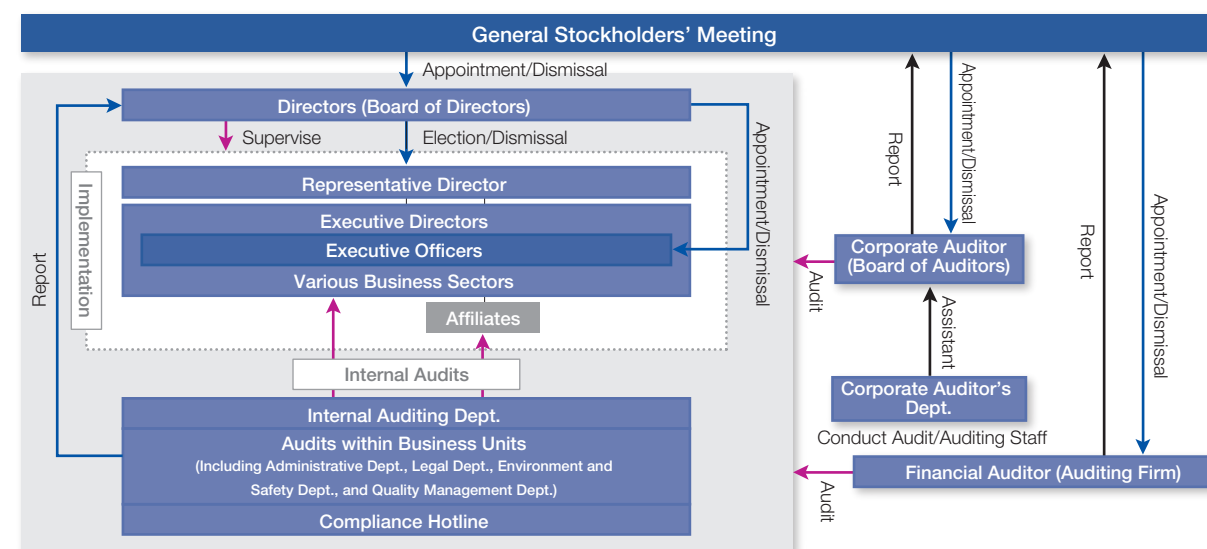
To guide our CSR activities, we established the DENKA Group Guidelines underpinned by the DENKA100 corporate philosophy. We introduce the Guidelines on page 5 of the web-based *CSR Report* references.



For a more detailed look at the six DENKA100 areas of activity, please see page 1 of the web-based *CSR Report* references.

Corporate Governance Overview

To remain a company that deserves social respect and support by meeting the expectations of the stakeholders, we are pursuing the following corporate governance initiatives.

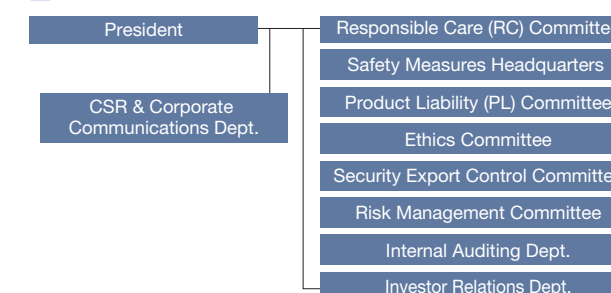


CSR Promotion Structure

To support its CSR activities, DENKA formulated the CSR promotion structure. When a major issue occurs, the department in charge of CSR activities addresses that issue. Daily operations are handled by the CSR & Corporate Communications Dept.

With the aim of facilitating the understanding of all employees with regard to CSR activities so that it can more keenly engage in such activities, the CSR & Corporate Communications Dept. has painstakingly developed an in-house structure to promote CSR. In addition, the CSR & Corporate Communications Dept. publishes the *CSR Report* to deepen the understanding of people outside the DENKA Group of its CSR activities and their status.

CSR Promotion Structure



As of January 2012



Background: A painting entitled "Sankyozawa hydroelectric power plant."
Sankyozawa is where the calcium carbide mass-production method was first developed and applied in Japan.
*Bernard Buffet ©ADAGP, Paris & JASPAR, Tokyo, 2012
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To All of Our Stakeholders

Ongoing Support for the Reconstruction of the Devastated Area

It has been over a year since the Great East Japan Earthquake struck. Once again, we would like to express our heartfelt sympathy and deepest condolences to those who suffered due to the earthquake and sincerely wish for the earliest possible recovery of the devastated areas. Right after the earthquake, we began providing relief aid, supporting the early recovery of railway tracks and other activities. At present, we are promoting reconstruction through our business activities, including the provision of countermeasures against soil liquefaction, products that increase earthquake damage resistance and a fertilizer that improves the fertility of farmland that has suffered salt damage. Moreover, in summer 2011, we launched the Disaster Area Support Program, and over 150 employees have participated in volunteer activities through this program in the areas ravaged by the earthquake and tsunami, including the Minami-Sanriku district. Driven by a desire for the earliest possible recovery of the devastated areas, we will further pursue such support activities together with our employees.

Developing and Improving a Structure That Can Respond to Change

While bringing untold destruction, the Great East Japan Earthquake also prompted us to reconsider our social responsibility as a company. Therefore, in addition to safety and disaster prevention measures, our management issues have expanded to include such matters as the stability of the supply chain and energy saving. Moreover, the rapid escalation of problems associated with nuclear power generation forced the country to take steps against radioactivity and deeply impacted the energy supply. Along with the poor recent economic conditions reflecting such factors as the European sovereign debt crisis and appreciation of yen, these issues helped deepen uncertainty in the management environment.

Given the circumstances, DENKA is strategically implementing DENKA100 Companywide initiatives. We are upholding the strategic goals of developing high-margin products in high-growth market segments and regions to attain further growth, especially overseas. In particular, we newly established and expanded facilities producing heat-resistant modifiers, electronic materials and polymer processing products in Singapore and China. R&D bases were also inaugurated in these two countries. Moreover, we appointed staff to be in charge of special cement additives in regions where social infrastructure is rapidly developing as an emergent sector. We will adapt to this age of change by promptly and accurately assessing trends in the needs of the growing Asian region.

Fulfilling Our Corporate Social Responsibility as a Chemical Company Operating on a Global Basis

As a chemical company, DENKA creates products of value by consuming resources and energy. Accordingly, we have a responsibility to take into consideration such issues as environmental preservation and the reduction of environmental burdens.

To ensure that we can continue to steadily operate production plants that handle a variety of chemical substances, we must implement safety measures that make workers as well as neighboring residents feel at ease. Furthermore, the products we manufacture must satisfy safety requirements and be of high quality to gain the trust of customers. DENKA is participating in Responsible Care (RC) activities promoted by the Japan Chemical Industry Association and striving to improve its operations in light of the entirety of products' life cycles from the perspectives of environmental preservation and safety.

In fiscal 2011, however, we saw an increase in the number of occupational accidents that may lead to grave accidents. In response, we newly established the in-house Safety Countermeasure Committee to analyze such accidents and to implement recurrence prevention measures. In implementing such measures, moreover, we

will thoroughly review our organization to prevent occupational accidents. Also, we promoted grassroots efforts at the worksite level aimed at, for example, implementing the Good Company Program (GCP), which covers a number of initiatives aimed at ensuring greater safety by rejuvenating communication and by raising awareness among workers. We will strive to eliminate occupational accidents by nurturing a safety-oriented corporate culture.

At the same time, we are aware that the expansion of our business overseas entails compliance with the laws, regulations and social ethics of each country in which we operate. We decided not to appeal against the European General Court's judgement in February 2012 pertaining to an allegation of EU Competition Law violation with regard to sales of polychloroprene (see news releases as of January 15, 2008, February 3, 2012, and March 26, 2012, posted on our website). Upon serious reflection, we have resolved to review the existing in-house education system with the aim of deepening employees' understanding of the legal systems enforced in each country. Moreover, we will strive to nurture each employee's legal awareness and thus regain the trust of society.

On the other hand, we licensed our calcium carbide-related technologies to a Chinese company in autumn 2011. Accumulated over many years, DENKA's environmental and energy-saving technologies are expected to significantly contribute to water resource preservation as well as CO₂ reduction. On top of that, among other measures we are augmenting our hydroelectric power plants' generation capacity and strengthening recycling operations at our cement plant. Looking ahead, with the goal of furthering global environmental preservation, we will proactively pursue actions that are unique and can be undertaken only by DENKA. We believe that this is how the DENKA Group will fulfill its social responsibility.

Sincerely Striving to Conform with ISO 26000

Introduced in 2010, the international ISO 26000 CSR standard places emphasis on labor-related CSR and communication with stakeholders. We recognize that a company's growth is dependent on the personal growth of its employees. Accordingly, we uphold "human resource development" as one of the DENKA100 management plan's goals. In line with this goal, we are enhancing education programs, improving human resource management and creating working environments that enable workers to develop their potential. We are also focusing on measures against mental health problems by additionally appointing personnel to take charge of such problems. Moreover, we are developing a training system that will nurture employees who are capable in overseas operations and planning to hire human resources with broader backgrounds.

At our plants and our research facility, we are holding a variety of events intended to facilitate exchanges with people in local communities. In fiscal 2011, we focused on providing chemistry lessons and plant tours especially for elementary school students. It is hoped that such events, by encouraging the interaction of DENKA employees with children and their parents as well as teachers, will facilitate greater understanding of the DENKA Group's business operations as well as nurture interest in chemistry.

As for initiatives to deepen communication with stakeholders, plans call for completing the construction of the "DENKA Innovation Center" in Machida City, Tokyo, by spring 2014. Aiming to create a facility that is open to society, the center will furnish a space where a variety of people will be able to meet and exchange views. For example, the center will host researchers with new ideas or excellent techniques from Japan and overseas. By doing so, we will strive to attain technological innovation in broader fields, including energy and life science, and thus contribute to society.

Business Performance and Social Responsibilities—Inextricably Linked

Thanks to the support of its stakeholders, DENKA has been able to continue its operations up to the present. Remaining a company with earnest attitude and maintaining sincere dealings are our essential traditions as a manufacturer. DENKA's vision of supporting social development has been a driving force of its business since its founding. In line with this vision, we have been monitoring market needs through close communications with stakeholder, while continuously enhancing our technologies and creating products with value. We must ensure that this vision continues to inspire us for the next 100 years. We recognize that improving business performance and fulfilling our responsibilities as a member of society must be realized in tandem—neither pursuit can be taken on by itself; the two are inextricably linked. Gaining the trust of society is our motivation as we strive to achieve further growth as a company.

We would be delighted to hear your frank opinions with regard to this *CSR Report*. Based on your continued support, we will further promote our CSR activities.

Shinsuke Yoshitaka
President & CEO

Pursuing New Challenges through DENKA100 for Our Centennial

The Value of a Company That Endures 100 Years Is Attributable to the Efforts of Each Employee

We will construct plants in various locations and conduct large-scale manufacturing in the future. In doing so, we will meet the demand for chemicals, which is rapidly increasing year by year, while anticipating the future export of our products abroad. Moreover, we will pursue a range of chemical manufacturing operations.

The prospectus drawn up prior to the Company's founding in 1915, expresses an ambitious attitude toward the chemical industry, which at the time was expected to develop dramatically. To the present day, a similar attitude has driven our growth. DENKA's corporate value is something that has been and continues to be created, supported and added to by a great number of employees as it is passed onward from generation to generation.

This is the secret of DENKA's long and lasting operations. We also believe that this will be key to creating our path in the next 100 years.

Toward Our 100th Anniversary

Aiming to make DENKA a company that creates new value from resources by fully employing its technological capabilities, DENKA100 involves Companywide activities across six pillars in which specific action plans formulated by each business unit are pursued.

Recognizing the current era as a time of market and technological change, we will open our way to the future as a chemical manufacturer by providing growing markets with products that contribute to society accurately and in a timely manner. By doing so, we hope to secure our growth for the next 100 years.

Highlights: Our Response to the Great East Japan Earthquake

Contributing to Reconstruction in the Devastated Areas while Developing Emergency Response Structures

The Extent of Damage Sustained by the DENKA Group in the Tohoku Region and Support Activities Undertaken by Niigata Branch

Fortunately, the offices of our Tohoku Branch (Sendai City, Miyagi Prefecture), which is located in the midst of the devastated region, sustained no damage, and the branch's staff and their families were also spared. However, inventories stored in warehouses in Sendai and Hachinohe were submerged and one company vehicle was damaged by a fall from a multistory car park.

At the Sendai Branch of DENKA Group member Yamatomi Trading Co., Ltd. (currently, YK Inoas Co., Ltd.), shelves fell and there was flooding in the upper levels due to the fracturing of a pipe connected to the building's rooftop water tank. It took the branch a month to fully recover its business functions.

None of the employees of DENKA Azumin Co., Ltd. (Hanamaki City, Iwate Prefecture) or their families saw any damage. On the other hand, stores of lignite (brown coal) at the Ofunato Port and inventory in the Ishinomaki Port warehouse were both damaged by the tsunami that followed the earthquake. A transformer in the power house at DENKA Azumin was damaged as well. However, there was no significant damage to facilities and the company resumed operations on April 4, 2011.

Right after the earthquake struck, the Niigata Branch delivered aid supplies to the Tohoku Branch in tandem with the Hokuriku Branch and the Omi Plant. Drawing on the experience of the Chuetsu and Chuetsu-Oki Earthquake, housewares, including pre-moistened tissues and tabletop-type portable gas stoves were delivered on three occasions.



A special edition of the in-house Japanese-language newsletter "Gunbai" was issued in May, 2011, with the title "Two months after the Great East Japan Earthquake" and featuring notes written by staff working at each office

Donations

On March 17, 2011, the DENKA Group donated ¥20 million to the Japanese Red Cross Society, with the hope that the areas stricken by the Great East Japan Earthquake would recover as soon as possible.

Moreover, the contributions spontaneously provided by staff at all our business sites, including the Headquarters, branches and plants totaled ¥4,466,146. The Company distributed ¥2,300,000 of this amount as disaster relief for 22 staff stationed in the devastated areas and donated the remaining ¥2,166,146 to the Japanese Red Cross Society.

Countermeasures to Ensure Supply Chain Maintenance

Although the DENKA Group's production facilities sustained no significant damage, some of the Group's suppliers of raw materials were forced to temporarily suspend production due to earthquake damage as well as such factors as shortages of materials and parts and the planned power outages following the earthquake. Even so, thanks to the early recovery of such suppliers' capabilities, which was attained within a period from several weeks to a couple of month after the disaster, the impact on our production was minimal. Nonetheless, we are currently working to figure out countermeasures against such vulnerability in our supply chain.

- Formulation of a Business Continuity Plan (BCP) to ensure continued procurement when major disasters strike
- Increase the number of (and secure at least two) suppliers for each type of raw material while seeking out alternative raw materials
- Review existing standards with regard to raw material stocks
- Strengthen the overseas procurement capability
- Update detailed information on raw materials as well as suppliers

BCP Initiatives

DENKA is reviewing and strengthening its disaster prevention structures, taking lessons from a number of the events that accompanied the Great East Japan Earthquake. We relocated computer servers that are important to operations, moving them from Headquarters to specialized facilities with an assured higher level of safety. This was undertaken with the aim of developing a decentralized and networked system in preparation for the earthquake that is expected to occur someday directly beneath the Tokyo Metropolitan Area. We also equipped the Omi Plant with backup head office functions, to ensure greater resilience in the face of disaster.

Meanwhile, we conducted a survey of the earthquake resistance of buildings at each plant. Based on this, we are developing our disaster prevention systems, focusing on countermeasures against wide-area disasters as well as business continuity.

We are also assessing potential risk at each phase of operations from raw material procurement to the delivery of products. This will allow us to evaluate the impact on business activities as a whole that such risk poses and implement countermeasures against significant risk. Through such efforts, we are continuously striving to enhance durability of our entire business structure.

Energy-Saving Measures

In 2011, the Japanese Government requested that all business operators cut energy consumption 15% due to an expected electricity supply shortage in the summer. In response, for office workers the Headquarters, branches and sales offices implemented "Cool Biz," which encourages male employees to forgo wearing jackets and ties while excluding the vest from the female staff uniform. We also suspended the use of refrigerators. We once again made sure that all the office equipment was set to energy-saving mode. In addition, we shifted days off and specified periods in which the utilization of paid leave is encouraged, aiming to achieve greater energy efficiency by adjusting employees' work schedules. Thanks to all these efforts, we successfully attained the abovementioned energy-saving target.

Comprehensive emergency drill at Headquarters (November 2, 2011)



Workers wearing disaster prevention helmets practicing evacuation procedures

Volunteer Activities in the Devastated Areas

In July 2011, DENKA launched the "Disaster Area Volunteer Support Program," in which the Company and employees engage in support activities together. As of August 2012, the number of employees participating in the program exceeded 150 and support activities were held on 19 occasions, mainly at Minami Sanriku-Cho, Miyagi Prefecture, one of towns that suffered grave damage from the Great East Japan Earthquake and tsunami.



The first round of volunteers dispatched to the devastated areas



The ninth round of volunteers: Two female staff participated



The first round of volunteers: Volunteers getting rid of mud from a strawberry farm greenhouse (July 31, 2011)



Employees participating in the 12th round of volunteer activities (February 25, 2012)

Supporting Reconstruction and Disaster Preparation

DENKA is supporting the reconstruction of areas devastated by the Great East Japan Earthquake and tsunami by ensuring prompt and stable supplies of its products, including construction materials and fertilizers.

Right after the earthquake struck, we responded to urgent calls for cement and special cement additives as efforts were made to restore the Tohoku bullet train service as quickly as possible. We were given a letter of appreciation from the East Japan Railway Company for our swift response to such needs.

In fiscal 2011, we established the Disaster Reconstruction Support Division to support efficient reconstruction. We provide products that will be sought-after items as reconstruction moves forward, including; TOYODRAIN, a drainpipe used in civil engineering; TOYO GUTTERS, which can be installed on temporary housing as well as regular housing; DENKA CSA, a special cement additive that reduces dry shrinkage and cracks in concrete structures; DENKA PRETASCON, which is used in seismic strengthening;

DENKA ES, which is designed to strengthen unstable ground and reinforce it against earthquake; and DENKA NATMIC for use in tunnel construction. We believe these products will contribute significantly to the reconstruction and restoration of social infrastructure in the devastated areas. Moreover, we are ready to promptly release new products in response to unmet needs as they are identified.

In addition, it has been confirmed that "Azumin" a fertilizer produced by DENKA Azumin Co., Ltd., has a beneficial effect on farmland that has suffered salt damage due to tsunami flooding. If this product is mixed into desalinated soil, it will reduce such soil's inhibitory effect on growth and revitalize the roots of agricultural crops. Azumin is expected to contribute to the restoration of the agricultural industry in the devastated areas.

Looking ahead, we will further strive to provide the materials and technologies needed in the devastated areas in order to speed reconstruction.



A pier of the Tohoku bullet train's elevated railway between Mizusawa-Esashi and Kitakami stations, which was damaged by the earthquake



A restored pier



Shinsuke Yoshitaka, president of DENKA, receiving the letter of appreciation from Mr. Mitsuharu Mizuno, deputy director of Facilities Department of the East Japan Railway Company



Reinforcing the ground against earthquake damage using DENKA ES

Highlights: Initiatives to Secure Our Electricity Supply

Striving to Secure a Stable Electricity Supply while Promoting Clean Energy

Utilizing Clean Energy—Hydroelectric Power Generation

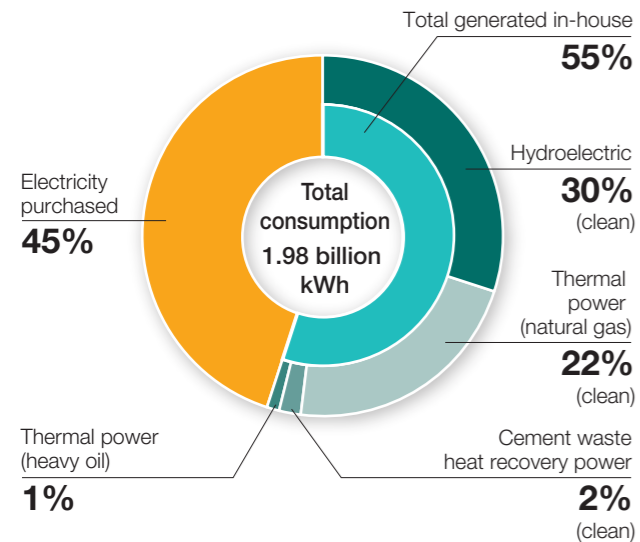
Accounting for 30% of DENKA's total electricity consumption, hydroelectric power largely contributes to the reduction of CO₂ emissions as a clean energy source while helping to secure a stable power supply in the midst of tight electricity demand.

Breakdown of Electricity Use by Power Source

DENKA uses electricity generated by 15 hydroelectric power plants, which include five that are jointly owned, four thermal power plants and a cement waste heat recovery power plant,* as well as purchased electricity. The in-house power generation ratio is approximately 55% of total electricity use. At thermal power plants, we have been changing over the fuel used from heavy oil to natural gas in an initiative to reduce CO₂ emissions. In addition, we have improved the efficiency of natural gas power generation by adopting cogeneration** facilities.

* Cement waste heat recovery power plant: A power generation facility using waste heat from cement factories
 ** Cogeneration: A system using waste heat generated from gas turbine power generation that simultaneously produces steam to enhance the energy efficiency of fuel

Power Sources in Fiscal 2011



Maintenance and Management of Power Plants

In winter, transmission lines are checked using helicopters, while at the plants snow must be removed.

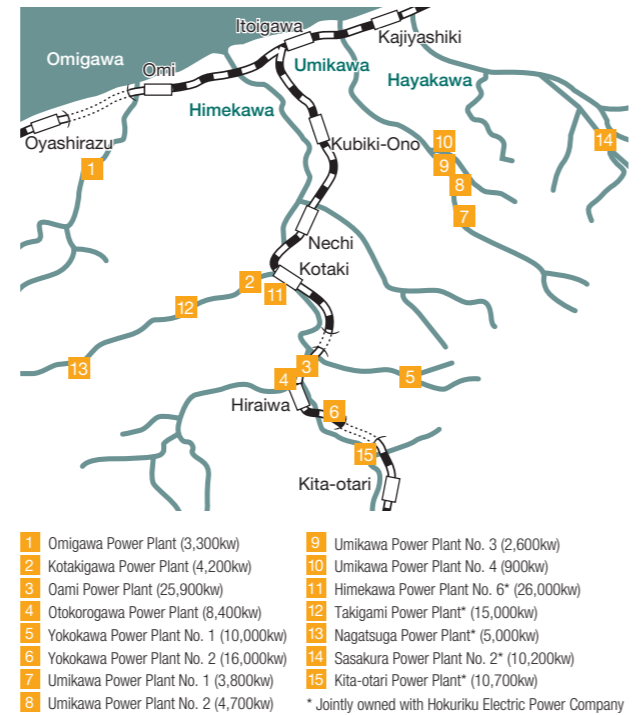


A helicopter heading to patrol

History of Hydroelectric Power Generation

Having established hydroelectric power plants during the Taisho and early Showa eras (1921–1945), DENKA currently owns one hydroelectric power plant along the Omi River system, five along the Himekawa River and four along the Umikawa River. In addition, Kurobegawa Electric Power Company, which was jointly established by DENKA and Hokuriku Electric Power Company, maintains five hydroelectric power plants. The total maximum output of all these facilities is approximately 110,000kW.

The natural inflow type hydropower generation system employed at our in-house hydroelectric power plants uses the momentum of water drawn from a river and flowing downward through a conduit to rotate a turbine runner that generates electricity. As the flow of water is very strong, the facilities in this type of hydroelectric power plant are subject to severe abrasion, making constant maintenance necessary. Moreover, over their long history of operation, some of our plants have suffered grave damage due to mudslides. In sum, maintaining and managing hydroelectric power plants requires constant vigilance as it may mean battling with nature.



Oami Power Plant

Initiatives for the Next 100 Years

With the first having been established 90 years ago, our hydroelectric power plants are a valuable legacy handed down from our predecessors. Hydroelectric power generation is a low-cost energy source that generates minimal CO₂ emissions. As part of efforts marking the 100th anniversary of our founding, we plan to implement comprehensive upgrades so that these valuable facilities continue operating for the next 100 years. Moreover, our plans call for a 10% increase in these hydroelectric power plants' total output by 2015 compared with that of fiscal 2007.



The Kotakigawa Power Plant, operating for 90 years



A generator at the Kotakigawa Power Plant with an output of 4,200kW

Renewal at Oami Power Plant

At this plant, we are enhancing efficiency of the facilities, specifically, we are renewing the water turbine runners and generators. In fiscal 2011, we renewed a second generator and water turbine runner at Oami Power Plant. As a result, the Plant's maximum power generation capacity increased by 800kW to 25,900kW since April 2012. Looking ahead, we will work to further improve the existing facilities while planning the construction of a new hydroelectric power plant.



Oami Power Plant, where facility renewal took place

Summertime Energy-Saving Measures at Production Sites

Energy-Saving Measures in Fiscal 2011

We introduced diesel generators at some plants to maintain operations without the need to adjust production. In addition, we shifted operating hours to nighttime and holidays while executing production plans ahead of the initial schedule to keep down daytime energy consumption in summer. At the same time, to save energy in offices we turned up the temperature settings on air conditioners and removed some of the lighting.

Measures Implemented to Date in Fiscal 2012

We continued to implement summertime energy-saving measures in fiscal 2012. To suppress daytime energy consumption in summer, we executed production plans ahead of the initial schedule and suspended operations of some machinery during the day. Also, in our offices we turned up the temperature settings on the air conditioners and did without unnecessary lighting.

Highlights: Products for Social Contribution

Products That Provide Measures against Earthquakes and Contribute to CO₂ Reduction

Products for Countermeasures against Subsidence and Soil Liquefaction

The Great East Japan Earthquake brought to light the importance of taking countermeasures against subsidence and soil liquefaction. In response, DENKA is strengthening its operating structure to provide countermeasures against such phenomena. With a focus on cement, special cement additives and other related products, including water permeable pipes made of polypropylene, we pro-

pose construction methods and combinations of products that effectively prevent subsidence and liquefaction. More information on the topic of DENKA products for use in countermeasures against soil liquefaction is available on our website in an article entitled "Shin-chaku Jouhou" posted on August 4, 2011.

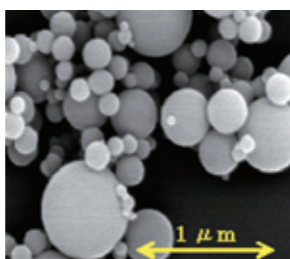
(<http://www.denka.co.jp/konwazai/topics>)*

Products Overview Examples of application: 1 Airport 2 Port 3 Railroad 4 Construction of housing 5 Road 6 River 7 Sewage 8 Housing land



DENKA SOIL PACK SP20, SP2000 series
A soil stabilization material that strengthens soft ground by causing dehydration. Simply by mixing it with the soil, the user can improve soft ground.

Applications: 1 2 3 4 5 6 7 8



DENKA Silica Balls
An injection material in slurry form incorporating an ultra fine silica powder comprising particles with a maximum diameter of 1μm and boasting excellent permeability.

Applications: 1 2 3 4 5 6 7 8



DENKA ES, ES-L
A cement-based quick-hardening material that boasts a low-pollution characteristic as well as high durability. It was especially developed to accelerate the solidifying and hardening of cement in terrestrial grouting work used for construction.

Applications: 1 2 3 4 5 6 7 8



DENKA CG1000, CG2000
Cavity sealant material with plasticity.

Applications: 1 2 3 5 7



DENKA Colloidal Super
In addition to strength and high durability, this super-fine powder cement additive boasts excellent permeability and is easy to inject.

Applications: 1 2 3 4 5 6 7 8



TOYODRAIN TDZ50—TDZ200 (Spirally Reinforced Structure)
With high strength and excellent water permeability, this product is composed of polypropylene non-woven cloth with a spirally ribbed supporting structure. Impervious to soil, TOYODRAIN smoothly absorbs water along its entire surface.

Applications: 4 5 7 8



DENKA S pack
Non-shrink grout additive developed to be used as the primary injection material in the dual-tube double packer grouting method.

Applications: 1 2 3 4 5 6 7 8

More information on the topic of DENKA products for use in countermeasures against soil liquefaction is available on our website in an article entitled "Shin-chaku Jouhou" posted on August 4, 2011. (<http://www.denka.co.jp/konwazai/topics>)*

* Japanese only

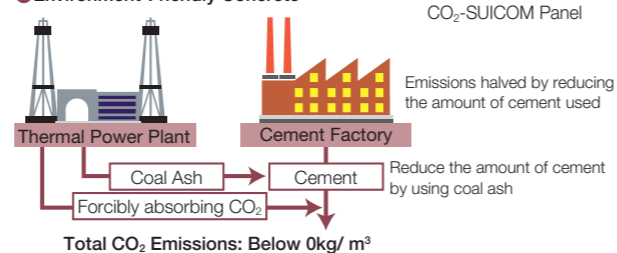
CO₂-SUICOM** CO₂ Absorption Concrete

CO₂-SUICOM is an environment-friendly concrete jointly developed by DENKA, Kajima Corporation and the Chugoku Electric Power Co., Inc. The usual concrete manufacturing process generates emissions amounting to between 200 and 400 kilograms of CO₂ per cubic meter of concrete. With CO₂-SUICOM, we have succeeded in reducing the volume of emissions generated virtually to zero or less, for this material hardens itself by absorbing CO₂. Moreover, we achieved greater durability by suppressing neutralization and chloride penetration, which both cause the deterioration of concrete. In fiscal 2011, CO₂-SUICOM was used for the first time for general housing construction. In response to growing interest in the reduction of CO₂ emissions in the construction industry, DENKA is expanding the

adoption of CO₂-SUICOM and thereby helping reduce environmental burdens.

**CO₂-SUICOM: CO₂-Storage Under Infrastructure by COncrete Materials

Environment-Friendly Concrete



CO₂-SUICOM Panel

Highlights: CSR Activities Overseas

DENKA Will Fulfill Its Role in the Growing Asian Economies by Undertaking CSR Activities Groupwide

Calcium Carbide-Related Technologies Licensed to China

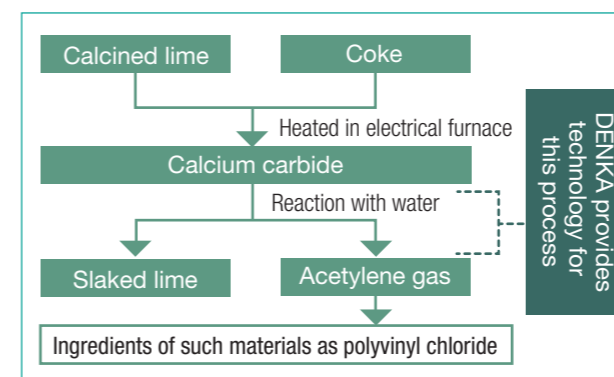
During the year under review, DENKA initiated licensing in China of its dry acetylene generation technology (dry process) for generating acetylene from calcium carbide. If this water-saving technology—which decreases the moisture content of the slaked lime that is the byproduct of the process to 10% or less—is widely adopted for acetylene gas production, considerable energy and water savings can be expected, particularly with regard to drying slaked lime, which is recycled as a cement raw material.

The agreement covers the licensing of technology for polyvinyl chloride production facilities with an annual production capacity of

100,000 tons or more. Given that the estimated annual nationwide production capacity of China is 10,000,000 tons or more, it is expected that the dry process will be widely adopted. Moreover, DENKA has received a number of requests from calcium carbide manufacturers for the licensing of its technologies. In response, DENKA has begun providing some other manufacturers with technical guidance on the stable operation of an electrical furnace, improvement of energy consumption intensity and energy saving.

Looking ahead, we will continue to contribute to the solution of the environmental and energy-related issues as we aim to gain a greater presence in the global industrial sector.

Calcium Carbide-Based Product Manufacturing Process



Signing ceremony held in Pingdingshan City, Henan Province, China (October 20, 2011)

Support for the Department of Japanese Studies of the National University of Singapore (NUS)



Denka Chemicals Holdings Asia Pacific Pte. Ltd. (DCHA)
Deputy Managing Director

Muneatsu Miida

In Singapore, the DENKA Group supports the Department of Japanese Studies in NUS's Faculty of Arts and Social Sciences. Some of the university's professors were interested in DENKA, which, over its 32 years in Singapore, has been developing businesses encompassing a broad array of subjects from petrochemicals to inorganic chemicals. Invited by these professors, I was given the opportunity to deliver a lecture at NUS on March 14, 2012. Over the course of the lecture, which approximately 100 undergraduates attended, I talked about DENKA's business as well as the characteristics and future direction of Japanese companies. The undergraduates were enthusiastic, asking me about matters such as the career prospects of national staff in Japanese companies and for an overview of Japanese-style corporate governance. Looking ahead, the Company plans to provide the Department with as much support as possible. By doing so, we would like to contribute to the friendly relationship between Japan and Singapore, if only by a modest amount.



Tour of the Seraya Plant of Denka Singapore Pte. Ltd.

Message from NUS

Established in 1981, the Department of Japanese Studies at NUS is one of the leading Japanese study institutions in Asia. Japan is a country from which Singapore has much to learn, and it is endlessly interesting to us. In particular, Singapore is home to many long-established Japanese companies. We are greatly interested in such companies' secrets of success. In November 2011, Ms. Ely Chia, who is currently an employee at DENKA and an alumnus of this Department, presented a lecture on the corporate culture of Japanese companies. This was followed by Mr. Miida's lecture in March 2012 on the history of DENKA and factors that have contributed to its success in Singapore. It was gratifying to directly hear the voices of corporate executives, who we seldom have contact with. We would like to ask DENKA for continued understanding of and support for our studies and activities, for the sake of friendship between and mutual growth of Singapore and Japan.



Head of Department,
Associate Professor
Dr. Hendrik Meyer-Ohle



Deputy Head,
Associate Professor
Dr. Thang Leng Leng

Corporate Data (as of March 31, 2012)

Established: May 1, 1915
Paid-in capital: ¥36,998,436,962
Employees: 4,921 (consolidated) and 2,800 (non-consolidated)



Head Office (Nihonbashi-Mitsui Tower)

Sites

● 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, Gunma, Hiroshima, Shikoku (Takamatsu), Akita

● Research Institutes

Central Research Institute (Machida, Tokyo)
 Polymer & Processing Technology Institute (Ichihara, Chiba)

● Plants

Oni (Itoigawa, Niigata), Omuta, Chiba (Ichihara, Chiba),
 Shibukawa, Ofuna (Kamakura, Kanagawa) and Isesaki

Overseas Subsidiaries & Offices

New York, Düsseldorf, Singapore, Shanghai, Beijing, Suzhou,
 Hong Kong, Taiwan and Seoul

Major Affiliates

DENKA Polymer Co., Ltd. (Koto-ku, Tokyo)
 DENKA SEIKEN Co., Ltd. (Chuo-ku, Tokyo)
 CRK Corporation (Takasaki, Gunma)
 Hinode Kagaku Kogyo (Maizuru Kyoto)
 DENKA Azumin Co., Ltd. (Hanamaki, Iwate)

Board of Directors (as of June 22, 2012)

Directors, Corporate Auditors and Executive Officers

Shinsuke Yoshitaka..... President and Representative Director, Chief Executive Officer

Tetsuro Maeda..... Representative Director, Chief Operating officer

Hitoshi Watanabe Representative Director, Senior Managing Executive Officer

Nobuyoshi Sakuma Director, Senior Managing Executive Officer

Kenichi Ono..... Director, Managing Executive Officer

Daiichiro Uematsu Director, Managing Executive Officer

Mitsukuni Ayabe Director, Managing Executive Officer

Kozo Tanaka..... Outside Director

Tadashi Hashimoto Outside Director

Hideo Oishi..... Standing Corporate Auditor

Jiro Hiroe..... Standing Corporate Auditor

Toshiaki Tada..... Outside Corporate Auditor

Tsunehiro Sasanami..... Outside Corporate Auditor

Tatsuhiko Aoyagi Senior Executive Officer

Shotaro Fujii Senior Executive Officer

Shinji Sugiyama Senior Executive Officer

Shohei Tamaki Senior Executive Officer

Hideyuki Udagawa..... Senior Executive Officer

Norihiro Shimizu Senior Executive Officer

Manabu Yamamoto Senior Executive Officer

Toshiharu Kanou..... Executive Officer

Kazuyuki Koyama Executive Officer

Akihiko Okuda Executive Officer

Sanshiro Matsushita Executive Officer

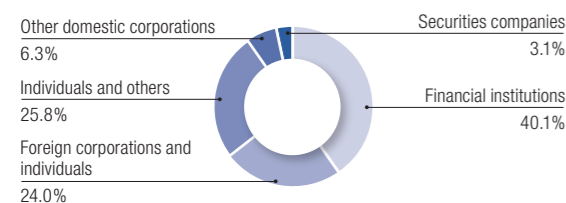
Kenji Nakano Executive Officer

Masaharu Suzuki Executive Officer

Shareholder Information (as of March 31, 2012)

Total number of authorized shares 1,584,070,000
Shares of common stock issued 505,818,645
Number of shareholders 42,433

(Reference) Shareholder Composition



Major Shareholders

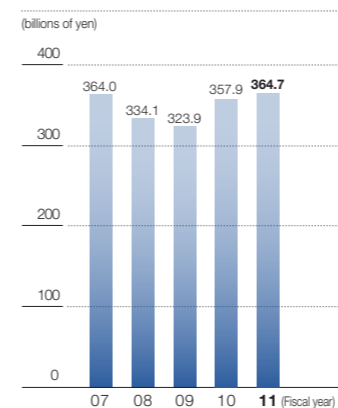
Shareholder	Number of shares held (thousands)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	36,165	7.50
Japan Trustee Services Bank, Ltd. (Trust Account)	33,816	7.01
National Mutual Insurance Federation of Agricultural Cooperatives	15,965	3.31
Japan Trustee Services Bank, Ltd. (Trust Account 9)	15,755	3.26
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	3.16
Mitsui Life Insurance, Co., Ltd.	11,908	2.47
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	8,613	1.78
Mitsui Sumitomo Insurance Co., Ltd.	6,916	1.43
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	6,840	1.41
Trust & Custody Services Bank, Ltd. (Specified Annuity Trust Account)	6,490	1.34

Notes: 1. Treasury stocks (23,940,311 shares) are not accounted for in the above list of principal shareholders.
 2. Percentage of shareholding is calculated excluding treasury stocks.

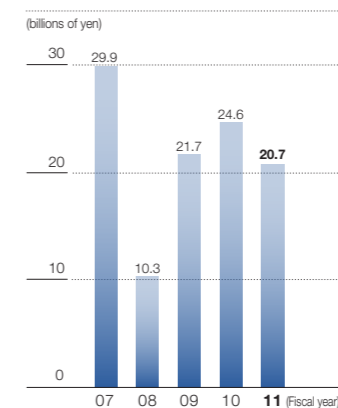
(Millions of yen)

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Net sales	363,996	334,130	323,875	357,893	364,712
Operating income	29,912	10,302	21,655	24,618	20,713
Ordinary income	24,918	3,094	16,888	23,052	18,996
Net income	6,660	1,439	10,474	14,355	11,330
Total assets	375,364	377,912	400,407	402,046	402,552
Total net assets	161,870	150,142	160,316	168,182	172,737
Total shareholders' equity ratio (%)	41.6	39.1	39.4	41.2	42.3
Net income per share (yen)	13.57	2.89	21.33	29.24	23.22
Net assets per share (yen)	317.91	300.60	321.46	337.35	353.64

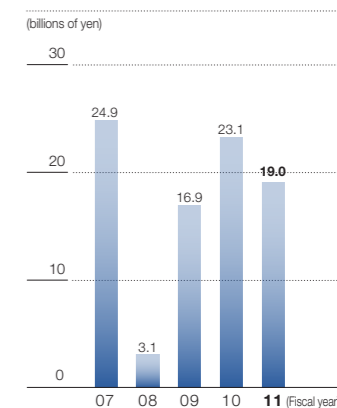
● Net sales



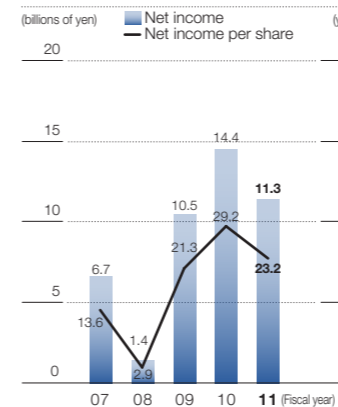
● Operating income



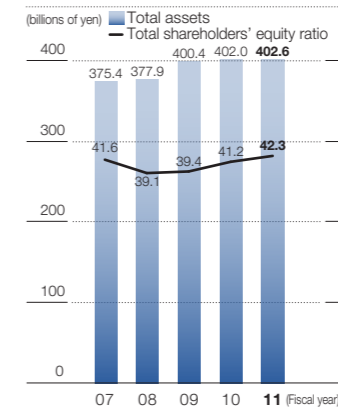
● Ordinary income



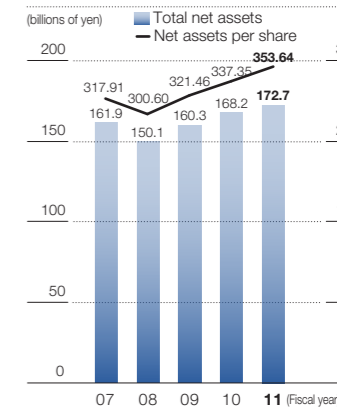
● Net income/ Net income per share



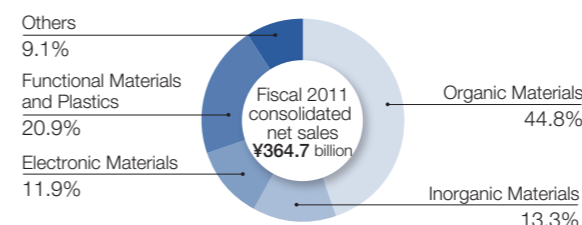
● Total assets/ Total shareholders' equity ratio



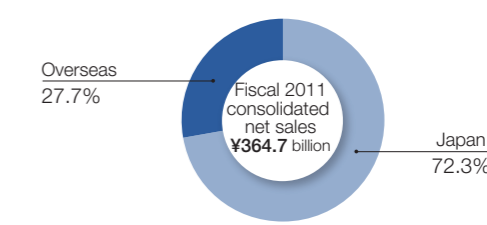
● Total net assets/ Net assets per share



● Consolidated net sales by segment



● Consolidated net sales by Japan and overseas



DENKA Group's CSR



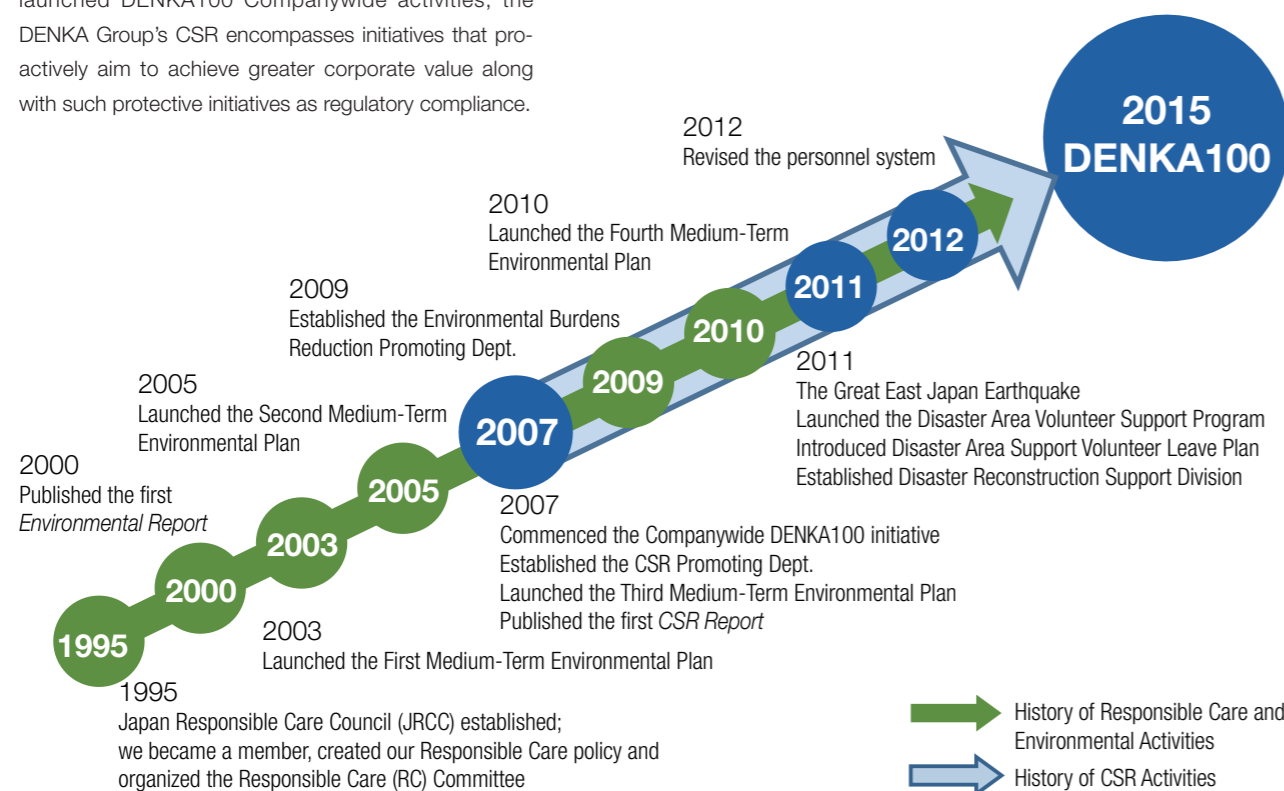
Mitsukuni Ayabe
Director, Managing Executive Officer
In charge of CSR & Corporate Communications Dept.

CSR activities are positioned as a key DENKA100 initiative. The DENKA Group is systematically promoting such activities and faithfully addressing various issues, including those related to the environment, safety, employment, compliance and social contributions. In order to continue its operations, it is essential that the DENKA Group be accepted by society. We acknowledge that improving business performance and fulfilling our responsibilities as a member of society are pursuits that must be realized in tandem. Neither pursuit can be taken on by itself; the two are inextricably linked.

We recognize as stakeholders all those that our business operations touch, including employees, suppliers, shareholders, investors, governmental institutions, NPOs and society as well as the environment. In tandem with our stakeholders, we will strive to fulfill our responsibility as a member of society. In addition, we recognize that our initiatives for stakeholders are, in practice, conducted through our employees, for they are on the front lines of CSR activities. Because of this, we position our employees as primary stakeholders.

History of CSR Activities

In 1995, we became a member of the Japan Responsible Care Council. At the same time, we published our first *Environmental Report* and launched full-scale CSR activities. Since 2007, the year in which we launched DENKA100 Companywide activities, the DENKA Group's CSR encompasses initiatives that proactively aim to achieve greater corporate value along with such protective initiatives as regulatory compliance.



CSR Vision

Toward our CSR vision, "pursuing lasting trust as an outstanding manufacturer," the DENKA Group promotes its CSR activities from the economic, social and environmental perspectives.

In fiscal 2011, we categorized core CSR issues from the abovementioned three perspectives as well as by stakeholder type to better set our goals and allow the self-evaluation of our performance.



CSR Promotion Challenges, Goals and Performance

Stakeholders	Challenges	Fiscal 2011			Major Challenges and Goals in Fiscal 2012 and Beyond	
		Goals	Performance	Results		
Employees	• Comfortable and rewarding workplaces	• Securing occupational safety and health • Developing human resources (nurturing a CSR mind-set) • Ensuring information disclosure about overseas business bases	• Established the Safety Countermeasure Committee (in response to increasing accidents) • Augmented occupational safety and health activities focusing on facilitating communication • Implemented mandatory job level-based training and specialist courses themed on nurturing proactive and spontaneous employees • Released data on Singaporean subsidiary's CSR activities	C: Increase of accidents	• Securing occupational safety and health (elimination of occupational accidents) • Developing human resources (nurturing a CSR mind-set) • Ensuring information disclosure about CSR activities at overseas business bases (China and Singapore)	
Society	General public and local communities	• Maintain thorough compliance as a good corporate citizen and reinforce communication with local communities	• Ensuring thorough compliance (reviewing internal auditing system) • Stepping up communications with local communities	• Decided not to appeal against the European General Court's judgement pertaining to an allegation of violation of the EU Competition Law in sales of polychloroprene • Improved the internal auditing system (strengthened cooperation between Internal Auditing Dept. and Information System Dept.) • Communicated with local communities through chemical experimental science classes at each plant • Contributed to social welfare through educational and cultural initiatives involving music (supported the Fureai Trio)	C	• Ensuring thorough compliance (review of educational programs and strengthening of Legal Dept.'s authority) • Holding a Company-sponsored "chemical experiment" show
	Governmental/External Institutions	• Engage in public policies and activities	• Participating proactively in public policies and activities	• Cooperated with local governments on holding local community forums (Omuta and Ofuna) • Drew on the Government's subsidy system to conduct R&D aimed at facility improvements that contribute to energy-saving and environment conservation	A	• Pursuing R&D that utilizes subsidy systems and initiatives to improve production technologies
The Environment	• Prevention of global warming (CO ₂ emissions reduction), curbing chemical substance emissions, waste reduction, technological innovation for energy conservation	• Implementing the Medium-Term Environmental Plan • Conducting a review of RC activity structure (application of subcommittee system)	• Missed targets set forth in the Medium-Term Environmental Plan (reduction in energy consumption intensity and PRTR* designated substances) • Promoted RC activities	C Missed targets	• Promoting RC activities • Implementing the Medium-Term Environmental Plan and formulating a plan for the next fiscal period (fiscal 2013 and beyond)	
Customers and Suppliers	• Development and provision of high-quality, economic products • Business activities through fair and open trade	• Developing environment-friendly Products • Considering the promotion of CSR procurement	• Developed technologies and products that provide countermeasures against earthquake • Contributed to society by providing energy-saving technologies, including calcium carbide manufacturing methods	B	• Developing and disseminating environment-friendly products • Achieving stable quality and supplying safe products • Preparing for the establishment of a CSR procurement structure	
Shareholders and Investors	• Secure returns to shareholders through stable business performance • Establishment of relationships of trust through information Exchanges	• Ensuring responsiveness to internal control reporting system • Securing credibility of disclosed information (enhancement of <i>CSR Report</i> contents) • Implementing the CS13 business plan	• Conducted internal control report • Improved <i>CSR Report</i> (ensured reliability by introducing third-party opinions)	B	• Enhancing CSR-related information disclosure and ensuring reliability • Executing the business plan	

A: Achieved significant results B: Observed some results C: No results were observed D: The level of activity deteriorated *Pollutant release and transfer register

Adhering to the Basics of Safety to Raise Each One's Awareness

Fiscal 2011 Occupational Safety and Health Plan

To maintain worksite safety, we renewed our focus on the following: 1) adherence to the "fundamental actions required to maintain safety;" 2) ensuring that tasks performed while machinery is operating are safe; and 3) raising each operator's safety awareness. To eliminate all occupational accidents, we have pursued these initiatives while we facilitate worksite communications. However, the number of people involved in occupational accidents requiring time off increased from five in fiscal 2010 to nine in the year under review.

In the area of occupational health, in contrast to the relatively high frequency of heat-related illnesses seen in fiscal 2010, fiscal 2011 saw only one such occurrence thanks to the implementation of countermeasures. In addition, recognizing mental health problems are increasing among employees we continued to work to prevent and counter their development by, for example, holding seminars.

Occupational Safety Record

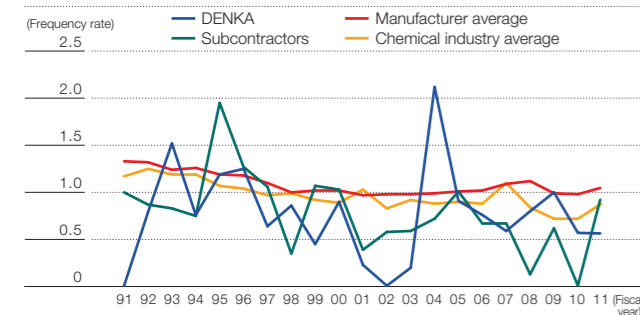
The number of people involved in occupational accidents requiring time off in fiscal 2011 was as follows. The figures in parentheses are the accident frequency rates.

DENKA: 3 (0.56) Subcontractors: 6 (0.92)

$$\text{Accident frequency rate} = \frac{\text{Number of deaths and injuries}}{\text{Total number of working hours}} \times (1 \text{ million})$$

The rate if 1.7 people per 1,000 DENKA employees suffered accidents would be about 0.6.

Accident Frequency Rates



In fiscal 2011, DENKA's occupational safety record was virtually unchanged from fiscal 2010. However, our subcontractors saw the number of workers involved in occupational accidents rise from zero to six. Of the total, more than 60% of the accidents were caused by a worker becoming clamped or caught in machinery; sustaining a cut or scrape; or coming in contact with a hazardous substance. This is a continuing trend in incident type dating back to fiscal 2006. In addition, among those who suffered occupational accidents, the ratio of workers with less than ten years' on-site experience is increasing. In response, we are focusing on developing and introducing accident prevention measures throughout all worksites, including at subcontractors' sites, while strengthening education for those with less experience.

Safety Countermeasure Committee

In the latter half of fiscal 2011, major accidents occurred at several plants. In response, in February 2012 DENKA urgently established the Safety Countermeasures Committee, which is chaired by the senior managing executive officer (the person in overall charge of technology), with deputy general managers in charge of securing safety at each business site and the general manager of the Personnel Dept. participating. To reform employee's safety awareness and create a safety-oriented corporate culture, the Committee held fundamental debates to determine what was being missed in the effort to secure occupational safety. Safety issues were discussed, with participants taking an approach that differed from the usual taken in an ordinary environment and safety meeting. Reflecting these debates, in May 2012 we began taking steps to thoroughly identify problems related to occupational safety and to counter such problems. The steps entail the verification of the status of each worksite, including the level of safety awareness among employees, as well as a comprehensive review of the Company organization, including of the personnel system.

Heat-Related Illness Prevention Seminar

On July 26, 2011, a seminar on heat-related illness prevention was held at the DENKA Innovation Center. Due to the expected need to comply with summertime energy saving requirements, concerns over heat related symptoms among employees seemed to be heightened. With 50 employees attending the seminar, such topics as "what are heat-related illnesses" and "symptoms, basic treatment and prevention" were presented using video clips and other presentation materials that are easily understandable. In this manner, we provided employees with accurate data on heat-related illnesses as well as proper preventive methods.



An external lecturer making a presentation at the Heat-Related Illness Prevention Seminar (DENKA Innovation Center: July 26, 2011)

Education on Radiation

On July 21, 2011, at the DENKA Innovation Center, a lecture on radiation was held for concerned personnel as well as other staff. The Center houses radiation facilities, and, accordingly, its personnel who regularly handle radioactive materials or equipment receive

mandatory education. However, we extended this education to other staff in light of their heightened concern over radiation after the Great East Japan Earthquake.

At the lecture, such topics as the basics of what radiation is, its impact on human health and how it is measured were discussed and a broader range of staff gained deeper understanding.

Healthcare and Mental Health Initiatives

In January 2012, we introduced the Employee Assistance Program (EAP), providing access to external specialists, for employees working at business sites under direct control of Headquarters (including Headquarters, branches and the DENKA Innovation Center). The program encompasses 24-hour free-of-charge telephone healthcare consultation and mental health counseling.

24-hour free-telephone healthcare consultation service	Mental health counseling service
Healthcare, medical issues, family-care, childcare, mental health and information on medical care facilities	Counseling on the phone
	Counseling on the web
	Face-to-face counseling

In fiscal 2012, plans call for conducting mental health training sessions at business sites under the direct control of Headquarters. At these sessions, we plan to provide training on stress management tailored for employees at every level, for example, training for managers and self-care training for regular staff members, with external specialists making presentations on this subject.



Lecture on mental health (Headquarters: May 14, 2012)

Occupational Safety Topics

● The Shibukawa Plant: Nurturing human resources through communication and education

At the Electronic Materials Dept. of the Shibukawa Plant, we have

● Training Sessions on Occupational Safety



Safe forklift operation (Shibukawa Plant; December 6, 2011)



First aid training (Shibukawa Plant; August 4, 2011)



Safe driving training: Tested participant's driving aptitude using a simulator (Headquarters; September 6, 2011)

introduced initiatives to facilitate communication among staff with the aim of nurturing human resources. In order to be able to set aside a specific day once a month on which we could suspend all production at the plant to conduct safety activities involving all staff, we first worked to increase productivity by 5%. Then, on that day, we provide safety and quality education and training and engage in cleanup activities. Also, once every six months we hold departmental joint meetings for exchanging opinions, wherein our staff is divided into small groups of eleven in order to foster a sense of participation. These meetings have resulted in improvements in the plant's productivity. Looking ahead, we will strive to enhance our capabilities, including with regard to safety techniques, by encouraging a broader exchange not only among the departments, but with other business sites as well as other companies situated in Shibukawa and neighboring areas.

● The Ofuna Plant: Treasure Box of Safety Tips

At the Ofuna Plant, we are promoting safety activities under the slogan "cultivating safety-conscious employees who do not get hurt or cause others to be harmed," with the 100% participation of employees. Specifically, we have introduced a "safety-conscious employee" qualification test that involves a practical exam as well as a paper test and on-site training that incorporates "sensory experience" to raise safety awareness. To date, 96% of the plant's on-site workers have passed the safety conscious employee test. In addition, the Ofuna Plant is welcoming workers from other business sites as well as local children's associations to take part in the safety training session, which is fast becoming a place to exchange tips of safety. We will promote activities that deeply adopt fundamental safety under the mottoes of perseverance and evolution.

● The Isesaki Plant: Elimination of Unsafe Behaviors

At the Production Dept. I of the Isesaki Plant, we vigorously identified operating procedures that were not being strictly observed at the worksite and figured out countermeasures against such non-observance, with the aim of encouraging operators to proactively implement safety activities. In addition, we promoted five-S activities. In particular, the plant's female office workers conducted on-site patrols and implemented such improvements as clarifying where tools and materials should be stored and enlarging work spaces. Looking ahead, we will strive to eliminate unsafe behaviors through active communication between the production site and offices.

Creating Worksites That Safely Produce High-Quality Products

Security and Disaster Prevention in Fiscal 2011

During fiscal 2011, we experienced no fires, explosions or leaks of hazardous materials that would significantly affect the communities in which we operate. There were nine safety-related problems in the area of equipment control, fewer than the 16 recorded in fiscal 2010. Of these nine, the number of small fires that were put out using fire extinguishers increased from four in the previous fiscal year to seven. Two fires were due to the aging of equipment and the others were caused by such factors as lack of experience, operational errors or a combination of various factors. To minimize such accidents, we will work to appropriately maintain, manage and renew our facilities while implementing emergency response training.

Safety Review Meetings

All six of the Group's main plants as well as the DENKA Innovation Center hold annual safety review meetings with the aim of hearing directly from on-site employees and thereby uncovering the background and root causes of accidents. At these meetings, issues that each site is confronting are discussed while employees exchange opinions with each other as well as with representatives of labor unions and subcontractors.

In fiscal 2011, safety review meetings were held in October and November. Following lively discussions, the Company and the labor unions agreed to work together to conduct safety activities, underscoring the importance that the union also attaches to safety.

Also to ensure safety, we constantly emphasize the importance of communication and proactively promote a campaign in which employees of all ranks, from managers and supervisors to operators, verbally alert each other to ensure safety awareness during such activities as workplace patrols. Moreover, we make sure that issues discussed at meetings and matters that have been decided on are followed up on.



Safety review meeting at the Chiba Plant (October 25, 2011)

Reform in Awareness on Security and Disaster Prevention

Safety Activity Newsletters

Aiming not only to respond to natural disasters, but also to secure the safety of neighboring residents and raise employee safety

awareness, we began issuing the safety activity newsletters from April 2011. Focusing on these topics, the opinions of staff working at each business site are posted along with articles as on such topics as a worksite with long-term zero-disaster record, safety tips and business sites' occupational safety records.

By helping to nurture a shared awareness of safety issues among employees, the newsletter is expected to encourage employees to adopt and apply other business sites' safety initiatives at their own worksite. In fiscal 2011, the 15th edition of the newsletter was issued.



DENKA Safety Activity Newsletter

Distribution of Safety Booklet

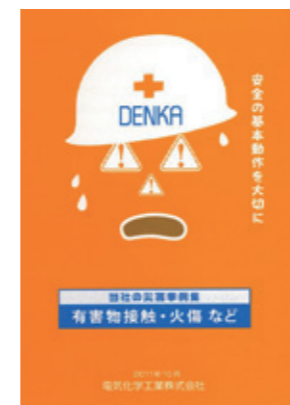
We compiled a safety booklet that aims to address areas of weakness that were identified through an analysis of our experience of accidents and disasters over the past six years. The booklet includes:

1. A note to those who work with us—essentials for safety and health
2. Case studies from prior incidents: accidents wherein a machine operator was clamped, caught or cut
3. Case studies from prior incidents: accidents wherein an operator came into contact with a hazardous substance, got burned and suffered some other accident

The booklet was made a portable size with the aim of enabling operators to utilize it when performing safety activities at any time, any place and in any situation.



A safety booklet for young operators



Case studies from prior incidents

Safety Networking Meetings

Aiming to enhance level of safety activities, safety networking meetings are held to inform employees about safety activities undertaken at other business sites and encourage them to incorporate best practices gleaned from these activities.

One such meeting was held at the Isesaki Plant on February 21 and 22, 2012. Following discussions on how to avoid recurring accidents, we once again confirmed that the Company is called to

Best Practices Presented at the Meeting



Ikuo Inomata, Special Cement Additives Dept., Omi Plant

Implemented countermeasures based on an analysis of prior accidents; continuously provided safety education including accident simulations, and offered tips for safety. As a result, safety activity was firmly adopted at the worksite.



Hideki Seki, Environment and Safety Dept., Omuta Plant (substitute presenter for 2nd Production Dept. of the Plant)

Analyzed recurring accidents that happened over a certain period of time and implemented countermeasures, having obtained prior notification for supervisor. Such countermeasures are also spread horizontally throughout production lines.



Tetsuo Hirokawa, OPS Production Section, 3rd Production Dept., Chiba Plant

Confirmed that 90% of film roll production machinery can be cleaned safely only when operations are suspended. Thoroughly disseminated among operators a cleaning procedure that suspends the operation of such machinery to secure safety.



Tomonori Suda, Thermal Interface Material Production, Performance Material Dept., Shibukawa Plant

We implemented initiatives to facilitate active communication among staff using safety activity newsletters and safety booklet.

manufacture high-quality products while ensuring safety. It is important that everyone understands that ensuring safety in day-to-day operations eventually contributes to long-term gains. Participants made a commitment to prevent recurring accidents at their own worksites by adopting tips for preventing accidents similar to those presented in discussions.



Shuichi Murayama, Film Section, Production Dept. 1, Ofuna Plant

Ensuring the continued zero-accident status by implementing *Shitsuke* (discipline) training, which is based on accident analysis that thoroughly enforces such rules as attach guard covers to blades, wear protective equipment, prepare operation procedures and adhere to operation rules.



Akira Miyama, Advanced Materials Research Dept., Central Research Institute

Undertaking safety activities in a unique workplace that involves a variety of tasks as well as stand-alone work and handle new materials. Safety countermeasures are spread horizontally throughout worksite.



Takamasa Mazaki, Electronic Packaging Materials Section, Production Dept. III, Isesaki Plant

Prepared easily understood education materials. Pursuing safety through such activities as Hiyari-Hatto for accident control and risk assessment. As a result, zero-accident status has been maintained.



Kazuya Sugimoto, Polymer Processing Research Dept., Isesaki Plant

Stabilized safety at worksite by securing and maintaining the flow of personnel through five-S activities* and teaching the staff about previous accidents.

* Five-S activities: An initiative to ensure the five-S features at the workplace. The five-S's refer to *Seiri* (tidy), *Seiton* (organized), *Seiketsu* (clean), *Seiso* (cleaning) and *Shitsuke* (disciplined)

Fire Drills

We conduct comprehensive emergency drills at each production facility. At the DENKA Innovation Center, fire drills and rescue training were conducted with the cooperation of the local fire department.

At the Chiba Plant, a fire drill that incorporates the lessons and reflections from the Great East Japan Earthquake was conducted.

Employees practiced making emergency calls, treating injured persons, evacuation guidance and processing a container of radioactive substances. With the drill as a springboard, we renewed our determination to prevent disasters.



Rescuing people from a building rooftop using ropes (At DENKA Innovation Center: November 4, 2011)



Practicing firefighting with a fire truck (At the Chiba Plant: September 30, 2011)

We Are Striving to Create Comfortable and Rewarding Workplaces



Kenji Nakano
Executive Officer, General Manager of Personnel Dept.
In charge of Secretary Dept., Administrative Dept.,
Legal Dept., and DENKA100 Promoting Dept.

Personnel Systems that Can Respond to Change

In our efforts to create comfortable and rewarding workplaces we also aim to encourage employees to dare to take on new challenges. This approach leads to increased productivity in each operation and thus enhances the Group's profitability. At the same time, it puts us on the path to achieving the goals set forth in the DENKA100 management plan. Also looking to these goals, in April 2012 we revised our personnel system. While preserving the strong points of the former personnel system, the revision is intended to improve our responsiveness in the face of today's rapidly changing business environment.

The revision included amendments to the wage system and the formulation of an overseas training program as well as an engineering education system aimed at providing advanced skills and techniques and thus enhancing on-site capabilities. In addition, we reinstated our overseas study support plan. In order to fully utilize a wide range of human resource, moreover, we established a system that allows employees to voluntarily apply to change their job types while hiring people with broader backgrounds.

In strengthening the functions of our Human Resource Development Center we also enriched a variety of other training systems. The Center also came to take on the function of preventing and addressing mental health problems.

The Disaster Area Volunteer Support Program and Disaster Area Support Volunteer Leave Plan, which were established to support the areas devastated by the Great East Japan Earthquake, also aim to help employees to gain wider experience that makes them grow in character.

By enhancing our human resources through a variety of initiatives, we will further contribute to society and thus remain a company that deserves trust.

Development of Comfortable Workplaces

We have prepared an action plan that covers the period from fiscal 2011 to 2013 under the Law for Measures to Support the Development of the Next Generation.

Targets Set Out in the Action Plan (fiscal 2011 to 2013)

- Raise the average utilized annual paid leave (per employee) to 12 days
- Reduce overtime working hours by enhancing operational efficiency
- Encourage a positive attitude among young people toward long-term employment through the provision of an internship program and plant tours
- Provide further help for high school students wanting to attend colleges or universities through DENKA Scholarship System

Successful Female Staff Members Speak Up



Naoko Hikuma, Group Leader,
Materials Characterization Dept., DENKA
Innovation Center

We are helping to enhance the DENKA Group's quality assurance and technological capabilities across the board by employing statistical analysis techniques. In cooperation with sections in charge of R&D, manufacturing and quality assurance at Headquarters and each business site, we are painstakingly identifying technological challenges. By working with each section to address such challenges, we help them to find solutions while preventing quality-related problems. Moreover, we are assiduously developing and implementing training programs to nurture engineers who are capable of leading quality management activities and thus enhancing on-site capabilities.

Because what we do directly affects product safety and quality, we frequently are under a lot of strain. On the other hand, every time we overcome a challenge we feel a great sense of achievement. As such, working in this unit is very rewarding.



Ikuka Hashimoto,
Organic Materials Research Dept.,
Omi Plant

I am in charge of R&D and technical services related to DENKA's chloroprene rubber (CR). This product, a synthetic rubber with an excellent balance of properties, is a sought-after item worldwide, and DENKA is the largest CR manufacturer. My task is to promote CR product R&D while keeping up to date on the latest market trends and consumer needs. Because of that, my job involves direct discussions with engineers of customers mainly in China and Europe.

I will assiduously develop upgraded high-value-added CR products while enhancing the quality of my technical services to give more customers greater satisfaction.

Work-Life Balance

DENKA promotes the development of comfortable workplaces in full consideration of the need to balance both work and family life. Since fiscal 2010, employees can take paid leave on a half-day basis. At Headquarters and branches, we encourage employees to leave work on time every Wednesday on No Overtime Work Day while striving to enhance operational efficiency.

Diversity

We are accelerating recruiting activities to secure human resources with broader backgrounds. In addition to proactively hiring female employees we widely expanded our scope of recruitment to include foreigners in response to globalization. Moreover, we continue to employ people with disabilities and reemploy retirees.

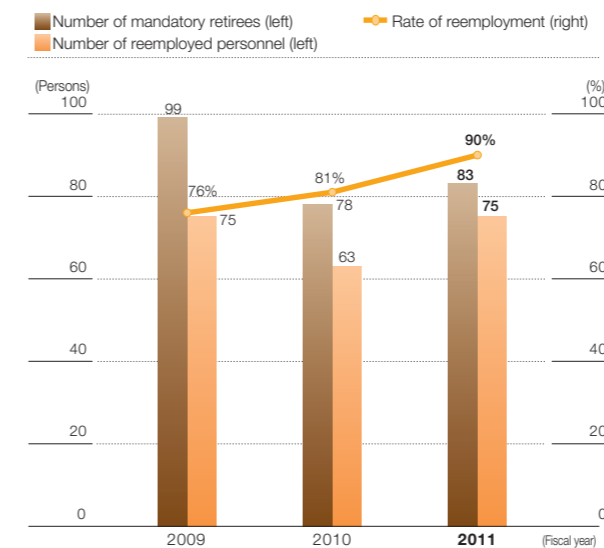
● Employing People with Disabilities

We are creating safe workplaces so that people with disabilities can realize their potential. In fiscal 2011, the percentage of employees with disabilities stood at 2.21%, exceeding the statutory employment rate.

● Reemploying Retirees

In April 2004, DENKA launched a program to rehire retirees in order to harness their technological knowledge and skills and pass them on to younger employees. Endeavoring to hire as many retirees who desire to stay working at DENKA as possible, we reemployed 90% of retirees in fiscal 2011.

Retirees Reemployment Rate



Initiatives for Sexual Harassment Prevention

We have formulated policies for sexual harassment prevention and are thoroughly disseminating such policies through in-house newsletters as well as by displaying them on electronic signboards. As a part of our in-house legal compliance training program, we maintain ongoing education on sexual harassment prevention. We established the internal consultation service operated by the Ethics Committee as well as an external consultation service outsourced to lawyers. By doing so, we assure that consultants' privacy and interests are protected and are addressing a variety of inquiries, consultations and anxieties. In addition, the Group's rules of employment and labor agreement explicitly set forth sanctions imposed on those who violate the rules prohibiting sexual harassment.

Initiatives with Labor Unions

● Maintaining Good Relationships

Management maintains positive relationships with employee organizations, regularly meeting with officials of The Denki Kagaku Labor Union and The Head Office Labor Union in an atmosphere of mutual good faith. We hold regular meetings with these bodies three times in a year to communicate with and disclosure information to them. We occasionally hold other meetings and negotiations as needed.

● Labor Management Exchanges

On August 24, 2011, with the sponsorship of the Head Office Labor Union, we held the "Dinner Time Cruise," inviting a number of employees, including non-union members. Also, such recreational events as a summer party are held annually at each plant with the co-sponsorship of labor unions and management to deepen exchange between the two sides.



150 people participated in the Dinner Time Cruise to deepen friendship (August 24, 2011)

Nurturing Employees Who Can Independently Think, Learn and Take Action

Human Resource Development

We believe that employees are the Company's most important asset and the key element determining DENKA's future growth. Upon this belief, we positioned human resource development as one of the six pillars of DENKA100. To ensure success, it is essential for us to retain employees those who have the ability, motivation and energy to endure severe market circumstances and who are capable of accurate judgment and prompt action. Accordingly, DENKA is developing training curricula to cultivate such employees.

Initiatives in Fiscal 2011

We entirely reviewed our mandatory job level-based training and shifted to an emphasis on developing proactive and spontaneous human resources. This approach will allow us to systematically nurture employees who can independently think, learn and take action, which are our ideal for DENKA's human resources to achieve the goals of the DENKA100 management plan.

Educational Objectives of the Human Resource Development Center

Personnel Requisites

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 team performance through collaboration within and between business units
- 3 **Corporate Growth:**
Enhance DENKA's profitability, brand and reputation

Specific Initiatives

Mandatory Job Level-Based Training

Under these programs, employees acquire the knowledge they need to fulfill their duties. Specifically, we have set the theme of nurturing proactive and spontaneous employees as we train employees who have been at the Company for three years or less. Positioning "three years after entering the Company" as the period for acquiring basic business skills as defined by the Ministry of Economy, Trade and Industry, we connected all programs implemented for such employees with the abovementioned theme. In fiscal 2011, some 416 employees from all ranks took these programs.

Specialist Courses

In fiscal 2011, a total of 587 employees took accounting, legal affairs, information technology skill, corporate social responsibility, quality management, distribution and trade courses, with the purpose of acquiring the specialized knowledge and language skills required to undertake business operations.

Educational Support

● Skill Acquisition

We support those seeking to acquire certain formal qualifications. In addition, we are enhancing our educational support system covering overseas training and correspondence courses.

● Business Unit Training

Each business unit identifies areas needing improvement and focuses on establishing and executing original educational and training programs according to each operation to help improve the knowledge and skills of every employee.

● DENKA Techno Schools

Each business unit has opened a techno school to provide employees with our technological and skill resources as well as expert and practical knowledge.

Systems for Human Resource Development Activities

	Mandatory Job Level-Based Training Programs	Specialist Courses	In-house academic meetings and others	DENKA Techno Schools
General managers	Incumbents	Internal control, CSR, legal affairs, accounting, information technology, logistics, trade, quality management, guided and self health care, analysis techniques, engineering, languages (English and Chinese)	Research presentation meetings, technological symposia, analysis research presentation meetings, quality symposia, process symposia, DENKA100 presentation meetings and others, overseas training, overseas study, correspondence courses	Business unit training Omi Plant, Omuta Plant, Chiba Plant, Shibukawa Plant, Ofuna Plant, Isesaki Plant, DENKA Innovation Center
	New appointees			
Managers	Incumbents			
	New appointees			
Medium-ranking staff members	Assistant managers			
Young members	5th year employees			
	3rd year employees			
	2nd year employees			
	6-month employees			
	New employees			

Networking Meetings and Presentation Meetings—Helping Employees Grow

Technological Networking Meetings for Young Engineers

To nurture young engineers, in 2011 DENKA started to hold technological networking meetings aimed at promoting the exchange of information on current research. A secondary goal of these meetings is to facilitate friendly competition among young staff who entered the Company at the same time.

The first meeting was held on May 20, 2011, and 23 engineers who had been working at DENKA for three years participated. They engaged in lively discussions covering technological issues and the proposals that the participants had brought in. Another meeting on October 14, 2011, brought together 18 engineers who had been in DENKA for five years.

We are aiming toward further enhancing these meetings and so distributed questionnaires to the participants. We received such comments as "It was good to know other plant's research themes as it helps me to figure out my future career" and "It was inspiring that I could ask questions that could not be asked in the field." To improve young engineers' field capabilities and R&D prowess as well as their character by facilitating their self-development, we will further expand these meetings.

The 18th Analysis Research Presentation Meeting

Our R&D activities largely involve the analysis of structural properties, in which the relationship between the structure and the nature of a material is researched. Today, this method is deemed one of the principal R&D approaches and has contributed to the creation of new products based on all kinds of materials, even materials commonly used in our daily lives for other purposes. Moreover, this method is also utilized in production technologies, quality improvement and environment preservation.

Analysis research presentation meetings are positioned as in-house academic meetings in which techniques for the analysis of structural properties that support frontline R&D activities are introduced. At the 18th meeting, which was held in fiscal 2011, 23 presentations were given, mainly by young engineers, followed by lively question and answer sessions.



Analysis research presentation meeting held at Isesaki Plant (November 22, 2011)

Networking Meetings with External Engineers and Theme-Driven Meetings

We recognize that the more we know and understand about production facilities, machinery and equipment and how to fully utilize such knowledge, the greater the improvements we can make to our production technologies. Therefore, DENKA holds networking meetings with external engineers representing machinery and equipment manufacturers. In fiscal 2011, meeting themes included technologies pertaining to twin screw extruders and stirring techniques.

Also, theme-driven technological networking meetings are held to exchange information on technologies that are common to engineers working at different plants. One such meeting on adhesion and cementing technologies was held on August 22, 2011, at the Shibukawa Plant. With staff members from Headquarters as well as the Chiba Plant, Ofuna Plant and Shibukawa Plant participating, the information exchange had a vibrant atmosphere.



Isesaki Plant: Technological deliberation networking meeting with the theme twin screw extruders, with 50 staff participating (May 19, 2011)



Shibukawa Plant: Technological deliberation networking with the theme stirring techniques (May 30, 2011)

Shibukawa Plant: "Jishu-Hozen" Education

At the Shibukawa Plant, education for acquiring *Jishu-Hozen-Shi* qualification (engineering qualification for autonomous maintenance of plant facilities)* is offered at DENKA Techno School. In fiscal 2011, all DENKA Techno School trainees studying for this qualification attained it.

*Certified by the Japan Institute of Plant Maintenance

Aiming to Be a Good Company by Pursuing Steady Efforts

GCP—Nurturing the Corporate Culture of a “Good Company”

For society, for the environment, for customers and shareholders, and for DENKA associates, Good Company Program (GCP) activities hone on-site capabilities by raising the awareness of each employee and encouraging autonomy and proactiveness under the goals set out on a team as well as a worksite basis.

To Establish a Corporate Culture of “Enhancing Capability through Endurance”

Over the nine years since 2004, we have been continuously implementing GCP activities under the mottoes the “responsibility is on managers” and “100% participation of employees.” At present, GCP activities are pursued by 142 teams Groupwide in Japan and overseas.



Introduction of Activities

● DENKA100 Promoting Committee

The Committee members, including a number chosen from staff at Headquarters, plants, research institute and branches, exchange their opinions at periodic meetings and, working in close cooperation, strive to promote DENKA100 initiatives.



● Information Sharing (Japanese only)



DENKA100 News
Issued periodically, this newsletter presents topics of interest related to DENKA100 initiatives, including those undertaken at the department level by Group members. “Eye on DENKA,” a column written by staff members is also regularly posted.



DENKA Safety Activity News
A regularly issued in-house newsletter that presents information for maintaining and raising safety awareness.



DENKA100 Website (in-house only)
The in-house website is utilized to share information that is beneficial for DENKA100 activities, such as examples of activities gathered from the entire Group. Reflecting the opinions of DENKA100 Promoting Committee members, the website was renewed in fiscal 2012, becoming more user-friendly and attractive.

DENKA100 Presentation Meeting

At the root of Good Company Program (GCP) activities is a desire to maintain awareness toward seeking “a better way” for performing day-to-day tasks and a drive to steadily move forward. Since 2005, we have been holding DENKA100 presentation meetings encompassing Headquarters, branches, plants, research institute and all Group members to present and share data on GCP activities being undertaken throughout the Group. We have been holding this series of meetings for eight years, for a total of 15th meetings as of the fiscal

2011 year-end. The meetings include presentations pertaining to such topics as safety, quality, human resource development, the improvement of the worksite environment and communication activities, which are all basic to the creation of a “Good Company.” By enabling the exchange of perspectives and initiatives at these meetings, we aim to embed a proactive attitude toward creating a “Good Company” in our corporate culture.

GCP—Corporate Culture of a “Good Company”

- Under the GCP, everyone associated with DENKA takes action to push the company to the next level, making it a “Good Company.”
- We strive to be a company in which all employees feel motivated and rewarded as well as to be a company recognized as a reliable corporate citizen.
- GCP activities aim to decisively adopt GCP as part of DENKA’s corporate culture and must be pursued as long as its business continues.

● The 15th DENKA100 Presentation Meeting (June 6, 2012)

Focusing on the improvement of the worksite environment and undertaking initiatives that foster a sense of unity, 12 groups chosen from business sites in Japan and overseas presented initiatives that have resulted in practical improvements that made conditions better and more pleasant for staff. In addition, the meeting was broadcast via a video teleconference system to other business sites in Japan and overseas with the aim of providing staff throughout the Group with useful suggestions for implementing similar activities.

■ Presentation Themes

No	Theme	Presenter
1	Improvement of worksite environment	Central Research Institute
2	Improvement activities centered on dialogue with production site	Shibukawa Plant
3	Confirmation and adoption of basics	DAS (Suzhou, China)
4	Safety and communication activities from the viewpoints of operators	Isesaki Plant
5	Enhancement of safety, security and quality	Omuta Plant
6	Safety activities utilizing Hiyari Hatto accident control method	Chiba Plant
7	“3S” safety activities coordinated with small group activities	Ofuna Plant
8	Improvement of worksite environment through a campaign entitled “S-Undo Minna De Pirika”	Sapporo Branch
9	Initiatives to reduce the malfunctioning of tapping machines	Omi Plant
10	Let’s study Hong Kong	DCH (Hong Kong, China)
11	Let’s nurture the Uruoi (moisture) cosmetic brand, rallying female staff members throughout DENKA	Female project team of Headquarters
12	Support for the Fureai Trio	CSR & Corporate Communications Dept.

● The 15th DENKA100 Presentation Meeting



Female staff members from Headquarters and Osaka Branch led the meeting as co-MCs



Venue of the meeting



Presentation



A presenter who had implemented an excellent GCP activity was commended by the president



A presenter who had implemented an excellent GCP activity was commended by the president



The DENKA Group's Social Contributions

Focusing on contributing to local communities in the areas of education, academics, the arts and culture, DENKA Group promotes social contribution in ways that utilize the characteristics of its business to develop even stronger relationships of trust with society and local communities and to realize a better society.



Communication with Local Communities

Striving to Gain the Trust of All Society

Dialogues with Local Communities

We participate in local communities by engaging them in dialogue and promoting activities that contribute to their development.

On August 29, 2011, the "Omuta Machizukuri [local development] Symposium" was held in Omuta City, and Shohei Tamaki, General Manager of the Omuta Plant participated as a panelist. Mr. Tamaki shared his opinions about the future of local development, "a number of products are manufactured in Omuta and are earning high praise all around the world. Going forward, it will be important to draw public attention to this fact. By doing so, Omuta will become a city that its residents are even prouder of and a place that people want to live in."

The Ofuna Plant participates in the "Local Environmental Seminar" sponsored by the Kanagawa Prefectural Government to facilitate understanding of business operators' environmental activities and to deepen mutual understanding with local residents. At the seminar in February 2012, the plant reported on its environmental activities and hosted a plant tour. Situated in Kamakura City, one of Japan's historical cities, the plant is striving to gain the understanding of local residents with regard to its ongoing environmental preservation activities.

On October 13, 2011, the Chiba Plant held a plant tour and invited 20 people who serve as the presidents of local clubs belonging to the Goi first branch of the Ichihara City Federation of Senior Citizen's Clubs. Tour participants closely studied the products being manufactured at the tape finishing plant. A vigorous question and answer session followed the tour. Afterward, we received such comments as "It was good chance to gain a deeper understanding of the plant" from participants.



The Ofuna Plant: 40 people from the local community and government participated in a plant tour, which was held as a part of the "Local Environment Seminar" (February 2, 2012)

Supporting Community Events

● The Omuta Plant: Exhibiting *Daija-Yama*

To demonstrate our dedication to being a community-based plant, we have been considering exhibiting some of the local attractions at our plant. Learning that the Miike Shinmachi Yatsurugi Shrine was hoping to retire its old *Daija-Yama* parade float, which resembles a *daija* (a gigantic serpent) and was used in Omuta City's summer festival, we took over responsibility for the float and have put it on display on our premises.



● The Omi Plant: The 19th *Hisui-no Sato* Mountain Marathon

We sponsor this marathon event in tandem with 12 local associations. Held in June 2011, this was the 19th such marathon and welcomed a record-high 830 participants from within and outside of Niigata Prefecture.



● The Ofuna Plant: The Fujimicho Town Association Summer Festival

To support the town association, the plant opens a portion of its premises and facilities to the public for use during summer festivals. The labor union and employee volunteers offer their enthusiastic cooperation as well.



Social Contributions in Tandem with Local Communities

● The Shibukawa Plant: Cleaning up irrigation channels



Cleanup event at Nakamura District (April 28, 2011)

● The Shibukawa Plant: Improvement of the Flower Road

Since 1999, we have been helping to plant flowers in tandem with the local association of Nakamura District, where the plant is situated. As a part of our social contribution efforts, we cooperate in the year-round maintenance of the Flower Road.



Weeding and pruning hydrangeas along the median strip of route 17, with 23 employees from the Shibukawa Plant participating (July 2, 2011)

Facilitating Greater Interest in Chemistry in the Next Generation

Experimental Science the Fun Way— Using SBC Resin Film

● The Omi Plant: Youngsters' Science Festival in Itoigawa

The Omi Plant participated in the "Youngsters' Science Festival" held on November 5, 2011, in Itoigawa, Niigata Prefecture, sponsoring a booth where children got to personalize PET bottles using CLEAREN, an SBC resin film that shrinks when exposed to hot water. Children participating in the experiment were able to take home PET bottles displaying their creativity.



DENKA's booth in roaring success



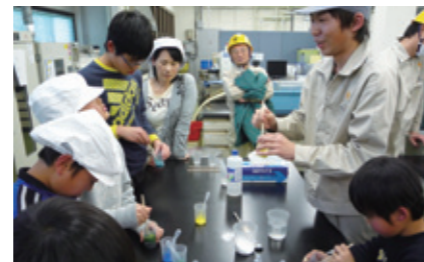
Enthralled, children gaze at films shrinking as hot water is applied.

● The Shibukawa Plant: Experimental Science Class

The Shibukawa Plant is holding Experimental Science Classes in spring and autumn, aiming to make children feel closer to chemistry and have fun with it.



Personalized PET bottles made by children, decorated with pictures they have painted



Making super bouncy rubber balls using readily available household materials



Observing ants and dragonflies using electron microscopes

Providing Job Experience and Internship

We offer work experience and an internship program to students from local schools, mainly technical high schools and junior high schools. Through on-site training, we help students learn what it means to have an occupation while trying to teach them the joy of a job well done. DENKA Azumin Co., Ltd. has been offering this job experience program since 2005, and two participants in the program had joined the company by fiscal 2011.

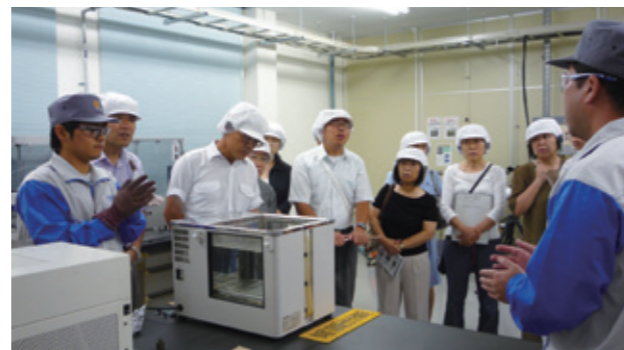
Plant Tours

● The Ofuna Plant: Plant Tour for Elementary School Students

The Plant held a tour for 109 third graders from the nearby Yamazaki Elementary School in October 2011. When one of the plant staff showed the children products manufactured in the plant for use in packaging ice cream, the students voiced surprise. The tour went well and we are confident that it improved the students' understanding of DENKA, especially after they got to get a close look at production and test the fit of wigs in the Synthetic Fiber Laboratory.

● The Shibukawa Plant: Plant Tour for School Teachers

As a part of a workshop held by the Shibukawa City Teaching Laboratory, the plant hosted a tour in August 2011 for 47 teachers in Shibukawa City, where the plant is well known as it is mentioned in the supplementary reader for social studies used in elementary schools. Among the participants' remarks we heard, "It was good to see the latest technology up close. I would like to incorporate this tour in the curriculum" and "I would like to have students participate in this tour." Looking ahead, we will strive to gain further understanding of DENKA and establish relationships of trust by holding more plant tours.



Teachers listen intently to an employee's explanation

Supporting the Development of Local Communities

DENKA Scholarship System

We established the DENKA Scholarship System in fiscal 2006 as a way to show our appreciation to the local community. This scholarship is open to high school students who live in areas where DENKA's domestic plants are located (Omi, Omuta, Chiba and Shibukawa) and are seeking admission to colleges or universities through a prescribed application and selection process.

Scholarship recipients are provided with accommodations designated by DENKA and cash to assist in the payment of rent during the period of their university studies, which must be accomplished within the normal number of years. Nine students received this scholarship in fiscal 2011.

Message from a Recipient



Mizuki Tatebe, Fiscal 2011 Scholarship Recipient
Graduate of Itoigawa High School,
pharmacy student at the University of Chiba

Pharmacology is not an easy subject. However, I am determined to do my best despite the many hours I must spend every day studying core and other subjects because it takes lots of knowledge to be a pharmacist.

In the days ahead, my studies will involve experimental classes and because of that I will be even busier. Nevertheless, I intend to further apply myself to my studies, always grateful for the assistance I have received through the DENKA scholarship system and from my family. I look forward to a future in which I will be a pharmacist and help many people.

Participating in the Fureai Trio Concerts

Formed by three professional classical music performers with desire to help people know the joy of classical music through hands-on experience, since 2003 the Fureai Trio has performed 330 concerts before a cumulative total of more than 80,000 people. In support of the trio's purpose, DENKA and six other companies provide assistance. In fiscal 2011, DENKA staff, mainly from the DENKA Innovation Center, supported two concerts at Machida Dai-Yon Elementary School on November 21, 2011, and at Machida Citizen's Hall on December 3,



A Fureai Trio performance led by violinist Kyoko Yoshida at Machida Dai-Yon Elementary School

Lending Our Support to Concerts for People with Disabilities

On December 17, 2011, the Fureai Trio performed a concert at the Recital Hall of Tokyo Bunka Kaikan (situated in Ueno Park in Taito Ward) for people with disabilities. 26 volunteers including DENKA employees assisted with the concert. An audience of over 400 people fully enjoyed the live performance.



Some members of the audience enjoyed participating in a violin playing workshop



A view of the concert venue

Voices of DENKA volunteers

The Fureai Concert Enriched the Hearts of All Participants



Yoshinori Takashima,
DENKA100 Promoting Dept.

Seeing some of the members of the audience enjoying the chance to play the violin as their family members happily looked on, and joining in body-percussion workshop in which everyone participated, I felt that the concert was spiritually nourishing for all

participants. It was an unforgettable experience for me to hold peoples' hands as I ushered them up and down the stairs. Also, I was thanked when I was showing the way to people, and it became a precious memory.

I Experienced "Fureai" (Interaction) with the Audience



Hidetoshi Iwasaki,
Investor Relations Dept.

This was third time for me to take part in the Concert. I have been given the opportunity to directly interact with people with disabilities through violin performance workshops and during the body-percussion section of concert and am always touched

by these interactions, which I could never experience in the course of my usual tasks.

Blood Donation Activities

At the Omuta Plant, in June and December 2011 blood donation campaigns were held, with a record-high (cumulative total of) 427 employees participating. At the Shibukawa Plant as well, in April 2011, 49 employees volunteered. We have observed that not only do such activities contribute to those in need, such participation has a beneficial effect on employees' day-to-day health management. We will promote further cooperation with the blood donation campaigns.

DENKA Engages in Environmental Preservation Mainly through Responsible Care (RC) Activities



Hitoshi Watanabe
Representative Director and Senior Managing Executive Officer

Promoting RC Activities

By improving and optimizing its production technologies, the DENKA Group aims to reduce environmental burdens at every stage of operations, from R&D to the use and eventual disposal of its products, while striving to ensure safety and stable production. To this end, we are implementing the following RC activities:

1. To prevent accidents involving fire or explosions at our production sites, we properly maintain and improve production facilities while adhering to safe operation methods. We manage and ensure the security of such facilities by always strictly complying with safety standards during operations.
2. To support environmental preservation, we pursue investment that promotes energy- and resource-saving at our facilities.
3. To ensure worksite safety, we continually endeavor to mitigate risk in operations at production sites by improving facilities and technologies while implementing education and training to enhance employee capabilities.
4. To contribute to local communities and society in general, we hold and strive to enrich events aimed at engaging them in dialogue, including briefings for local residents and chemistry classes for elementary school students.
5. To optimize logistics, we continually strive to accelerate energy-saving initiatives and to ensure safety at all stages, from the moment a product leaves a plant to its delivery.
6. To contribute to the natural environment through our products and processes, we proactively utilize our technologies.

Medium-Term Environmental Plan

Until fiscal 2009, DENKA had been continuously reducing its environmental impact. Aiming to further improve our environmental initiatives, we are implementing the Fourth Medium-Term Environmental Plan over the fiscal 2010 through fiscal 2012 period. Moreover, we will enrich our RC activities, broadening the scope of activities to include such initiatives as the reduction of CO₂ emissions to prevent global warming; reduction of waste generation, including by utilizing waste as a valuable resource; maintenance of zero emissions activities; securing of logistics safety; and promotion of communication with local communities.

Items	Fiscal 2010		Fiscal 2011		Fiscal 2012	
	Actual	Target	Actual	Target	Actual	Target
Energy consumption intensity (fiscal 1990 base)	0.91	0.87	0.91	0.86		
Emissions of PRTR* substances (tons)	122	90	139	88		
Final waste disposal (tons)	304	337	228	374		

*Pollutant release and transfer register

The DENKA Group Environmental Protection Promotion Structure

Chaired by the person in overall charge of technology, the RC Committee, a decision-making body that includes management officers, discusses and decides on RC-related matters. The policies on occupational safety and health activities as well as security and disaster prevention activities are laid out in the annual safety and health management plan. Environmental and other activities are implemented in line with the Medium-Term Environmental Plan and annual RC activity policies. The status of implementation is monitored and managed by an in-house monitoring system, which involves such steps as safety inspections and RC audits.

Participation in the Japan Responsible Care Council

Since 1995, DENKA has been participating in the Japan Responsible Care Council (JRCC). We actively promote voluntary RC activities based on JRCC programs. In addition, we received certification from the International Council of Chemical Associations (ICCA) in 2010 after becoming a signatory to the declaration of support for the Responsible Care® Global Charter.



Certificate awarded by the ICCA

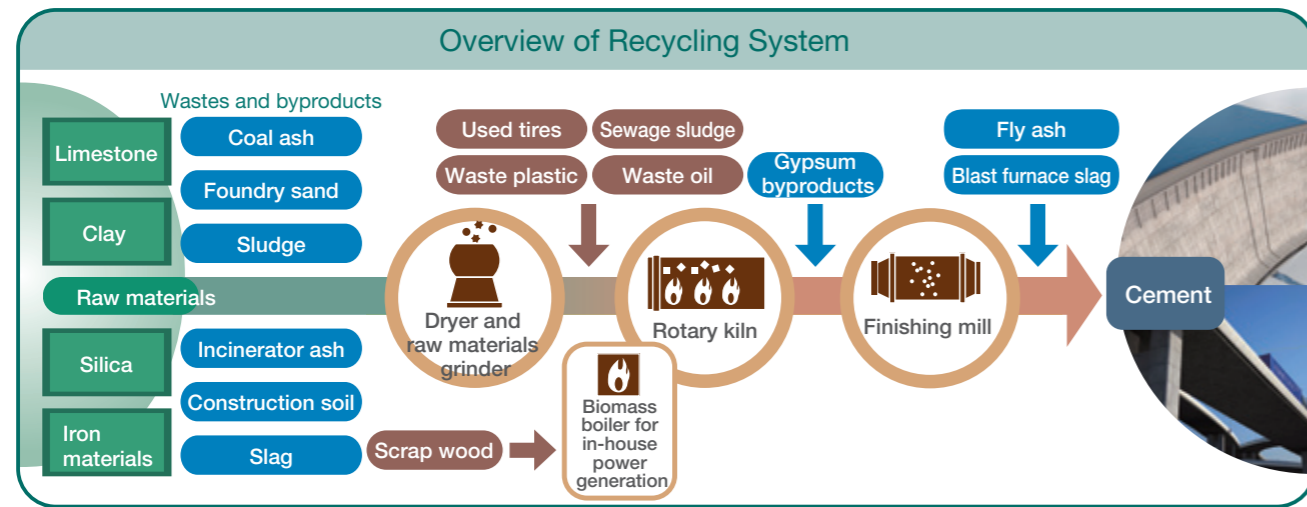
Fiscal 2011 Responsible Care Objectives and Achievements

(Assessment code: A = Reached target B = Partially missed target C = Missed target)

Key Area	Fiscal 2011			Relevant Page	Major Challenges and Goals in Fiscal 2011 and Beyond (Initiatives and Final-Year Targets)		
	Goals	Achievements	Evaluation				
Conservation	Prevent global warming and conserve energy	CO ₂ emissions intensity (from energy sources): 1.00t/t Energy consumption intensity (fiscal 1990 base): 87%	CO ₂ emissions intensity: 1.11t/t Energy consumption intensity (fiscal 1990 base): 91% Reason: Despite the reduction achieved thanks to the improvement of cement facilities and PVA facilities, the emissions intensity increased, reflecting the production adjustment at the Chiba Plant.	B	33	CO ₂ emissions intensity (from energy sources): 1.00t/t Energy consumption intensity (fiscal 1990 base): 86% and below Countermeasures: Achieve target by accelerating implementation of the energy-saving theme	
	Prevent air and water pollution	SO _x : 154t NO _x : 4,660t Soot and dust: 131t COD (BOD): 944t	SO _x : 217t NO _x : 4,240t Soot and dust: 128t COD (BOD): 1,295t [Air] SO _x : Reason: Missed target despite such initiatives as utilization of natural gas for the cement kiln and boilers. NO _x : Reached target due to the decreased production of silica. Soot and dust: Reached target despite a small increase due to the increased use of recycled resources at cement plants. [Water] COD (BOD): Missed target despite a decrease thanks to continued monitoring and adjustment at wastewater treatment facilities. Plans call for the improvement of the treatment capacity of such facilities.	B	Website 12-14	SO _x : 153t Countermeasures: Promote further changeover from heavy oil to natural gas NO _x : 4,670t Soot and dust: 133t COD(BOD): 564t	
	Reduce waste (zero emissions)	Total waste generated	99,500t	Total waste generated: 138,000t Reason: The amount of slurry generated in the cleansing process increased, reflecting the increased mining of limestone that contains clay.	C	Website 12-14	Constrain and reduce waste Countermeasures: Use of better limestone mining techniques
		In-house and external reuse:	90,000t	In-house and external reuse: 124,800t Promoted in-house reuse at cement plants as well as the external reuse. Reuse will be further promoted.	A		Promotion of reuse
		Recycle resources	In-house and external landfill: 337t	Recycle resources In-house and external landfill: 228t Reached target set forth in the Medium-Term Environmental Plan due to the significant reduction achieved by the promotion of recycling at the Omi and Omuta plants. As a result, the Group attained zero-emissions.	A		Cut final landfill waste 374t
Use resources efficiently	Further enhancement of recycled resource usage intensity from 417kg/t in fiscal 2008	Recycled resource usage intensity: 570kg/t Reached target by promoting recycling, putting the focus on industrial waste.	A	32	By further enhancing the use of waste and byproducts per ton of cement (recycled resources usage intensity), we will contribute to the development of a recycling-oriented society.		
Product Safety	Appropriate compliance with chemical substance management policies	•Comply with the European Union's Registration, Evaluation, Authorisation and Restriction of Chemical Substances (REACH) •Accommodate Globally Harmonized System of Classification and Labeling of Chemicals (GHS) in each country	•Took steps to respond to the new regulations on chemical substances in such countries as Australia and Turkey. •Revised materials safety data sheets (MSDS) with consideration for GHS to ensure smooth exports to EU and China.	A	Website 19, 20	Continued to supply MSDS and other product safety information and identify and consider complying with overseas chemical regulations, including REACH	
	Manage chemical substances and suppress emissions	Companywide emissions of PRTR substances: 90t	Companywide emissions of PRTR substances: 139t Reason: The year-on-year 14% increase was due mainly to the landfill disposal, which was a one-time only event. Because of this disposal, the figure is projected to cease to increase in fiscal 2012.	C	Website 12-14	Emissions of PRTR substances: 88t Countermeasures: Improve the facilities on schedule and thus reduce emission volume	
	Ensure safe transportation	•Target a zero accident rate for in-house and off-site logistics •Step up our Safe Transportation Code of Conduct as a Shipped Goods Owner	•We continued to revise our yellow card system and yellow cards for containers (labels). •We evaluated and analyzed transportation safety levels and instituted improvements.	A	33 Website 11	Fulfill responsibilities as an owner of shipped goods	
Occupational Safety and Health	Eliminate occupational accidents	Conduct risk assessments and identify and eliminate unsafe facilities and work practices	All business sites continued to conduct risk assessments and identified and addressed unsafe work practices. Number of incidents of lost work time due to accidents in Group: 3 (3); accident frequency of 0.56 (0.57) Number of incidents of lost work time due to accidents among subcontractors: 6 (0); accident frequency of 0.92 (0.00) Note: Numbers in parentheses are for fiscal 2010. Reason: Mainly, it was operators with less experience that had accidents. The proportion of the following types of accident increased: accidents wherein an employee was clamped or caught in machinery; accidents wherein an employee was cut, scraped, or had contact with a hazardous substance.	B	16-19	Eliminate occupational accidents through education and safety management systems Attain zero accidents requiring employees to take time off Countermeasures: Strengthen training for operators with less experience	
	Manage employee health	Maintain and improve health	Continuously implemented countermeasures against mental health problems and metabolic syndrome (education and development of follow-up structures).	A	16, 17	Undertake activities to maintain and improve health	
Disaster Prevention	Eliminate major accidents	Eliminate major accidents, notably explosions, fires and large leaks of chemical substances	•There were no major accidents. •The number of problems impeding operations (such as an electric outage) decreased from 16 to 9. •Based on analysis of previous accidents, we implemented measures to prevent recurrences and stepped up preliminary safety assessments and change management.	A	18, 19	Eliminate major accidents, notably explosions, fires and large leaks of chemical substances, and improve production stability (in keeping with the characteristics of specific plants, target more stable operating conditions, enhance operational techniques and facilities)	
Community Relations	Maintain community trust	Continue to engage communities and build trust	•We addressed complaints about noise and odors by setting up response desks at each business site, deploying countermeasures and responding in good faith to complaints to obtain understanding. •We hosted business site tours and held children's chemistry classes, engaged in community dialogue and participated voluntarily in social activities to maintain community trust.	A	26-29	Target ongoing corporate activities that secure and maintain community trust	

References are available in the Web-based CSR Report references (<http://www.denka.co.jp/eng/csr/report/index.html>).

Aiming to Contribute to a Recycling-Oriented Society



Recycling System

The waste material recycling business at the Omi Plant's cement plant involves the utilization of coal ash produced by thermal power stations as a raw material. In addition, the plant receives used tires and waste plastic for use as fuel sources. Furthermore, the fly ash from the incineration of such fuel is itself used as a cement raw material. As a result, the cement plant's recycling system ensures that all waste materials are completely consumed.

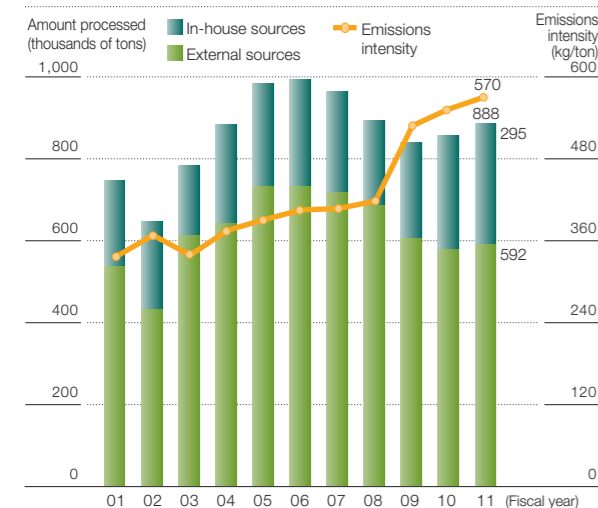
In fiscal 2011, DENKA used 570 kilograms of recycled materials for every metric ton of cement produced, the largest proportion recorded to date. DENKA promotes the use of such alternative fuels as scrap wood and waste plastics, which effectively reduces the consumption of fossil fuel.

On Japan's western seaboard, DENKA was the first company to obtain permission to operate a processing business in accordance with the revised Soil Contamination Countermeasures Act, which



Akihiko Okuda, General Manager of Omi Plant, receiving the certificate of commendation (November 23, 2011)

Recycled Resources Accepted



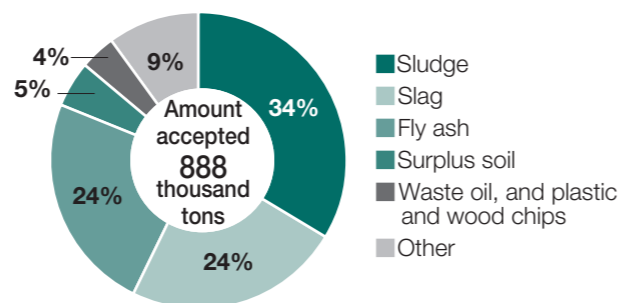
went into effect in April 2010. The Omi Plant has been increasing the amount of carbide produced from sewage sludge and household waste that it accepts from neighboring local government bodies in addition to soil displaced from construction sites. Moreover, the plant installed chlorine removal and other related facilities in fiscal 2011 to allow it to accept greater amount of waste materials containing chlorine.

Also in 2011, The Omi Plant was commended as an excellent recycling operator by the Niigata Prefectural Government for its history of initiatives and accomplishments in cement recycling. Looking ahead, we will proactively augment the capacity of our facilities and increase the amount of waste material we process to further contribute to the realization of a recycling oriented society.



Staff members of the Cement Dept. of the Omi Plant with the certificate of commendation presented by the Niigata Prefectural Government

Fiscal 2011 Recycled Material by Category



Promoting Variety of Initiatives to Protect the Global Environment

Measures to Prevent Global Warming

Response to Local Government Ordinances

In accordance with ordinances regarding the prevention of and measures against global warming set forth in Gunma and Kanagawa Prefecture, DENKA is submitting a CO₂ emission reduction plan as well as an emission status report. Although CO₂ emission volume rises and falls in reflection of production volume, the Group's overall CO₂ emissions intensity* is steadily decreasing.

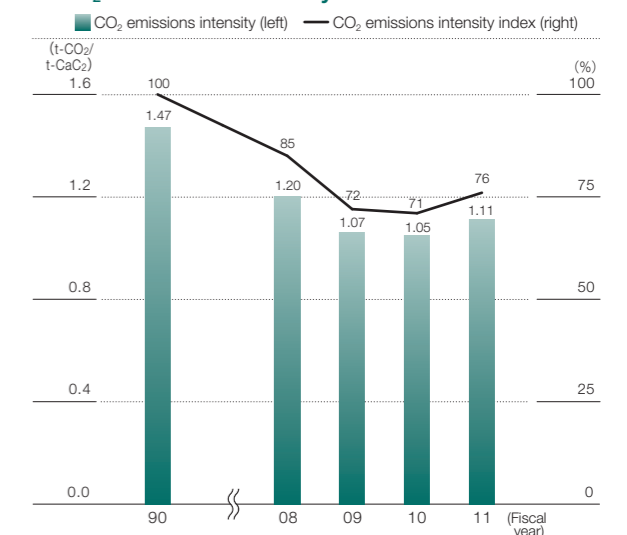
Response to Trial Emissions Trading Scheme**

DENKA's CO₂ emissions intensity target for fiscal 2010 was 1.14 t-CO₂/t-CaC₂. Thanks to the promotion of fuel conversion and various kinds of energy-saving activities, the target was achieved in fiscal 2010—in fact, we recorded a CO₂ emissions intensity of 1.05 t-CO₂/t-CaC₂, beating the target by 7.8%. In fiscal 2011, however, our CO₂ emissions intensity was 1.11 t-CO₂/t-CaC₂, slightly up but still well ahead of the abovementioned target. These results reflected an increase in CO₂ emissions intensity from stepped up electricity generation due to the damage caused by the Great East Japan Earthquake.

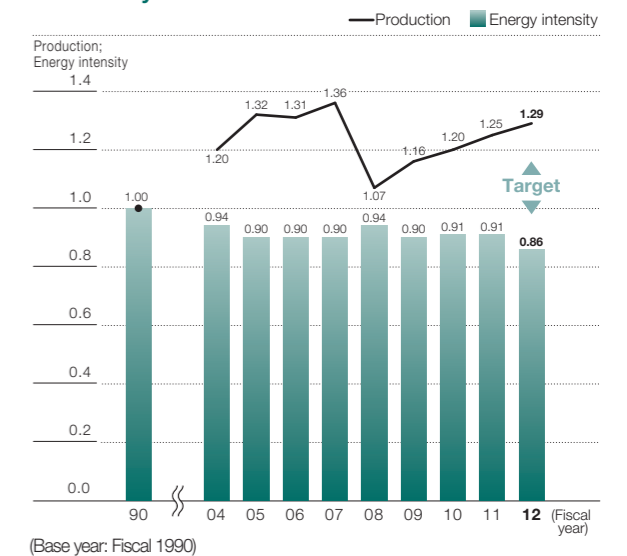
* CO₂ emissions intensity: In order to present figures in a unified manner, the CO₂ emissions intensity target for each DENKA product is translated into terms of the Omi Plant's CO₂ emissions volume divided by its calcium carbide production volumes.

** Trial Emissions Trading Scheme: Companies that participated in both the target-setting group and the voluntary action plan of the Nippon Keidanren set in-house targets and reduction targets based on their organization's fiscal 2010 targets, and received verification from the Japanese government after the activity.

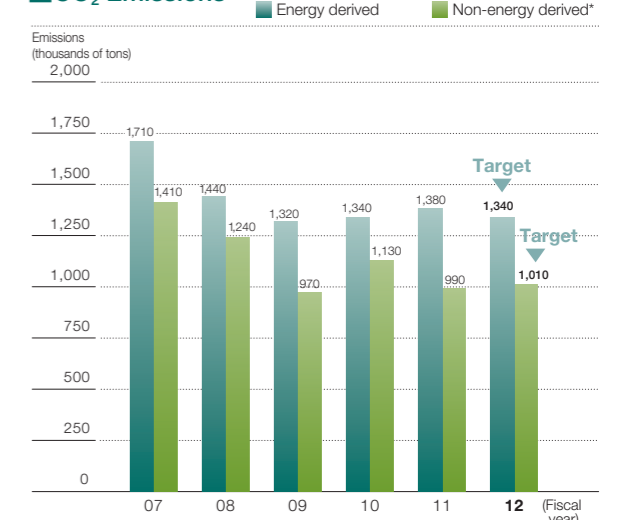
CO₂ Emissions Intensity



Production Volume and Energy Consumption Intensity Relative to the Fiscal 1990 Level



CO₂ Emissions



* Non-energy derived CO₂ emissions are generated from raw materials processing and waste disposal during the manufacturing process.

LCA Initiatives

Since introducing life cycle assessment (LCA) in 2009, we have proactively enriched the lineup of our products that are subject to the LCA calculation. Involved in this business are six business sites and one subsidiary.

Utilization of Subsidy Systems

As part of its activities to reduce environmental burden and to save energy, DENKA actively utilizes subsidy systems established by the Japanese Ministry of the Environment and the Ministry of Economy, Trade and Industry. In fiscal 2010 and 2011, we received approval for four subsidies.

Initiatives to Rationalize Logistics

In fiscal 2011, at 34,700 tons (total transportation volume: 521 million t-km) the CO₂ emissions volume from logistics was down 12,900 tons compared with the fiscal 2007 level. Meanwhile, energy consumption intensity increased by 4.8% compared with the previous year due to a decrease in the number of cargo vessels with high transportation efficiency. Looking ahead, we will continue to work to rationalize logistics and further promote energy-saving, to attain the reduction of total CO₂ emissions as well as the targets on energy consumption intensity.

Message

Pursuing Rationalization at the Logistics Ability Enhancement Project

Yoshihiro Ishikawa, General Manager, Logistics Dept. In fiscal 2012, we launched the Logistics Ability Enhancement Project while establishing the Logistics Dept., aiming to comprehensively improve DENKA's logistics. To reduce distribution costs as well as CO₂ emission volume, we will review the distribution flows of main products, introduce a comprehensive warehouse control system and improve the transportation and distribution control system. Simultaneously, we will undertake logistics training, develop safety procedures and establish an emergency response structure.

Striving to Improve Quality in Concert with Suppliers

CSR Procurement

To achieve the goals set forth in the DENKA100 corporate philosophy, the DENKA Group believes it is indispensable to maintain good relationships with the suppliers that form our supply chains. The DENKA Group considers its suppliers to be valuable partners in operating its business, and looks forward to attaining sustainable growth in tandem with them by establishing mutual relationships of trust. In our procurement activities, including the purchasing of raw materials, machinery and equipment as well as contract construction, therefore, we always strive to be fair and equitable while comprehensively taking into account issues related to quality and sustainable supply as well as cost when selecting our suppliers. We also place emphasis on suppliers' compliance with laws and regulations as a precondition to building mutual relationships of trust.

Message

Aiming to Earn and Nurture the Trust of Customers with Quality



Masato Mitani, General Manager, Quality Control Management Dept., Technology Div.

Under our Companywide Quality Policies, we are aiming to earn and nurture the trust of customers through initiatives to stabilize and enhance quality by strengthening our worksite capabilities.

In addition, DENKA formulates its own "negative list" to clearly identify environmental load substances that must be eliminated from or minimized in use at every stage, from R&D to raw material procurement to manufacturing. By doing so, we are strictly complying with environment- and chemical substance-related regulations as well as customers' voluntary standards while securing product quality and safety. We also prepare Material Safety Data System (MSDS) and formats for indicating information on safety to safeguard everyone who deals and/or comes into contact with our products.

Commendations of Business Partners

With the aim of nurturing mutual relationships of trust, our Omuta Plant gives excellent business partners commendations. On the occasion of the anniversary event to celebrate DENKA's 96th year of founding, April 1, 2011, Special Commendations were given by the general manager of the plant to three business partner companies to express gratitude for their long-term cooperation and understanding of DENKA's business.

Initiatives to Improve Quality and Safety

Aiming to maintain and improve product quality in order to assure customer satisfaction, DENKA undertakes ongoing initiatives to enhance its quality management techniques.

In fiscal 2011, during "Quality Month (November)" we held lectures and quality symposia aimed at disseminating statistical quality control methods and promoting improvement activities.

Moreover, QC circle activities for those who work on the production site were held in the electronic materials manufacturing sections in Isesaki and Omuta Plant, contributing to the improvement of product quality.

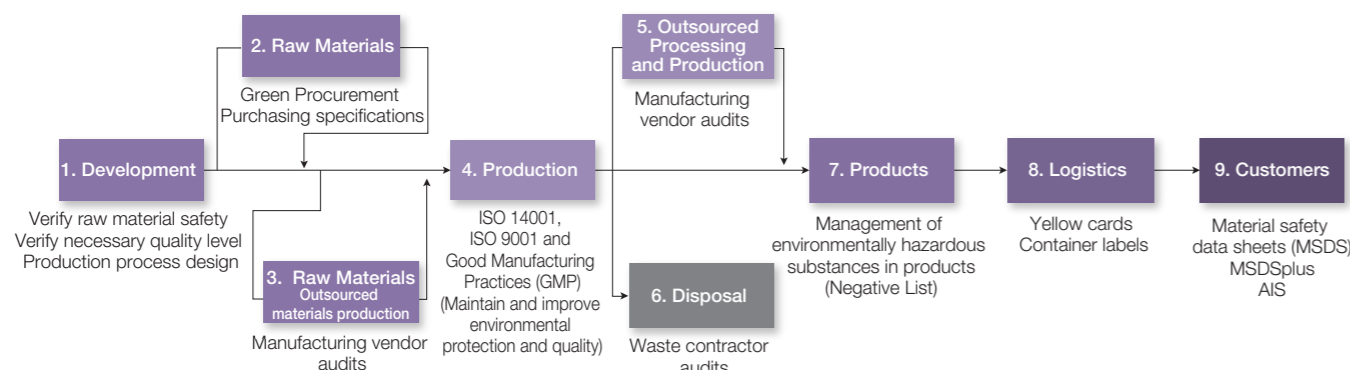
Fiscal 2011 Companywide Quality Policies

- Strengthened response to product liability and related laws and regulations**
Prepare product labels and package inserts as well as reporting and notification documents
- Enhancement of technologies to ensure built-in quality**
Develop technologies that meet customer needs and create products that vary minimally in quality
- Raising awareness of employees engaged in manufacturing**
Voluntary management by frontline employees to maintain stable quality
- Adopting statistical quality control (SQC) method**
R&D staff and manufacturing chief must adopt SQC method in practical operations



The second quality symposia, in which 10 employees presented the fruits of their initiatives (February 14, 2012)

Materials Safety and Management Flowchart



* For detailed information regarding product safety management, please see page 19 of the Web-based CSR Report references (<http://www.denka.co.jp/eng/csr/report/index.html>).

Manufacturing That Contributes to Social Development

Award Winning Product Development

ALONBRIGHT Won the Harushige Inoue and the Tanahashi Award



Tetsuro Maeda, Chief Operating officer, receiving the award certification (right)

The β SiAlON Phosphor for white LED (product name: ALONBRIGHT), which was commercialized by DENKA based on the research of the National Institute for Materials Science (NIMS) of Japan, won the 36th Harushige Inoue Award. The award was given for the product's contributions to energy-saving as well as the improvement it has made in video monitor picture quality when used in the backlights of liquid crystal televisions.

Moreover, DENKA together with NIMS, received the Tanahashi Technological Award. This award, which has long history, was given by the Electrochemical Society of Japan for contributions both parties have made through the development of the β SiAlON Phosphor.



Phosphor Research Dept. (Central Research Institute) staff members winning the Tanahashi Award

The Japan Institute of Electronics Packaging Technical Award

The Materials Characterization Dept. of the Central Research Institute and the Performance Material Dept. of the Shibukawa Plant won the 2010 Japan Institute of Electronics Packaging Technical Award for the development of materials that have high thermal conductivity and application of the percolation theory on complex thermal materials. In May 2011, the award certifications were given to representatives of these departments. High thermal conducting materials with insulating properties they have newly developed are expected to be widely used in such products as energy-saving component materials and contribute to the electronics industry in the future.



From the left: Kenji Monden and Katsunori Yashima of Central Research Institute

The Adhesion Society of Japan Award

DENKA received the 33rd Adhesion Society of Japan Award for the DENKA HARDLOC SGA series, a two-component low-odor type adhesive. With the new material design, we have succeeded in reducing odor while suppressing cure shrinkage, which is a characteristic of acrylic. This product is best suited for stylish structures and enables weight-saving by simplifying bond construction and reducing board thickness. It also greatly contributes to environmental conservation by obviating organic solvents previously used in the adhering process.



The commendation ceremony

● **The 2011 Japan Ceramics Award**
Hidehiro Tanaka, Inorganic Materials Research Dept. of the Omi Plant received the Japan Ceramics Award. Since joining DENKA in 1971, he has consistently engaged in the development of cement additives that enhance properties of concrete. The Award was given for his dedication to developing new products in tandem with customers.



Awards for Quality Assurance

Supplier Award for Superior Quality Given from Toyota

DENKA received the Supplier Award for Superior Quality from the Hirose Plant of Toyota Motor Corporation at the fiscal 2012 commendation ceremony. This highest commendation for the plant's suppliers was given for DENKA HITPLATE, which the Company has been supplying to the Plant with zero-defects for four consecutive years.



From the left: Hiroyuki Miyata, General Manager of Nagoya Branch; Mikio Yamaguchi, General Manager of the Quality Assurance Dept. (Electronic Materials Div.); Ryoichi Ide, General Manager of the Quality Assurance Dept. in the Shibukawa Plant (April 17, 2012)

Omi Plant: Award for Security and Disaster Prevention

The Japan Cement Association Award

Kazushi Tahara, who has been working at the Cement Technological Section for many years since joining DENKA, was given the 2011 Safety Contributor Award from the Japan Cement Association in recognition of his significant contribution for continued zero-disaster status over 30 years.



The Mining Safety and Health Association of Japan President's Award

Kazuhiro Yamada of the Mining Subsection, Mining Section, Resources Dept. of the Omi Mine, who has been working on the front lines of mining since joining DENKA in 1975, was commended for his significant contribution to securing safety and disaster prevention as a member of the safety staff and operations supervisor.



Nationwide Mine Security Award (Safety Staff Award)

Fumio Matsuki, who has been with the Mining Subsection and has an impressive zero-accident track record since joining DENKA in 1971, was given the Award for his remarkable contributions to disaster prevention.



Striving to Promote Greater Understanding of DENKA

In addition to the timely disclosure of information, DENKA undertakes a wide variety of investor relations activities with the aim of maintaining effective communications with shareholders and investors.

Along with results briefings convened in tandem with financial results announcements, we respond to

Results Briefings

DENKA holds results briefings for analysts and institutional investors. A results briefing for the fiscal year ended March 31, 2012 was held on May 9, 2012, with more than 100 analysts and institutional investors attending.

During the briefing, we presented the Company's fiscal 2011 financial results, performance forecasts for fiscal 2012 and our growth strategies. During the Q&A session, we answered various questions from attendees about key product trends and management's forecasts.

In addition, on our website we posted an audio file of the president's presentation at the briefing along with summary of and materials used in the briefing (available only in Japanese).



Shinsuke Yoshitaka, president of DENKA, presenting an overview of performance results



The fiscal 2011 results briefing (May 9, 2012)



Business briefing given by Manabu Yamamoto, general manager of Electronic Materials Div.

Site Tour for Chemical Industry Newspapers

On November 11, 2011, five reporters representing newspapers that cover the chemical manufacturing sector were invited to a tour of the Omi Plant. In addition to plant facilities, reporters were

shown the limestone mine and visited the Oami Hydroelectric Power Plant.



At the limestone mine



At the Oami Hydroelectric Power Plant

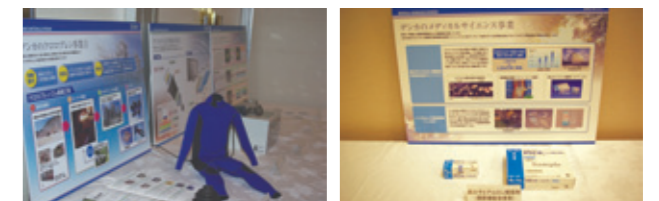
coverage of our business performance by analysts and institutional investors and hold briefings for individual investors in important locations throughout Japan. Through these activities, DENKA is working to showcase its products while actively promoting the greater understanding of its business operations.

Briefing for Individual Investors in Niigata

DENKA held a corporate briefing for individual investors on September 21, 2011. After presenting DENKA's overview and history, we introduced our calcium carbide business, which has been our mainstay business since our founding, as well as the Omi Plant, our main factory in Niigata Prefecture, where the briefing was held.

We also explained the basic principle underlying our corporate management, namely, that "improving business performance" and "sincerely fulfilling our responsibilities to stakeholders through the pursuit of quality, safety, environmental conservation and compliance" are inextricably linked. At the meeting we presented our commitment to earnestly and sincerely pursuing operations aimed at ensuring that our business continues to thrive for the next 100 years.

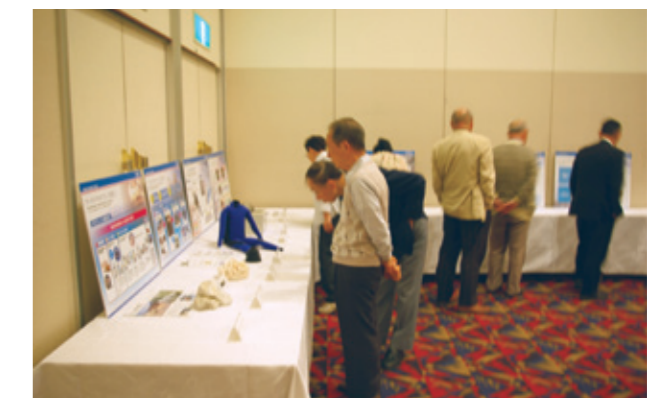
Many individual investors listened to our presentation with great interest, taking down notes. Attendees asked us a wide variety of questions up until the last minutes. We believe that the briefing succeeded to deepen investors' understanding of DENKA.



DENKA products exhibited at the briefing: Chloroprene rubber (used in wetsuits: left) and pharmaceutical products (macromolecular sodium hyaluronate preparation: right)



Despite the poor weather, a number of individual investors participated



DENKA products drew attention of attendees

Briefings for Individual Investors in Nagoya

On November 12, 2011, another corporate briefing for individual investors was held in Nagoya, attended by about 80 individual investors.

After we presented our overview of DENKA, we introduced our business sites in Japan and overseas, the limestone mine at the Omi Plant, our hydroelectric power plant and the manufacturing process that produces chloroprene rubber from limestone.

Moreover, we presented our commitment to achieving the management goal of operating income of ¥60 billion in fiscal 2015, as set forth in DENKA100 in the lead up to our centennial, by rallying the Group's entire strength. We also promised to never forget the longstanding trust we have built with customers over our nearly 100 years of business, and to strive to remain a manufacturer that deserves such trust into the future as we aspire to continue to thrive for the next 100 years.



Briefing for individual investors in Nagoya (November 12, 2011)

A CSR Report That Positions Employees as Primary Stakeholders

I prepared this third-party opinion taking two dialogue sessions I had with the Company into account. First of all, I hereby report that these sessions involved people in responsible positions, including directors and corporate auditors, representing a variety of departments. The lineup of personnel clearly demonstrated DENKA's determination to step up its CSR activities by preparing and issuing *CSR Report*, which impressed me a lot. I was also given a list outlining steps the Company intends to take in light of 68 recommendations I made with regard to the first draft of the report. This list detailed improvements made to this report as well as items that are to be improved in the next report, along with the names of the sections responsible for each step. I believe that DENKA will be served well by this earnest attitude and will succeed not only in continuously improving its *CSR Report*, but also in enhancing all its CSR activities.

Compared with that of the previous year, there were remarkable advances in this report.

First, reference materials (web-based report only) were enriched. In combination with a booklet and reference materials, the *CSR Report* comprises a considerable volume of information. I believe that this has enabled DENKA to present a realistic picture to readers. Hereafter, the remaining issues to be addressed are how to select information in accordance with its materiality and to whether to allocate such information to the booklet or the archive of web-based reference materials.

Second, the Message from the President was enriched and clearly expresses the president's determination as a promulgator of CSR to aggressively tackle issues. Moreover, the message covers broader topics, most of which are discussed further in later sections of the report. As a result, the *CSR Report* reads as an organically composed whole and it is clear that the report was prepared under the president's strong leadership.

Third, the Company frankly presents negative information, including a violation of the EU Competition Law, an increase in occupational accidents causing absence from work as well as mental health problems, the occurrence of several severe accidents at plants and a slight rise in the number of minor accidents. This open attitude makes it easier to find solutions to problems and will eventually kick-start a new cycle of improvement.

Fourth, it is stated that "we position our employees as primary stakeholders" (Mitsukuni Ayabe, Director, Managing Executive Officer). This shift in positioning is affecting many other articles around the report. For example, Initiatives with Employees appears ahead of the articles pertaining to other stakeholders. I believe these changes represent that the Company's awareness of "stakeholder engagement (a concept on which ISO 26000 places great emphasis) with employees was even more heightened. Moreover, I expect that DENKA will seek a variety of other stakeholders with whom to establish relationships in which by working together they will reap benefits.

On the other hand, I would like to point out some matters that I expect DENKA to improve to enhance its CSR activities and to enrich its *CSR Report*.

First, I would recommend that DENKA verify the progress of CSR activities by applying the ISO 26000 standard. In fact, a number of companies are starting to examine their own CSR activities according to this standard, using a check sheet tailored to their

business scope. It has been five years since DENKA went beyond protective CSR to launch proactive CSR initiatives aimed at achieving greater corporate value. It looks as if it is time for DENKA to clarify its areas of emphasis and make a leap. If possible, along with the abovementioned verification, I also recommend that the Company prepares roadmap for 2015, which is the centennial of its founding.

Second, I would like DENKA to establish a structure that enables it to generate synergies between the Good Company Program (GCP) and its CSR initiatives. The theme of GCP, which it has pursued since 2004, is "to be a company in which all employees feel motivated and rewarded as well as to be a company recognized as a reliable corporate citizen." This aspiration is very essence of CSR. It should be noted that the DENKA100 Companywide initiative commenced in 2007 includes both GCP and CSR in the six pillars representing initiatives to be pursued to achieve the goals of DENKA100. To create the synergies I spoke of, I recommend that the Company clearly define the relationships between DENKA100, GCP and CSR initiatives.

Third, I would like to close this third-party opinion by presenting a recommendation for DENKA's CSR activities with regard to labor related issues including information disclosure. I agree that, as shown in *CSR Report 2012*, a certain degree of progress in DENKA's initiatives for labor related issues has been made, owing to the dedication of related sections' staff; however, it must be said that even greater efforts are required in light of the statement in the president's message "ISO 26000 places emphasis on labor-related CSR." Japan's labor practices, among the economically advanced nations, are quite singular, causing a number of social issues. Taking into account the importance of labor-related issues in society, I expect that DENKA will accelerate its labor-related CSR initiatives and expand the scope of its information disclosure, utilizing such tools as relevant key performance indicators (KPIs).



Tamio Yamaguchi
Representative of Junkan Workers Club NPO

*Junkan Workers Club is a citizens group that examines ways to foster the harmonious coexistence of society and natural ecosystems from a global perspective to benefit future generations. In addition, this organization strives to conduct research, provide assistance and undertake measures that will create a recycling society in tandem with the members of the local community, business and governments. Pursuing the ideal for CSR activities, it also holds CSR workshops and makes a variety of proposals.
URL: <http://www.nord-ise.com/junkan/> (Japanese only)

Dialogue Sessions Held Prior to the Preparation of the Third-Party Opinion

To enhance reliability of its *CSR Report*, since fiscal 2007 DENKA has been subject to third-party audits by specialists in the chemical engineering field and, since fiscal 2011, has been engaging CSR experts in dialogue. The results of such audits and dialogue are presented as third-party opinions in the *CSR Report*. In fiscal 2011, as in the previous year, we invited Mr. Tamio Yamaguchi, a leading authority on CSR who serves as a representative of Junkan Workers Club NPO, to join us in dialogue as well as to present a lecture on CSR.

On July 26, 2012, Mr. Yamaguchi lectured on the theme of "Advancing CSR," presenting such topics as the corporate trend toward business and CSR integration; what stakeholders expect in the ideal CSR report; and information disclosure initiatives taken by other companies.

During a dialogue session held on September 3, 2012, we had discussion regarding the *CSR Report 2012* that summarized our activities. Mr. Yamaguchi mentioned that among the things that draw his attention in a CSR are: a message from the president that incorporates a review of activities and statement of commitment to the future; the positioning of employees as primary stakeholders; and the disclosure of negative information. The lecture was followed by a lively question and answer session that covered to such matters as CSR activities undertaken by overseas companies, the importance of activity reports, whistle-blowing systems and environmental accounting.

Participants in the abovementioned lecture and dialogue sessions included officers, standing corporate auditors and the heads

of the Administrative Dept., Legal Dept., Personnel Dept., Internal Auditing Dept., Information System Dept., Environment and Safety Dept., Technology Div., Quality Control Management Dept., Environmental Burdens Reduction Promoting Dept., Electric Power Dept., Technology Planning Dept., DENKA100 Promoting Dept. and CSR & Corporate Communications Dept..



Mr. Yamaguchi presenting the lecture



Lecture on CSR held at Headquarters on July 26, 2012



Third-party dialogue held at Headquarters on September 3, 2012

Response to the Third-Party Opinion

First of all, we would like to express our appreciation to Mr. Yamaguchi for his invaluable comments and beneficial advice with regard to our *CSR Report 2012*.

As in fiscal 2011, we had meetings with Mr. Yamaguchi that involved the heads of relevant sections. Prior to the meetings, he pointed out some areas for improvement in the first draft of this *CSR Report*. At the meetings we exchanged opinions with regard to our approach and response to said recommendations. We strove to reflect his recommendations to the greatest extent possible in this *CSR Report*.

In line with recommendations given in fiscal 2011, we strove to improve the entire structure of this report, which begins with a message from the president that gives an overview of DENKA's Groupwide CSR activities and its level of commitment to carrying them out and ends with reference materials (available only on the website). We are grateful that this met with Mr. Yamaguchi's approval. Of course, we will further accelerate our ongoing efforts for information disclosure while pursuing initiatives with stakeholders, especially initiatives with employees, our primary stakeholders.

In addition, we note that Mr. Yamaguchi pointed out things it might be good to incorporate as follows: verifying the progress of our CSR activities utilizing the ISO 26000 standard; preparing a roadmap for CSR activities; and establishing a structure to realize synergies between GCP and CSR activities. We recognize that these things are essential to CSR promotion and will seriously consider if we could implement them. As for information disclosure on labor-related CSR, we will work to communicate more accurate and realistic pictures of each activity while working with the departments involved to tackle related issues with reference to the relevant guidelines.

We would be delighted to hear your frank opinions with regard to this *CSR Report*. Spurred by the guidance and advice of our stakeholders, we will further advance Groupwide CSR activities and thus fulfill our social responsibility as a company.

Mitsukuni Ayabe

Director, Managing Executive Officer
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For More Information

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