

Denka

**Denka Group
CSR Report 2017
References**

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Denka Principles

Denka Principles

We:

- Boldly confront challenges with determination and sincerity.
- Think and take action today with the future in mind.
- Deliver new values, and inspire customers through innovative *monozukuri*.
- Respect the environment and create a cheerful workplace that prioritizes safety.
- Contribute to a better society, whilst taking pride in being a trusted corporate citizen.

(As of April 1, 2015)

The Denka Group Guidelines

Based on its corporate philosophy, "to become a company that creates new value from resources by fully employing our technological capabilities," the Denka Group established CSR action guidelines.

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

Established April 1, 2007

Compliance

To Maintain the Trust of Society, We Will Seek Greater Transparency and Ensure Integrity in All Our Endeavors.

Compliance

Our Stance against Corruption and Antisocial Forces

The Denka Group Ethics Policy prohibits employees from engaging in bribery or other illegal activities as well as from providing or receiving entertainment or gifts of excessive value or the nature of which violates social norms. In fiscal 2016, we sent out alerts reminding employees to take particular heed of the prohibition against bribery when engaged in transactions overseas or trying to penetrate into new market areas. We intend to also implement such employee education at overseas subsidiaries. In addition, our subsidiaries in Singapore have in place even more stringent in-house rules regarding gifts and entertainment in line with the country's legal standards.

All Group employees are strictly prohibited from acting in any way to benefit antisocial forces, and we ensure that every business contract incorporates a clause requiring the severance of any relationship with such entities.

Security Trade Control

Current international regulations on trade aim to prevent the proliferation of weapons of mass destruction by prohibiting exports of products and technologies that could help the development and manufacture of such weapons. In line with this, the Denka Group Ethics Policy requires adherence to Japan's Foreign Exchange and Foreign Trade Act, the Export Trade Control Order and other related regulations as well as the Company's in-house rules on security trade control. Reflecting this, our fiscal 2016 initiatives aimed at ensuring security trade control included internal audits undertaken at eight departments of two divisions and participation in external seminars in addition to product classification as well as end-use and end-user verification in the course of our daily operations.

Protection of Intellectual Property Rights

In line with the Denka100 new growth strategies, we are focusing on accelerating global expansion and facilitating open innovation. Therefore, the protection of intellectual property (IP) rights is becoming ever more important in terms of compliance. With this in mind, we are implementing the following key initiatives on an ongoing basis.

First, we continually strive to ensure patent clearance. In addition to respecting the IP rights held by other companies, we carry out periodic patent clearance searches to ensure that our products cause no infringement of such rights through while sharing search results throughout our organization.

Second, we continually improve employee education. In addition to providing our researchers with education on patent application, our initiatives included annual training sessions themed on the protection of IP rights, the content of related contracts, the utilization of trademarks and the exercise of property rights, targeting personnel at sales, corporate planning and administrative departments. In fiscal 2017, we will continue to endeavor to raise employees' compliance awareness regarding the protection of IP rights.

Prevention of Insider Trading

In recent years, the incidence of insider trading and illegal use or leakage of privileged information has increased. In response, Japan's Securities and Exchange Surveillance Commission is stepping up efforts aimed at cracking down on such illegal activities. In line with its in-house rules regarding the control of insider information and prevention of insider trading, Denka prohibits information leakage while requiring employees in certain positions to submit prior notice when they engage in the sale or purchase of stocks. Also, such sales and purchases are uniformly banned during the two weeks before the date of financial results announcement.

Looking ahead, we will strive to disseminate these rules via the Company's intranet and other media, thereby helping to ensure the appropriate control of information and the prevention of insider trading.

Fair Trade

In line with the stipulations of the Denka Group Ethics Policy requiring adherence to competition laws (e.g., the antimonopoly laws), we are holding in-house compliance training sessions while conducting internal audits, thereby ensuring even stricter compliance. In fiscal 2016, we invited a lawyer specializing in competition and antimonopoly laws to provide in-house seminars aimed at facilitating employee understanding of relevant issues. Thanks to these and similar efforts, Denka has not been charged with any violation of competition laws since 1993 in Japan and 2002 overseas. As we aim to remain in this status, we are stepping up such initiatives as employee education aimed at ensuring compliance with fair trade and competition laws.

Compliance Education Themed on the Antimonopoly Laws

The Denka Group provides its employees with periodic legal affairs education focused on laws that are important to its business activities. In fiscal 2016, we invited lawyer Toshiaki Tada, a partner at HIBIYA SOGO LAW OFFICES and a former outside member of Denka's Audit & Supervisory Board, to lecture on Japan's antimonopoly laws at our Head Office (on July 5, 2016). A total of 219 people, including employees present in the Head Office lecture room and those attending via teleconference systems at branches and sales offices, benefited from Mr. Tada's valuable insights on such matters as the purpose and the legal framework of the antimonopoly laws, criteria for identifying actions that constitute violations of said laws—such as the formation of cartels—and tips for avoiding the occurrence of such actions. Some attendees noted that the “lectures were easy to understand” thanks to the inclusion of a number of concrete case studies, while others reported a commitment to acting on what they had just learned. Because an understanding of the antimonopoly laws is essential to our continued operations, we will continue to provide relevant employee education and training.

Our Risk Management Initiatives Involving Operational Audits at Group Companies

Denka is striving to ensure solid risk management for all Group operations. Along with audits of the sales and production departments directly under its management, Denka carries out operational audits at Group companies using a dedicated auditing team working under one of the Head Office administrative departments. These audits are coordinated with accounting audits and cover such key items as those designated as mandatory internal audit items under J-SOX as well as general affairs, legal affairs, labor relations, occupational safety, environmental preservation and quality assurance.

Specifically, this auditing team undertakes document audits using checklists every year while carrying out on-site audits once every two to four years. These efforts are aimed at comprehensively assessing the status of Group companies and strengthening their governance systems. In fiscal 2016, we executed such audits at 35 Group companies at home and abroad, with 24 companies associated with cement products receiving on-site audits. Although audit findings revealed no significant problems, these entities were instructed to further improve their methods for preparing and managing in-house rules as well as their approach to occupational safety and environmental management. Ongoing follow-up audits are now under way to confirm whether measures implemented by these entities have been sufficient. We believe that operational audits help strengthen Group governance and facilitate networking and information sharing among Group entities, thereby positioning Denka to provide even better management assistance to its subsidiaries and affiliates. Therefore, we will continue to undertake such audits to secure sustainable growth for the entire Group.

General Meeting of Shareholders

Denka's annual General Meeting of Shareholders provides a valuable opportunity for engaging in direct communication with shareholders. Accordingly, we work to give shareholders enough time to confirm and examine the reports and items up for vote. To this end, we send the notice of convocation for the General Meeting of Shareholders three weeks prior to the date of the meeting. As we did for the fiscal 2016 meeting, we posted such notice for the fiscal 2017 meeting, along with its English translation, one week prior to sending it out in print, via the Company's and the Tokyo Stock Exchange's websites. As for the print version, we print this notice on large B5-sized (182 x 257 mm) paper, with the aim of enhancing readability.

Moreover, we try to schedule the meeting at the earliest possible date to avoid overlaps with similar meetings held by other companies, thereby making it easier for shareholders to attend (June 22 both in 2016 and 2017). At each meeting, we use narrated videos to supplement our explanations of reported items while maintaining exhibition booths to showcase our initiatives and products and gain greater recognition of our operations.

We have adopted a voting system that allows shareholders to use on-line voting via personal computers and cellular phones in addition to regular post. Also, Denka is a member of the Electronic Voting Platform for institutional investors run by the Tokyo Stock Exchange. As such, we are striving to improve shareholders' convenience with regard to the exercise of voting rights.

Information Security / Information Disclosure

We Will Ensure Information Security through Proper Control while Maintaining Timely and Appropriate Information Disclosure.

Information Security

Information Management Policy

The Denka Group Ethics Policy established in 2002 encompasses guidelines under the headings the Safe Management of Personal Information/Confidential Information Management and Respect for Intellectual Property Rights, both of which are strictly complied with. As subordinate regulations of these guidelines, Denka established and developed the Personal Privacy Policy and the Regulation for Protecting Information regarding Corporate Secrets.

In fiscal 2016, the Company compiled Rules regarding the Use of the Information System and posted these rules on its intranet bulletin board, with the aim of ensuring that every officer and employee is well aware of “dos and don’ts” with regard to their usage of information systems. Furthermore, Denka strictly manages and respectfully handles confidential information provided by third parties in accordance with the Denka Group Ethics Policy.

Structure of Information Management Rules



Lectures on Information Security (fiscal 2016)

Denka provides newly hired employees with joint training sessions themed on information security, utilizing easy-to-understand videos to instill relevant in-house rules. For mid-ranking and veteran employees, the Company implements annual information system training sessions at Headquarters, branches and plants, giving them lectures on these rules. In these ways, Denka ensures that all employees are well-versed in information security rules whether they are new recruits or veterans.

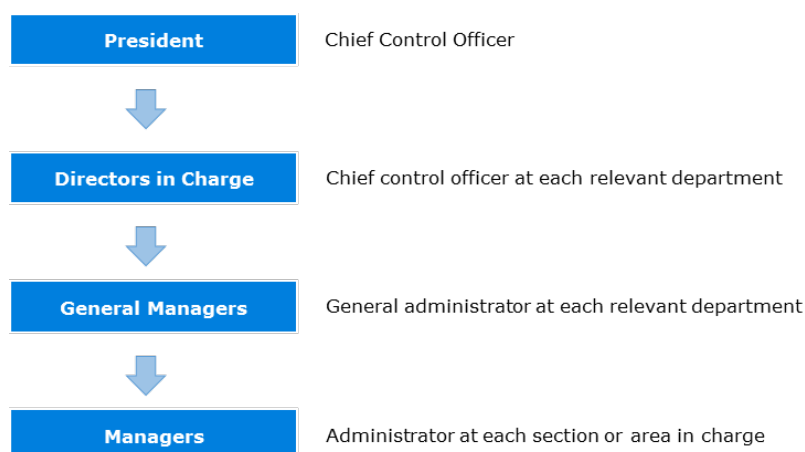
Information System Management and the Protection of Electronic Data

To ensure the safe and efficient management and operation of its information systems, Denka established the Information System Management Guidelines and the Information System Work Manual as subordinate rules under the Regulation for Protecting Information regarding Corporate Secrets.

As we aim to enforce robust measures aimed at protecting our electronic data, we utilize external secured data centers to operate our servers, disc devices and other equipment constituting our system platform. Moreover, we established a structure that links two data centers (located in the east and west of Japan), each capable of supplementing the other’s operational capacity even if one site is struck by a wide-area disaster like an earthquake or a tsunami, thereby securing the continuity of system operations.

Well aware of the threat of malicious cyberattacks employing increasingly sophisticated methodologies, we implement vigorous countermeasures against intrusion into our network and the theft of information from it, striving to ensure the early detection of computer virus infections and other unauthorized activities.

Information System Management Structure



Information Disclosure

Our Stance on Information Disclosure and Online Information Management

In accordance with Japan's Financial Instruments and Exchange Law and timely disclosure rules set forth by the Tokyo Stock Exchange, Denka appropriately discloses information with the aim of ensuring the transparency of its management. It is also our policy to proactively disclose information that does not fall under these regulations whenever such information is considered helpful to our stakeholders.

Moreover, using such opportunities as results briefings, corporate briefings for individual investors and the General Meeting of Shareholders, we are enhancing communication with our stakeholders while reflecting their feedback in management decisions and business activities.

Denka makes sure that corporate information subject to the timely disclosure rules is protected from unauthorized access or theft prior to release through the Tokyo Stock Exchange's timely disclosure network (TDnet) service. The Company uploads such information to its website only after confirming that the information has been successfully disclosed through the aforementioned service. The number of personnel handling the management of the website is strictly limited, with their workspaces being set apart from other facilities and equipped with protection systems. We have also established a procedure to handle emergencies, such as unintentional information disclosure and leakage.

ISO14001 Environmental Management System and ISO9001 Quality Management System

The Denka Group is pursuing ongoing improvement using quality and environmental management systems. To secure conformity with the 2015 versions of ISO14001 and 9001 standards, the Group has been upgrading the systems in place at each business site in conjunction with the mandatory renewal of certifications under these standards. Currently, Denka's Shibukawa Plant, Denka Advantech Pte. Ltd. (Tuas Plant), Denka Advanced Materials Vietnam Co., Ltd., Denka Advanced Materials (Suzhou) Co., Ltd. and Denka Polymer Co., Ltd. have completed the upgrade of their certifications.

Status of ISO Certification Acquisi

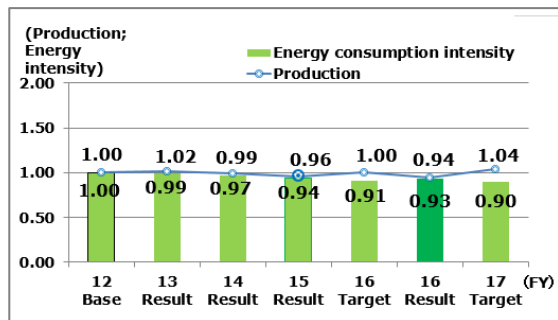
As of May 31, 2017

	ISO14001 (Environment)		ISO9001 (Quality)		
	Date Certified	Registration Number	Date Certified	Registration Number	Products Covered
Omi Plant	October 16, 1999	3320229-2A(BV)	August 19, 1994	2936857(BV)	Chloroprene, acetaldehyde, POVAL, ASR, SAKNOHOL, special cement additives, cement, alumina fiber, monochloro acetic acid, sodium monochloroacetate, caustic soda, monosilane, dichlorosilane, hexachlorodisilan
Omuta Plant	October 28, 2000	3467588(BV)	November 7, 1998	3066427(BV)	Fused silica, special cement additives, nitride powder, ceramic substrates, steel additives, acetylene black, calcium aluminate cement, FIRELEN, boron, boron carbide powder, thermally conductive materials, heat sinks, phosphor
Chiba Plant	May 31, 1999	3837303(BV)	March 22, 1995	2985010(BV)	Polystyrene, acrylonitrile styrene resins, methyl methacrylate styrene resins, methyl methacrylate butadiene styrene resins, methyl methacrylate acrylonitrile butadiene styrene resins, acrylonitrile butadiene styrene resins, styrene-maleimide copolymers, styrene-butadiene copolymers, styrene methyl methacrylate copolymer resins, ethylene-vinyl acetate copolymers, acrylic synthetic rubber, polystyrene sheet, styrene monomer, ethyl benzene, rain gutters, vinyl tape, corrugated pipes, duct hosing, piping covers, polyvinyl chloride, acetylene black
Shibukawa Plant	May 21, 2001	3522129(BV)	October 23, 1996	3752645(BV)	Metal substrates, adhesives, emitters, thermally conductive spacers, thermally conductive adhesive sheets, electromagnetic shields, ELEGRIP tape, electric power
Ofuna Plant	November 9, 2001	JQA-EM1895(JQA)	October 25, 1996	JQA-1429(JQA)	Packaging tape, plastic films, polyvinyl chloride fibers
Isesaki Plant	September 30, 2003	3433866(BV)	February 28, 2008	3038095(BV)	Stretch films, food packaging sheets, electronic packaging sheets, cover tapes, DX FILMS
Denka Innovation Center	July 5, 2004	3599252(BV)	—	—	—
DPE Pontchartrain	By the end of 2017 (target)	—	August 27, 2014	10001143 QM08(DQS)	Chloroprene Rubber
DSPL MERBAU	June 8, 2001	SNG0190016(Lloyd 's)	November 29, 2000	SNG0160194(Lloyd 's)	Acetylene black
DSPL SERAYA	May 28, 2003	SNG0190023(Lloyd 's)	September 27, 2001	SNG0160242(Lloyd 's)	Polystyrene, methyl methacrylate styrene resins, styrenebutadiene copolymers, styrene-maleimide copolymers
DAPL TUAS	March 2003	2003-0194 (TUV SUD PSB)	April 2000	99-2-0984 (TUV SUD PSB)	Fused silica filler
DAPL SOUTH	—	—	March 16, 2015	2015-2-2293 (TUV SUD PSB)	Synthetic fiber for hair wigs and hair pieces
DAV	July 30, 2016	44104169/40004 (TUV NORD)	April 26, 2016	VN/24/0607866941 (TUV NORD)	PVC adhesive tape
Denka Advanced Materials (Suzhou) Co., Ltd.	May 20, 2008	CNBJ312197-UK(BV)	September 19, 2007	CNBJ311974-UK(BV)	Electronic packaging sheets, cover tapes
Denka Electronic Materials Dalian Co., Ltd.	January 19, 2016	CNBJ/320896-UK(BV)	January 19, 2016	CNBJ320895-UK(BV)	heat sink
Denka Polymer Co., Ltd.	—	—	September 14, 2001	JUSE-RA-1970(JUSE)	Plastic food packaging and plastic sheets
Denka Seiken Co., Ltd.	June 23, 2000	3359017(BV)	July 13, 2005	12 100 25631TMS/ (TUV SUD PSB)	Clinical chemistry diagnostic reagents, immunological diagnostic reagents, bacteriological and virological diagnostic reagents, sterile cotton swabs
CRK Co., Ltd.	—	—	November 19, 2009	3492172(BV)	Development and manufacture of rubber compounds, rubber tape, rubber molding, adhesives and coking materials
Hinode Kagaku Kogyo Kaisha Ltd.	August 1, 2012	KES2-0622*	—	—	—
Kyushu Plastic Kogyo k.k.	—	—	August 21, 1998	3643869(BV)	Plastic Rain gutters, Plastic drain pipe
Nakagawa Techno Industrial Co., Ltd.	—	—	December 11, 2011	CI/1906(J)/Certification International	Metal gutters, Air conditioning ducts

* Hinode Kagaku Kogyo Kaisha Ltd. acquired KES Step 2 certification, which comprises management items that are virtually identical with ISO 14001, thereby improving its environmental management.

Fiscal 2016 Environmental Performance by Denka Business Sites and Affiliates

1. Production Volume and Energy Consumption Intensity (Relative to the Fiscal 2012 Level)

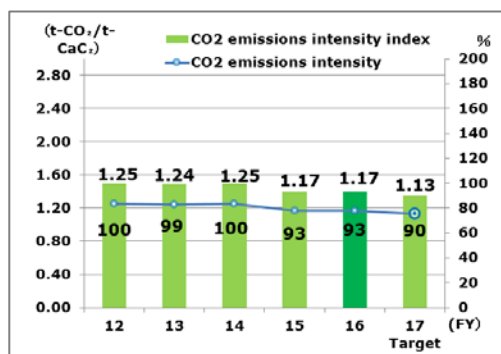


In fiscal 2016, energy consumption intensity was 93% of the fiscal 2012 level. As a result, we have recorded an average 1% annual ongoing reduction over the course of the last four years.

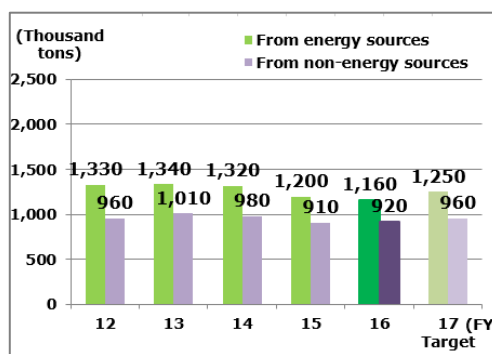
Despite the expected production growth in fiscal 2017, we will step up energy-saving measures already in place at such facilities as manufacturing plants while continuing to enhance the efficiency of our power generation facilities.

Note: The energy conversion coefficient for electricity has been modified in accordance with Keidanren's Commitment to a Low Carbon Society (from fiscal 2013 onward). Specifically, the coefficient applied to fiscal 2013, 2014 and 2015 energy consumption was revised from 0.97 to 0.99, from 0.95 to 0.97 and from 0.91 to 0.94, respectively.

2. CO₂ Emissions Intensity (from energy sources)



3. CO₂ Emissions

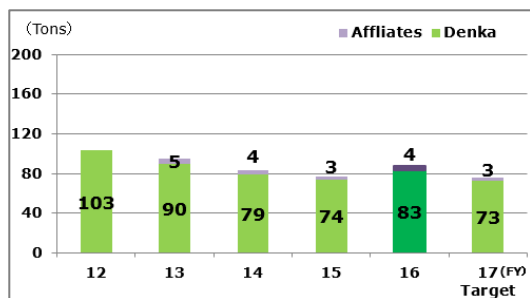


CO₂ emissions intensity: Calculated based on the converted production volume of benchmark products

In fiscal 2016, our CO₂ emissions intensity index was 93% of the fiscal 2012 level and at a level on par with that for fiscal 2015, thanks to the positive effect of initiatives carried out by the Chiba Plant to optimize utilities. In fiscal 2017, we will strive for a year-on-year improvement in CO₂ emissions intensity of at least 1% by stepping up our energy-saving initiatives.

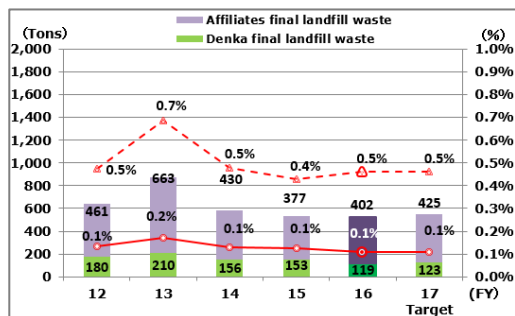
Note: Fiscal 2015 CO₂ emissions from non-energy sources have been upwardly revised. This correction, intended to address shortcomings revealed via third-party verification, such as a failure to include some items and errors in the emissions coefficient used, resulted in an upward revision in total emission volume comprising scope 1, 2 and 3 by 16 thousand t-CO₂e.

4. PRTR Substances



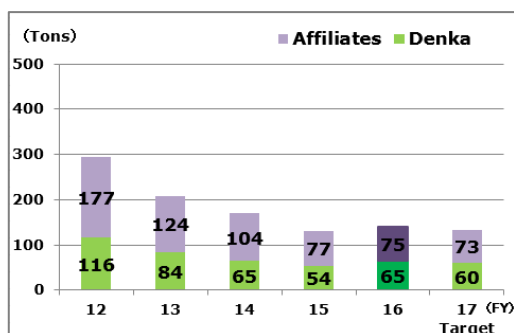
Emissions of PRTR substances increased slightly due to a rise in emissions via effluent during construction work undertaken at the Omi Plant's wastewater treatment facilities. In fiscal 2017, we will systematically reduce emissions of such substances, especially those emitted from the Chiba Plant.

5. Waste Emissions Ratio



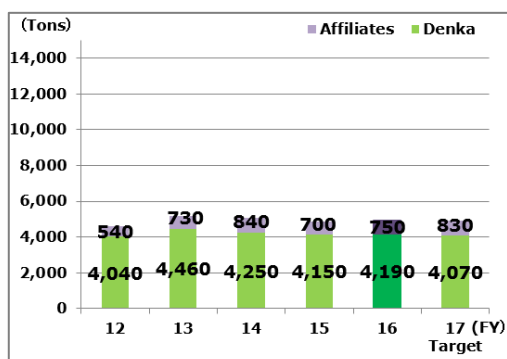
We will continue striving to reduce waste and facilitate the effective utilization of resources, with the aim of maintaining zero emissions at Denka, domestic and overseas subsidiaries and affiliates and thus the Group as a whole.

6. SOx



In fiscal 2016, SOx emissions increased slightly year on year, reflecting changes in the content of waste processed at the Omi Plant's cement production facilities. In fiscal 2017, we will continue to systematically endeavor to reduce SOx emissions.

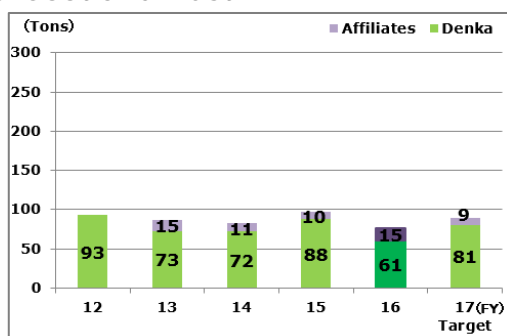
7. NOx



In fiscal 2016, NOx emissions from overall Group operations increased slightly due to a rise in fused silica production volume at the Omuta Plant and overseas manufacturing sites and despite a significant decrease in NOx emissions from the Chiba Plant thanks to the optimization of utilities.

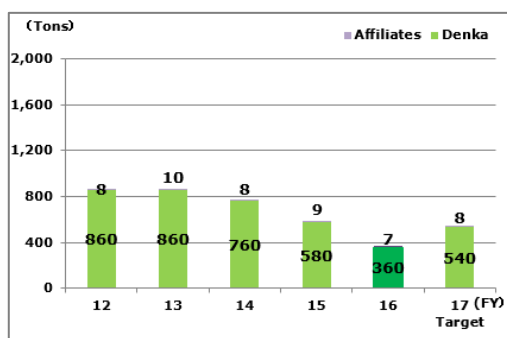
In fiscal 2017, we will strive to decrease NOx emissions by, for example, streamlining plant operations.

8. Soot and Dust



In fiscal 2016, soot and dust emissions decreased approximately 31% year on year due to a decrease in production volume at the Omi Plant.

9. COD(BOD)



In fiscal 2016, we successfully reduced COD (BOD) emissions by 39% year on year by enhancing the capacities of wastewater treatment facilities serving the Omi Plant's chloroprene rubber production lines.

In fiscal 2017, we will systematically make further improvements through the efficient operation of wastewater treatment facilities even as we work to meet an expected increase in production volume.

Scope of calculation: Figures presented above is based on data from the following production and R&D facilities.

1. 2. and 3.: Denka (six domestic plants); 4.: Denka (six domestic plants) and one domestic affiliate (Hinode Kagaku Kogyo Kaisha Ltd.)
5. 6. 7. 8. and 9.: Denka (six domestic plants and Innovation Center), five domestic affiliates (Denka Polymer Co., Ltd., Denka Seiken Co., Ltd., CRK Co., Ltd., Hinode Kagaku Kogyo Kaisha Ltd., and Denka Azumin Co., Ltd.) and overseas bases (Merbau, Seraya, Tuas, Tuas South, Suzhou (production and research sites) Tianjin, Dalian and Vietnam

Fiscal 2016 PRTR Substances Emissions and Transfers

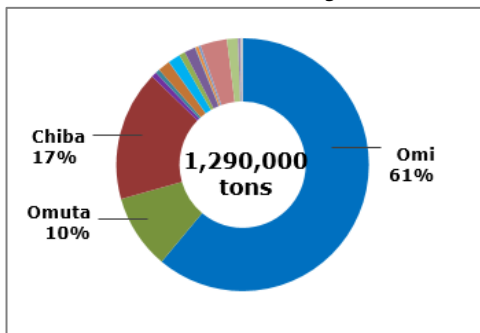
The following table shows PRTR substances emitted and transferred in amounts exceeding one ton.

Unit: tons (excluding dioxin)

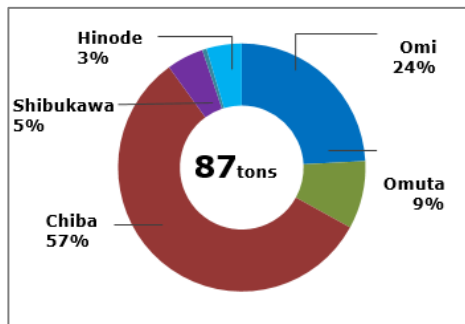
PRTR Substances	No.	Emissions					Amount Transferred (to the outside)
		Air	Water	Soil	Landfill	Total	
Ethyl acrylate	3	1	0	0	0	1	0
n-Butyl acrylate	7	0	0	0	0	0	2
Acrylonitrile	9	1	0	0	0	1	9
Acetaldehyde	12	0	13	0	0	13	0
Ethyl benzene	53	4	0	0	0	4	32
Ferric chloride	71	0	0	0	0	0	34
Vinyl acetate	134	5	0	0	0	5	0
N,N-Dimethylacetamide	213	0	0	0	0	0	3
N,N-Dimethylformamide	232	0	0	0	0	0	5
Styrene	240	18	0	0	0	18	85
Water soluble copper salt	272	0	4	0	0	4	16
Toluene	300	15	1	0	0	16	29
Carbon disulfide	318	1	0	0	0	1	0
Hydroquinone	336	0	1	0	0	1	0
Hydrogen fluoride and its water-soluble salt	374	0	1	0	0	1	27
n-Hexane	392	0	0	0	0	0	2
Benzene	400	0	0	0	0	0	6
Boron compounds	405	0	12	0	0	12	5
Maleic anhydride	414	0	0	0	0	0	2
2-Ethylhexyl methacrylate	416	0	0	0	0	0	1
Methyl methacrylate	420	2	0	0	0	2	13
Total (tons/year)		47	32	0	0	79	270
Dioxin (mg-TEQ/year)	243	24	75	0	0	99	0

Fiscal 2016 Environmental Performance Data—Ratio of Each Business Site in Overall Emissions

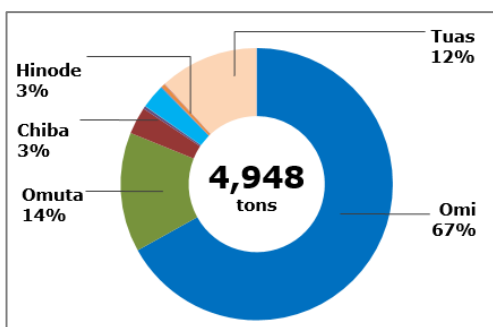
CO₂ Emissions Intensity (from energy sources)



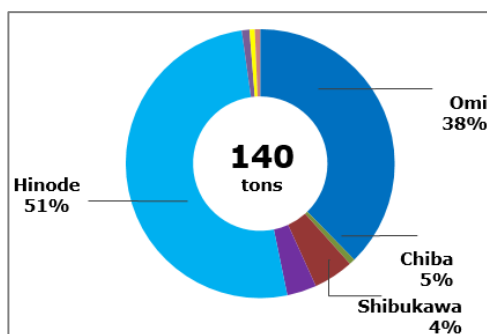
PRTR substance emissions



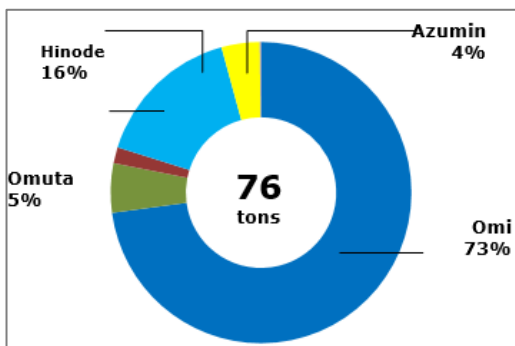
NO_x emissions



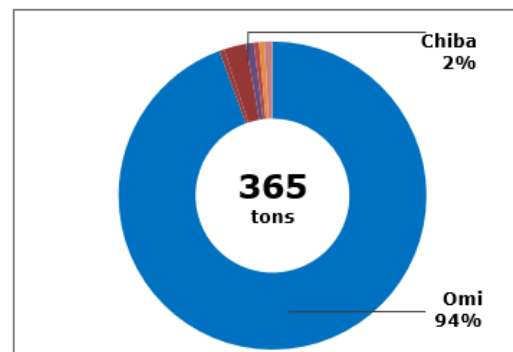
SO_x emissions



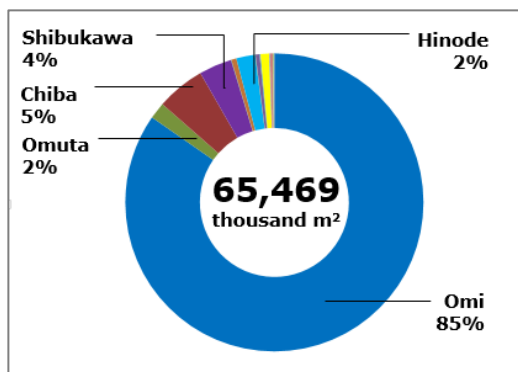
Soot and dust emissions



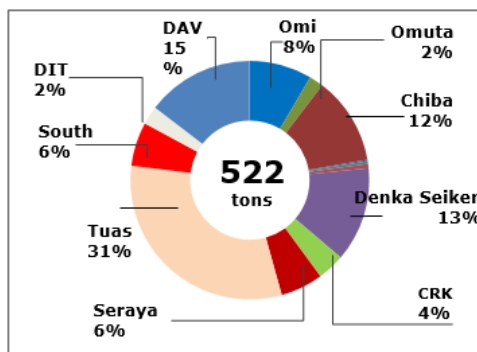
COD (BOD) discharges



Water used



Final landfill waste



Our Initiatives to Protect Biodiversity

The Denka Group's Initiatives to Protect Biodiversity

In recent years, the general public has voiced growing concerns with regard to environmental issues that significantly affect biodiversity. These issues range widely from the pollution of rivers and oceans, including the micro-plastic contamination of marine environments, and coral bleaching to the extinction of wildlife species and the equitable distribution of the benefits of biological genetic resources.

On the back of the signing of the Convention on Biological Diversity, a growing number of businesses are striving to help realize the UN's Sustainable Development Goals and supporting other international initiatives related to biodiversity. With this in mind, Denka is constantly endeavoring to reduce environmental burdens attributable to its production activities by working in collaboration with the entities that comprise its supply chains. At the same time, the Company gives due consideration to the preservation of biodiversity and the natural environment when it is engaged in the construction of hydroelectric power generation facilities and the development of mines. Moreover, Denka is focusing on the sustainable use of resources throughout the course of the development and provision of its products and services.

In addition, the Company provides environmental education on a regular basis to ensure that every Group employee is acutely aware of the significance of biodiversity. In these ways, we will step up corporate activities aimed at contributing to a sustainable society.

Examples of concrete initiatives:

- ① Conducting periodic surveys aimed at assessing the impact of limestone mine development on ecosystems in neighboring areas
- ② Engaging in the planting of Japanese evergreen oak and pin oak trees to restore areas that have undergone mining to their original state
- ③ Developing a water treatment business via Group company Denka Consultant & Engineering Co., Ltd. by employing its microorganism handling technologies

Topics on Our Environmental Activities

Climate Change: Risks and Opportunities

Currently, the Denka Group identifies the following risk and opportunities attributable to climate change.

a) Legal regulations

Risk: A surge in fossil fuel and energy costs due to the enforcement of tightened CO₂ emission regulations based on the Paris Agreement

Opportunity: Growth in business opportunities arising from demand for Denka's energy-saving technologies

b) Physical impact

Risk: Frequent operational disruption at manufacturing bases and other business sites due to an increase in flooding, rainstorms and mega typhoons

Opportunity: Growing need for ultrahigh-strength concrete that enhances the resilience of concrete structures and infrastructure components (such as expressways) as well as for quick-hardening and setting concrete that supports the timely restoration of such facilities following natural disasters

c) Others

Risk: Growing uncertainty regarding stock prices and our corporate reputation due to ever harsher scrutiny into the Company's climate change countermeasures as shareholders and investors began to place stronger focus on ESG investment

Opportunity: Growing need for Denka products capable of helping reduce CO₂ emissions on the back of an overall shift to low-carbon operations among supply chain constituents

Environmental Education

On November 30, 2016, we conducted an educational session on the theme of global warming and international initiatives aimed at countering such phenomena. Mandatory for all fifth-year employees, this session helped the attendees recognize the relationship between their duties and environmental issues and reflect on what should be done through Denka's business operations. Some attendees voicing their feedback said that the session reinforced their awareness of the significance of giving due consideration to environmental concerns even at the R&D stages and contributing to global warming countermeasures through the provision of products. Looking ahead, we will continue to provide employee education on environmental issues.

Life Cycle Assessment (LCA) Initiatives

Aiming to reduce energy consumption and CO₂ emissions throughout the life cycles of its products, Denka implements the following initiatives employing LCAs designed to identify risk and opportunities pertaining to the entire supply chain.

- ① Carrying out LCAs for mainstay products
- ② Identifying environment-friendly products (that directly or indirectly contribute to environmental load reduction) and assessing the resulting CO₂ reduction effects via the use of such products
- ③ Participating in the carbon-Life Cycle Analysis (c-LCA) Committee hosted by the Japan Chemical Industry Association
- ④ Providing LCA-related information in response to customers' requests

Product and Labor Safety Management Systems

We Consider Safety, Environmental Protection and Quality in All Our Processes, from Raw Materials Procurement to Research, Production, Logistics, Consumption and Disposal.

Product Safety Management

We ensure product safety at each phase—from development and production to use by customers—while focusing on maintaining and improving quality.

1. Verify the Safety of Raw Materials and Required Quality Level and Engage in Production Process Design

We select and use raw materials for which safety can be verified while developing products that conform with customer and legal demands. We establish production processes that ensure consistent quality and thus trust in the products we develop.

2. Green Procurement and Purchasing Specifications

We purchase and use raw materials based on the Negative List, which takes into consideration Japanese and international environmental management regulations, as well as purchasing specifications that outline the required characteristics of purchased raw materials. Consequently, we are striving to manufacture superior products from quality raw materials and production processes.

3 & 5. Manufacturing Vendor Audits

We outsource some raw material production processes and the manufacture of semi-processed goods. We regularly audit manufacturing vendors based on our in-house standards for quality, logistics, environmental management and product safety.

4. Maintain/Improve Environmental Protection and Quality

We are undertaking environmental and quality management operations; gradually expanding the scope of our efforts to include new products; and working to maintain and improve quality, environmental protection and safety.

6. Waste Contractor Audits

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

7. Management of Environmentally Hazardous Substances in Products

Based on in-house guidelines for the management of chemical substances used in our products, we are properly managing substances that are potentially hazardous to human health and the environment in accordance with relevant legal regulations. At the same time, we are taking steps to ensure product quality and safety while reducing environmental load by placing restrictions on usage during the raw material phase and by decreasing the residual volume of harmful substances in our products. The Advanced Technologies Research Institute analyzes the amount of residual substances harmful to the environment contained within raw materials and products. Analytical data verifying that the amount of such substances is below regulatory limits is shared with the production, sales, and analysis and product management departments.

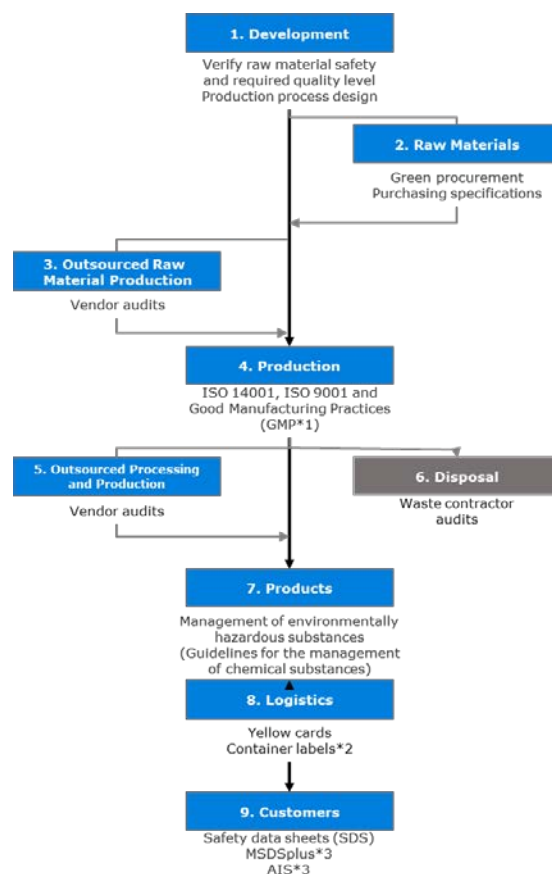
8. Displaying Yellow Cards and Yellow Card Container Labels

We require drivers to carry yellow cards that explain post-accident procedures. We also label containers to ensure swift and proper remediation. We regularly inform drivers of our requirements and conduct emergency drills.

9. Safety Data Sheets (SDS)

We produce these sheets for all products to ensure proper handling according to physical and chemical hazards and health and environmental risks. The sheets inform customers and help educate employees. We have begun disseminating information on environmentally hazardous substances contained in our products to customers through the Material Safety Data Sheet plus (MSDS plus)—which supplements information conveyed on SDS sheets—and Article Information Sheet (AIS) systems.

Flowchart



Quality Symposia and SQC Education

In line with Companywide quality policy, Denka aims to better employ the statistical quality control (SQC) method to promote R&D and quality engineering. With this in mind, the Company implements education programs focused on SQC while holding quality symposia aimed at sharing quality management techniques.

Employee Education on the SQC Method

Having established in-house guidelines for employee education on the statistical quality control (SQC) method in 2012, we have been focusing on providing employees with practical SQC training, with a total of 100 employees completing relevant training programs. We have also appointed SQC leaders at each business site to serve as trainers while hosting periodic training sessions for them. In this way, we nurture personnel capable of teaching the advanced application of the SQC method. In 2016, we carried out surveys on the status of utilization of the SQC method at each business site. Efforts are now under way to resolve issues identified via said surveys. In fiscal 2017, initiatives to promote the application of the SQC method will work in close collaboration with the Production Technology Dept. to develop IoT platforms and step up the use of big data analysis.

Quality Symposia

On May 12, 2017, we hosted the seventh round of our annual quality symposium at the Denka Innovation Center, with approximately 80 people, including Innovation Center researchers as well as staff in charge of production, R&D and quality assurance from Denka's domestic business sites and those from affiliates, attending. As in the previous round, this quality symposium was focused on presenting SQC application best practices. With eight presenters explaining their methodologies in even greater detail, this round was particularly designed to facilitate the understanding of the audience and induce active discussion. Presentations at the symposium suggested that a growing number of employees are well-versed in the SQC method and use it for experiment planning and a variety of other applications along with basic analysis for statistical process management. We have thus recognized that SQC is helping us better pursue R&D objectives and resolve quality issues. Going forward, we will take advantage of symposia to promote process reforms while helping a growing number of employees understand fundamental SQC techniques and encouraging information exchange between attendees.



Giving a presentation at the quality symposium

Collaborating in Chemical Industry Initiatives

GPS/JIPS (Global Product Strategy/Japan Initiative of Product Stewardship)

The Japan Initiative of Product Stewardship (JIPS)^{*4} refers to a voluntary initiative undertaken by domestic chemical manufacturers to control risk associated with chemical substances under the auspices of the Japan Chemical Industry Association (JCIA). Based on the Global Product Strategy (GPS)^{*5} promoted by the International Council of Chemical Associations (ICCA), the aim of JIPS is to realize the "2020 goal for sound chemicals management" agreed upon at the World Summit on Sustainable Development (WSSD) by supporting efforts to ensure that "chemicals are used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment" by 2020.

As a participant in this initiative, Denka is stepping up chemical substances risk assessment and management operations with due consideration being paid to the entire supply chain. To this end, the Company is collecting information on hazardous substances and assessing risk based on accurate data pertaining to the manufacture, sale and use of chemical substances. Based on the results of its assessments, Denka prepares and posts GPS/JIPS Safety Summaries for five substances on the GPS portal site run by the JCIA.

The BIGDr website (a chemical risk assessment support portal) run by JCIA
http://www.jcia-bigdr.jp/jcia-bigdr/en/material/icca_company_list

GPS Chemicals Portal (a chemical information service website) run by ICCA
<http://icca.cefic.org/en/Home/Global-Product-Strategy/global-product-strategy/chemical-information-search/>

LRI (Long-Range Research Initiative)

The JCIA, the American Chemistry Council and the European Chemical Industry Council oversee this program. The program entails conducting long-term basic research to correctly determine if and/or in what manner chemical substances affect human health and the environment. Based on scientific evidence, the LRI is aimed at uncovering new insights and developing new assessment methods that will aid in the appropriate management and risk assessment of chemical substances. The LRI also supports the establishment of international standards

and government policies on relevant matters. In fiscal 2016, we continue to participate in this initiative.

- *1. Good Manufacturing Practices (GMP) refers to standards that Japan's Ministry of Health, Labour and Welfare established in its Ministerial Ordinance on Standards for Manufacturing Control and Quality Control for Drugs and Quasi-drugs.
- *2. The Japan Chemical Industry Association created a labeling format to augment the Yellow Card system. The labels present emergency guideline numbers and United Nations identification numbers for different chemicals transported simultaneously in relatively small amounts on the same vehicle. The labels aid in the proper handling of these chemicals in emergencies.
- *3. The Joint Article Management Promotion-consortium (JAMP*)'s Material Safety Data Sheet plus (MSDSplus) and Article Information Sheet (AIS) systems provide standardized formats for presenting information on substances subject to management. MSDSplus is mainly for substances and agents that are upstream in the supply chain. Article manufacturers produce AISs based on that information. JAMP aims to spread its systems throughout Japan and Southeast Asia.
 - * JAMP is a cross-industry association established in Japan in 2006 to encourage companies to properly manage information on substances and compounds as well as on chemical substances in parts, plastics and other articles. JAMP also establishes mechanisms to disclose and present information on supply-chain products.
- *4. Japan Initiative of Product Stewardship (JIPS): Domestic chemical manufacturers' voluntary initiative to control the risk chemical substances pose encompassing their supply chains.
- *5. Global Product Strategy (GPS): A voluntary initiative promoted by the International Council of Chemical Associations (ICCA) to control the risk chemical substances pose.

Introducing a System for Handling Customer Complaints

In May 2014, we introduced a system for handling customer complaints on a Companywide basis. Employing a centralized database that contains such information as the content of customer complaints, our responses and steps taken to prevent recurrences as well as the verification of steps taken, the system is helping us confirm the status of each complaint on a real-time basis, thereby speeding up information sharing and response time. Moreover, we analyze the database to further enhance product quality and customer satisfaction

By addressing all negative customer feedback, including complaints, we are doing our best to accommodate requests for even greater product quality.

Optimizing Logistics Operations

Response to the Revised Law Concerning the Rational Use of Energy

As a designated shipper,* we are continually working to further streamline such logistics operations as the transportation and storage of products to reduce environmental burdens while striving to improve customer satisfaction. In recent years, the domestic transportation industry has been facing a chronic manpower shortage affecting trucking and coastal shipping operations due to the tightening of industry regulations regarding the continuous running of trucks and the aging of vessel crews. Moreover, burgeoning transactions through electronic commerce triggered a rapid increase in small-lot transportation. Reflecting these factors, the supply-demand balance in small-lot transportation has been deteriorating since April 2017, making it difficult to maintain our usually high level of user convenience. Denka is thus endeavoring to secure stable transportation channels through the streamlining of its logistics operations.

Embarking on the final year of the Denka100 management plan, under which we have been striving since 2013 to scrutinize every cost element as part of the plan's growth strategies, we are determined to undertake ongoing measures aimed at optimizing logistics operations through revisions to transportation modes and storage methods as well as the adoption of simpler packaging. Simultaneously, we will continue to work toward an environment-friendly and even more stable logistics structure capable of ensuring customer satisfaction.

In fiscal 2016, the Company's total shipment volume was approximately 498 million t-km, down 6.1% compared with fiscal 2015, with CO₂ emissions attributable to transportation decreasing 2.2% year on year. However, energy consumption intensity increased 4.2% year on year due to a decrease in marine transportation that reflected sluggish cement demand and a resulting increase in small-lot transportation.

We will continue striving to reduce energy consumption intensity while optimizing our logistics operations.

*Designated under the Revised Law Concerning the Rational Use of Energy: Business operators whose annual transportation volume exceeds 30 million t-km are obligated to submit reports on their energy-saving targets and achievements.

Energy Saving Status

* Crude oil equivalent divided by cargo volume

(FY)	2012	2013	2014	2015	2016
Shipment volume (1,000t-km)	532,709	567,484	518,700	530,019	497,954
Energy consumption intensity*	0.0246	0.0244	0.0247	0.0244	0.0254
Year-on-year	98.3%	99.1%	101.6%	98.6%	104.2%
CO ₂ emissions (t-CO ₂)	34,800	36,707	34,061	34,382	33,618

Initiatives Undertaken by the Logistics Subcommittee

At Denka, Logistics Subcommittee initiatives are actively under way to reduce costs associated with the Company's logistics operations, ensure logistics safety and mitigate the environmental footprints of such operations.

① Cost reduction initiatives

The subcommittee aims to achieve cost reductions by consolidating insurance policies that provide coverage for marine cargo and, to this end, hosts in-house seminars dealing with such topics as insurance enrollment procedures and the scope of coverage for staff at sales departments. Total marine cargo insurance premiums are expected to decrease by approximately 40% once these insurance policies are successfully consolidated.

A lecture on marine cargo insurance



② Waste reduction initiatives

In response to customer requests, discussions are now under way to adopt a type of packaging that includes less material that must be discarded as industrial waste after use.

Example (1) We are considering a switchover from wooden pallets to steel pallets in product delivery as the latter can be reused for a longer period of time than the former. Currently, a portion of Denka products are delivered using steel pallets, garnering favorable reviews from customers who otherwise have had to dispose of aged wooden pallets themselves. We are therefore looking to broaden the scope of products delivered using steel pallets.



Example (2) Since paper bags are simply disposed of as industrial waste after use, we are considering a switchover of product packaging materials from paper to resin while giving due consideration to the possible quality and estimated cost of resin packaging. Not only can resin bags be reused multiple times, some Denka chemical products packed in such bags can be dropped unopened straight into client manufacturing lines.



Occupational Safety and Health Management System/Our Structure for Managing Changes in Production Process

Occupational Safety and Health Management System

Denka conducts risk assessments to monitor the degree of risk at each plant. Based on assessment results, we comprehensively manage risks and implement improvements. The status of certification acquisition from external institutions is as in the following table.

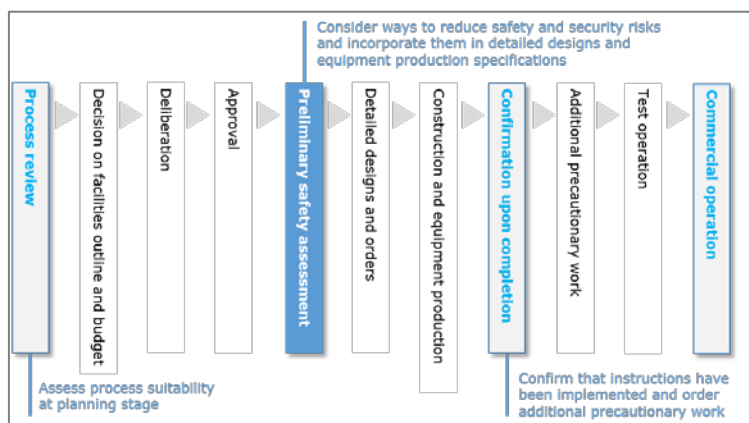
Although the Shibukawa Plant has not acquired certification for its occupational safety and health management system, the plant is implementing safety management and promotion activities equivalent to those prescribed by a certified system.

Occupational Safety and Health Management System

Plant Name	Certification System	Certification Number	Acquisition Date
Chiba Plant	OHSAS18001	3444817	February 6, 2007
Omi Plant	OSHMS	10-15-6	March 8, 2010
DSPL Seraya Plant	OHSAS18001	SNG6011133	January 23, 2011

Our Structure for Managing Changes in Production Process

This encompasses establishing rules to assess risks and implement measures where needed for changes in the 4Ms* during production. Preliminary safety assessments are important when building plants that use new processes. Change management comes into play when we upgrade or modify facilities. Facilities and operations departments conduct preliminary safety assessments and meet with inhouse third parties to discuss risks relating to fires, explosions and worker safety. In particular, we emphasize preventing key lapses in areas concerning disaster prevention and occupational health.



* 4Ms: Man, Machines (facilities, equipment, tools), Materials (raw materials and components) and Methods (including work methods/operations, processing conditions and formulas)

The Utilization of Government Subsidies Related to the Environment and Energy

We Proactively Utilize Subsidy Programs to Develop Technologies That Lead to Ecological and Energy-Saving Solutions.

Initiatives under the Government Subsidy Programs

Denka is proactively utilizing government and other public subsidy programs in its pursuit of technologies for promoting energy-saving initiatives and reducing environmental burdens. Over the course of the last five fiscal years (fiscal 2012 through 2016), the Company has been granted subsidies totaling ¥853 million for 13 projects under subsidy programs sponsored by government ministries. These programs, aimed at facilitating public-private cooperation in advanced technology pilot projects and encouraging Japan-based production and R&D facility construction, are having a significantly effect on results and helping us meet objectives in the various project areas. An outline of the subsidized projects undertaken in fiscal 2016 is as follows.

Energy-Saving Initiatives

In fiscal 2016, the Chiba Plant completed a project aimed at introducing the latest steam and fuel consumption reduction technologies at petrochemical plants under the auspices of Japan's Ministry of Trade, Economy and Industry (METI). In effect since fiscal 2014, the project in question was subsidized by METI's program for the rationalization of business operators' energy use and has successfully yielded the intended results. Meanwhile, a subsidized project has been under way at the Omi Plant since fiscal 2015 to introduce energy-saving facilities at electrolysis plants and thermal power generation facilities alongside improvements in the calcium carbide production process. In addition, during fiscal 2016 the Omi, Shibukawa and Ofuna plants undertook a switchover of lighting to LEDs, utilizing METI's subsidies for promoting investment in energy conservation and a productivity revolution for SMEs.

Environmental Load Reduction

Forming a consortium with The Chugoku Electric Power Co., Inc., Kajima Corporation and LANDES Co., Ltd., Denka has been engaged in a project aimed at facilitating the popularization of CO₂-SUICOM environment-friendly concrete since 2014. This ongoing project was selected for a subsidy program for the verification of carbon dioxide capture and storage (CCS) technologies under the auspices of METI's Agency for Natural Resources and Energy (ANRE). In addition, the product won the 2014 Environment Minister's Award for Global Warming Prevention Activity.

Advanced Technological Development, etc.

The Omuta Plant's project aimed at developing SiC power modules was selected for the Novel Semiconductor Power Electronics Project Realizing Low Carbon Emission Society subsidy program operated under the auspices of METI and the New Energy and Industrial Technology Development Organization. The Chiba Plant's ultra-pure acetylene black production facility was brought on line in fiscal 2015 utilizing the Subsidy for Domestic Location Promotion Projects.

	Category	Project	Business site	Subsidy title, relevant authority		Fiscal year
1	Energy saving	The introduction of high-performance burners for cement production	Omi Plant	METI	Subsidy program for the rationalization of business operators' energy use	FY2013
2	Energy saving	Introduction of high-performance freezing equipment for chloroprene rubber-related facilities and the upgrading of hardening agent manufacturing systems associated with cement production	Omi Plant	METI	Subsidy program for the rationalization of business operators' energy use	FY2014-2016
3	Energy saving	Introduction of the latest steam and fuel consumption reduction technologies at petrochemical plants	Chiba Plant	METI	Subsidy program for the rationalization of business operators' energy use	FY2014-2016
4	Energy saving	Introduction of energy-saving facilities at electrolysis plants and thermal power generation facilities and the improvement of the calcium carbide production process	Omi Plant	METI	Subsidy program for the rationalization of business operators' energy use	FY2015-2018
5	Energy saving	Introduction of LED lighting	Omi Plant	METI	Subsidies for promoting investment in energy conservation and a productivity revolution for SMEs	FY2016
6	Energy saving	Introduction of LED lighting	Shibukawa Plant	METI	Subsidies for promoting investment in energy conservation and a productivity revolution for SMEs	FY2016
7	Energy saving	Introduction of LED lighting	Ofuna Plant	METI	Subsidies for promoting investment in energy conservation and a productivity revolution for SMEs	FY2016
8	The environment	Promotion of CO ₂ -SUICOM environment-friendly concrete	Omi Plant	METI/ ANRE	Subsidy program for verification of carbon dioxide capture and storage (CCS) technologies	FY2014-2016
9	Advanced technology	Demonstration of a high-frequency induction furnace for silicon nitride	Omuta Plant	METI	Subsidy for Advanced Technology Demonstration and Evaluation Facility Development	FY2012-2013
10	Advanced technology	Demonstration of a boron nitride production facility (for use in next-generation high-heat conductive fillers)	Omuta Plant	METI	Subsidy for Advanced Technology Demonstration and Evaluation Facility Development	FY2013-2014
11	Advanced technology	Establishment of an R&D facility for next-generation LiBs	Advanced Technologies Research Institute	METI	Program for Accelerating Breakthrough Innovation for Practical Applications	FY2014
12	Advanced technology	Development of high-output and high-density SiC power modules capable of withstanding high voltage	Omuta Plant	METI	Novel Semiconductor Power Electronics Project Realizing Low Carbon Emission Society	FY2014-2016
13	Domestic business location	Establishment of a facility for producing a high-performance conductive agent (acetylene black) for use in lithium ion batteries	Chiba Plant	METI	Subsidy for Domestic Location Promotion Projects	FY2013-2014

Environmental Accounting

Conservation Costs

Conservation Cost Category	Details	Conservation Costs (millions of yen)	
		Investments	Expenses
1) Business site costs	(Subtotal)	4,660	2,532
a) Pollution prevention	Environmental burden reduction	744	2,001
b) Environmental conservation	Energy saving	3,841	137
c) Recycling resources	Effective use of resources	75	395
2) Upstream and downstream costs	Change of raw materials, etc.	0	0
3) Administrative costs	Educational activities	1	64
4) R&D costs	Development of energy saving products, etc.	270	615
5) Social activity costs	Educational activities	0	9
6) Environmental damage costs	Community relations	1	88
7) Others		0	0
Total		4,932	3,308

The Company's environmental investments in fiscal 2016 were mainly accounted for by the following items: implementation of environmental burden reduction measures (15%); introduction of energy-saving facilities (76%); R&D spending focused on developing energy-saving products (8%); and investments for the effective use of resources (2%).

Key issues going forward:
 (1) VOCs: Reviewing our priorities with regard to facility upgrades and implementing countermeasures aimed at reducing VOC emissions based on more accurate assessments of the environmental impact attributable to each VOC item
 (2) Chlorofluorocarbon: Systematically upgrade

freezers and other facilities to those incorporating cutting-edge technologies while paying closer attention to the latest development trends in the area of alternative refrigerants with smaller greenhouse effects

(3) Others: Helping business bases systematically undertake initiatives, such as decreasing the volume of waste emissions to zero and utilizing water resources more effectively

Conservation Effects

Environmental Load	Units	FY2015 Results	FY2016 Results	Effects
CO ₂ emissions (from energy and non-energy sources)	10,000t	210	209	1
SO _x emissions	t	54	65	-11
NO _x emissions	t	4,148	4,192	-44
Soot and dust emissions	t	88	61	27
COD(BOD) discharges	t	578	358	220
Water used	1,000t	66,539	62,777	3,762
PRTR substance emissions	t	74	83	-9
Waste	1,000t	120	110	10
Final landfill waste	t	153	119	34
CO ₂ emissions from transportation	1,000t	34	34	0

We have calculated our environmental load data. For more details, please also refer to the Denka Report 2017 (print or online version) and site reports.

Economic Effects

Category	Item	Details	Effects (millions of yen)
Profits	Proceeds from selling waste from core operations and income from recycling waste	Sales profits	315
Cost reductions	Lowering energy costs by conserving energy	Energy saving	793
	Reducing waste treatment costs by conserving or recycling resources	Effective use of resources	-51
Total			1,057

To present the actual economic effects of our environmental conservation measures, we calculated proceeds from selling and recycling waste as well as cost reductions in the form of energy savings and reductions in waste treatment costs.

Status of Work-Life Balance (non-consolidated basis)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Total working hours	1,925	1,931	1,931	1,948
Overtime hours	91	100	104	122
Average number of days of paid leave utilized	9.2	9.05	9.56	9.65
Ratio of annual paid leave utilized	49	48	50	51
Number of employees who took childcare leave (Of which, male employees)	4 (0)	6 (0)	11 (0)	21 (0)
Number of employees who opt for shorter working hours	3	5	13	10
Number of employees who utilize programs aimed at helping women develop lengthy careers	-	-	-	98
Number of employees who took nursing care leave	1	1	0	0
Number of employees who took half-day leaves for nursing care leave	-	-	-	0
Number of employees who took volunteer activity leave	0	0	0	0

With the aim of reducing excessive working hours, we began using an advanced system for managing employees' attendance and leaving time. Moreover, our ongoing efforts to encourage employees to take advantage of "No Overtime Day" have yielded steady results. Going forward, we will achieve our targets for the items presented above by launching full-scale operational process reforms. Specifically, we will increase the average number of days of paid leave utilized by raising employee awareness. We will also facilitate the utilization of childcare and nursing care leave systems through the preparation and distribution of *Life in Denka*, a booklet aimed at facilitating employees' understanding of these and other programs.

Reviewing Personnel Systems Aimed at Ensuring Job Fulfillment

To better promote our human resource strategies aimed at ensuring Denka100 management plan objectives are reached, we have been upgrading our personnel systems. For example, the new system adopted at Denka (on a non-consolidated basis) has made it possible for employees to switch job categories, choosing to become specialists, engineers or general staff. We have also incorporated the "Engineers' Skill Improvement Plan" aimed at promoting engineers who proactively strive to acquire more advanced skills and techniques. Moreover, we have established an in-house "Meister Certification System" for outstanding employees to encourage them to serve as role models for their junior colleagues. As we aim to create a workplace environment in which every worker finds their job rewarding, we will continue to carry out revisions to our personnel systems. In these ways, we will push forward with work style reforms that will, in turn, help us secure sustainable corporate growth and business expansion.

Status of Employees (non-consolidated basis) and Diversity Data

		Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Number of employees		2,873	2,934	2,974	2,960
Gender	Male	2,660	2,718	2,743	2,716
	Female	213	216	231	244
Average age		39.8	39.7	39.9	40.1
Average years of service		18.0	18.0	18.0	17.7
New recruits		103	100	75	84
Specialists (hired from new graduates)	Male	34	36	34	32
	Female	11	9	7	7
Female managers		1	1	2	2
Retiree reemployment rate		88	89	93	93
Ratio of people with disabilities		2.24	2.14	2.06	2.06
Resignees		30	40	39	41
Number of people who resigned within three years of recruitment		4	3	3	2
Ratio of people who resigned within three years of recruitment		9.5	7.3	6.7	6.7

Initiatives with Labor Unions

Denka holds periodic conferences, negotiations and other gatherings with the Denka Labor Union and Denka Employees' Union, maintaining smooth communication and favorable and mutual relationships of trust. We also hold special meetings to review working conditions and to exchange various views on such matters as work style reforms on multiple occasions in one year.

Number of Labor Union Members

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Denka (non-consolidated)	2,428	2,442	2,485	2,468
Consolidated subsidiaries	680	731	747	815

The CSR Procurement Policies

1. We will maintain respect for human rights while striving to improve the workplace environment and occupational safety and health.
2. We will pursue environment-conscious procurement, striving to secure safety and to reduce our impact on the earth's environment.
3. We will undertake procurement activities based on compliance with relevant laws, regulations and corporate ethics.
4. We will purchase raw materials and equipment and consign construction work by comprehensively taking into account such factors as quality, prices and delivery time as well as suppliers' technological capabilities, supply reliability and environmental conservation initiatives.
5. We will sincerely engage with our suppliers and treat them as important business partners, fostering mutual understanding and trustworthy relationships with them through fair business transactions.
6. We will not accept from our suppliers nor provide them with any gifts or entertainment of value that are deemed in excess of social norms or of an inappropriate nature.
7. We will not divulge any non-public information acquired in confidence from our suppliers in the course of procurement activities while properly managing and protecting their intellectual property rights.
8. We will maintain an equal partnership with all suppliers and provide them with equal opportunities for competition in a fair manner.

The CSR Procurement Guidelines

1. **Respect for Human Rights and Occupational Safety and Health:** A supplier is required to include respect for fundamental human rights and the pursuit of occupational safety and health in its corporate policy.
2. **Compliance with Laws and Regulations:** A supplier is required to include compliance with law and regulations, as well as fair corporate activities in accordance with social ethics, in its corporate policy.
3. **CSR Promotion:** A supplier is required to recognize CSR as being integral to its business activities. This entails including sustainable social and business development in its corporate policy and establishing an in-house CSR promotion structure.
4. **Environmental Conservation:** A supplier is required to include environmental conservation activities in its corporate policy and disclose the status of said activities to the general public. The said activities include the appropriate management of chemical substances contained in its products and green procurement.
5. **Product Quality and Safety:** A supplier is required to include quality and safety assurance in its corporate policy. Such activities are expected to take place under an established product quality management system.
6. **Fair and Just Business Transactions:** A supplier is required to include fair and just business transactions in its corporate policy.
7. **Risk Management:** A supplier is required to make sure that any risk or contingencies it may confront are managed and controlled through such means as the appropriate and timely information disclosure.
8. **Contribution to Society:** A supplier is required to include proactive contribution to local communities and global society in its corporate policy.
9. **Severing Ties with Antisocial Forces:** A supplier is required to not have any relationship with antisocial forces, whether they are individuals or entities.

Customer Satisfaction Surveys

In line with its medium-term quality assurance policy, the Electronics & Innovative Products Division focuses on securing greater customer satisfaction through superior products and services. Since fiscal 2010, the division has been conducting periodic surveys of its entire product lineup, specifically, sending out questionnaires to ascertain customer needs and expectations in a swift and accurate manner. These surveys also help us assess whether customer feedback is properly reflected in our business operations.

The content of the questionnaires is revised annually. Reviewing the results of these surveys since their inception, we see an overall improvement in customer feedback regarding the performance of products and services, with a number of comments providing invaluable insights, including helpful suggestions as to how partnerships could be deepened. Looking ahead, we will carefully address customer concerns to improve our products and services.



Educational Support Initiatives

Major Educational Support Initiatives Undertaken by the Denka Group (FY2016)

Experimental Science Classes	The Innovation Center and Head Office	The Summer Holiday Chemical Experiment Show for Children sponsored by the "Dream Chemistry 21" committee	①
	Omi Plant	Geomaru & Nuna to Omoshiro Science and Tazawa Elementary School	
	Omuta Plant	Chemistry classes for children (Kamiuchi Elementary School, Minato Elementary School, Tenryo Elementary School, Omuta City Ecosanc Center and the Omuta Ecotown Fair)	
	The Innovation Center	Machida Dai-Yon Elementary School	②
Plant Tours	Omuta Plant	Kyushu University, Miike Technical High School, Yame Technical High School, Omuta High School and Matsubara Junior High School	
	Chiba Plant	Takushoku University, Ichikawa Technical High School, Takushoku University Koryo High School, Tateyama Sogo High School, Goi Elementary School and Toda Elementary School	
	Shibukawa Plant	Shibukawa Technical High School and Shibukawa Nurse College	
	Ofuna Plant	Kamakura Jogakuin Junior High School and Ofuna Elementary School	
	The Innovation Center	Machida Dai-Yon Elementary School	
Internship	Omuta Plant	Toyohashi University of Technology, Miike Technical High School and Yame Technical High School and Tamana Technical High School	③
	Chiba Plant	Ichikawa Technical High School and Kimitsu Commercial High School	
Other Initiatives	Head Office	Sponsoring the Fureai Trio's classical music concerts at elementary schools nationwide	④
	The Innovation Center	Machida City's Junior Football Tournament (the 36th Denka Cup)	

Experimental Chemical Classes

Left: The Summer Holiday Chemical Experiment Show for Children ①
 Right: An experimental chemical class held at the Denka Innovation Center ②



Internship Programs and Other Initiatives

Left: Young people participating in an internship programs at the Omuta Plant ③
 Right: A Fureai Trio concert featuring Kyoko Yoshida and friends ④



Corporate Officers (as of June 22, 2017)

Board of Directors / Audit & Supervisory Board / Executive Officers

[Board of Directors]

Representative Director, Chairman	Shinsuke Yoshitaka
Representative Director, President	Manabu Yamamoto
Director	Mitsukuni Ayabe
Director	Norihiro Shimizu
Director	Kenji Nakano
Director	Yasuo Sato (Outside)
Director	Akio Yamamoto (Outside)
Director	Tatsutsugu Fujihara (Outside)

[Audit & Supervisory Board]

Audit & Supervisory Board Member	Shohei Tamaki
Audit & Supervisory Board Member	Masanori Sakamoto
Audit & Supervisory Board Member	Tsunehiro Sasanami (Outside)
Audit & Supervisory Board Member	Toshio Kinoshita (Outside)

[Executive Officers]

President and Chief Executive Officer	Manabu Yamamoto
Chief Operating Officer	Mitsukuni Ayabe
Managing Executive Officer	Norihiro Shimizu
Managing Executive Officer	Kenji Nakano
Managing Executive Officer	Masaharu Suzuki
Managing Executive Officer	Tetsuya Shinmura
Managing Executive Officer	Junichi Kimura
Managing Executive Officer	Toshio Imai
Managing Executive Officer	Hideki Hirano
Executive Officer	Koichi Taguchi
Executive Officer	Hideki Watanabe
Executive Officer	Toyoki Yokoyama
Executive Officer	Koki Tabuchi
Executive Officer	Shojiro Watanabe
Executive Officer	Nobuyuki Yoshino
Executive Officer	Kazuya Tokumoto
Executive Officer	Hideki Takahashi
Executive Officer	Kazuo Takahashi
Executive Officer	Rimiru Hayashida



Back row from the left: Hayashida, H. Takahashi, K. Takahashi, Tokumoto, S. Watanabe, Yokoyama, Taguchi, Imai, Shinmura, Suzuki, Kimura, Hirano, H. Watanabe, Tabuchi, Yoshino, Tamaki, Sakamoto, Sasanami, Kinoshita

Front row the left: A. Yamamoto, Nakano, Ayabe, Yoshitaka, M. Yamamoto, Shimizu, Sato, Fujihara

Outside Directors' Career Summaries

Yasuo Sato (September 30, 1942)
April 1965 Joined TEIKOKU SANSO Co., Ltd. (present Air Liquide Japan Ltd.)
March 1987 Director and Vice President of Electronics Div. of Air Liquide Japan Ltd.
April 1992 Vice President of Worldwide Electronics Div. of L'Air Liquide S.A. (until March 1996)
March 1999 Representative Director and President of Air Liquide Japan Ltd. (until January 2003)
January 2003 Director and Chairman of Japan Air Gases Co., Ltd. (until March 2005)
March 2005 Director and Advisor (part-time) of Air Liquide Japan Ltd. (until September 2007)
June 2005 Outside Director of Denal Silane Co., Ltd. (until February 2008)
May 2006 President & CEO of I.B. Associates Co., Ltd. (present)
June 2006 Outside Auditor of Santen Pharmaceutical Co., Ltd. (until June 2014)
February 2008 Auditor of Denal Silane Co., Ltd. (until June 2014)
June 2015 Outside Director of the Company (present)

Akio Yamamoto (December 2, 1951)
April 1974 Joined Mitsui & Co., Ltd.
April 1999 President of Mitsui & Co., Benelux S.A./N.V.
April 2004 Vice President of Synthetic Resin & Inorganic Chemical Products Business Unit of Mitsui & Co., Ltd.
April 2007 Executive officer of Mitsui & Co., Ltd. (until March 2010), President of Mitsui & Co. (Thailand) Ltd.
April 2009 Representative Director and President of Mitsui Bussan Plastic Trade Co., Ltd. (present Mitsui & Co. Plastics Ltd.) (until June 2014)
June 2014 Counselor of Mitsui & Co. Plastics Ltd. (until June 2015)
June 2015 Outside Director of the Company (present)

Tatsutsugu Fujihara (November 23, 1952)
April 1976 Joined The Dai-Ichi Kangyo Bank, Ltd.
May 2000 General Manager, Osaka Sales Department of The Dai-Ichi Kangyo Bank, Ltd.
April 2002 General Manager, Osaka Sales Department III of Mizuho Corporate Bank, Limited
March 2003 Executive officer of Mizuho Corporate Bank, Limited (until April 2003), General Manager, Corporate Department II (until April 2003)
June 2003 Managing Executive Officer of Orient Corporation (until March 2005)
April 2005 Managing Executive Officer of Mizuho Corporate Bank, Limited (until March 2007)
June 2007 Director and President of Mizuho Marketing Experts Co., Ltd. (until March 2013)
June 2013 Representative Director and President of KSO Corporation
June 2014 Representative Director and Chairman of KSO Corporation
April 2016 Director of KSO Corporation (present)
June 2016 Outside Director of the Company (present)

For detailed reasons for the appointment of each outside director, please visit our website and refer to the Corporate Governance Report posted on the page entitled "Governance and CSR Promotion Structure" within the "Sustainability" section. The relevant information is also accessible from the notice of convocation for the annual General Stockholder's Meeting, posted under the title "IR Information" in the "IR Information" section.

<http://www.denka.co.jp/eng/sustainability/management/governance/pdf/cgreport.pdf>

http://www.denka.co.jp/eng/news/pdf/160523_Notice%20of%20Convocation%20of%20the%20157th%20Ordinary%20General%20Meeting%20of%20Shareholders.pdf

Career Summaries of Outside Audit & Supervisory Board Members

Tsunehiro Sasanami (January 28, 1952)

April 1979 Registered as a lawyer (Tokyo Bar Association); joined Eizo Goto Law Firm (later reorganized into to Sasanami Joint Law Office and then Takusyou Sogo Law Office) (resigned in June 2016)

September 1985 Appointed an outside corporate auditor of C'BON COSMETICS Co., Ltd. (left the office in June 2012)

June 2003 Appointed an outside corporate auditor of Shinwa Bank, Ltd. (left the office in June 2011)

June 2011 Appointed an outside member of the Audit & Supervisory Board of Denka Co., Ltd. (incumbent)

July 2016 Established Sasanami & Partners

Toshio Kinoshita (April 12, 1949)

July 1983 Registered as a CPA

July 1989 Became a partner at Coopers & Lybrand in the United States (now PricewaterhouseCoopers) (left the position in June 1998)

June 1994 Became a representative partner of Chuo Audit Firm (later MISUZU Audit Corporation) (left the position in July 2005)

July 1998 Became a partner in charge of supervising North America at the U.S.-based PricewaterhouseCoopers' New York Headquarters Office (left the firm in June 2005)

July 2005 Became a director in charge of international affairs at Tokyo Office of Chuo Aoyama Audit Firm (later MISUZU Audit Corporation) (left the firm in June 2007)

July 2007 Appointed a senior managing director of The Japanese Institute of Certified Public Accountants (JICPA) (left the position in June 2013)

July 2013 Appointed a director of JICPA (left the position in July 2016)

June 2014 Appointed an outside member of the Audit & Supervisory Board of Panasonic Corporation (incumbent)

July 2014 Established Global Professional Partners and became representative director of the firm (incumbent)

August 2014 Appointed an outside member of the Audit & Supervisory Board of Weathernews Inc. (incumbent)

March 2015 Appointed an outside member of the Audit & Supervisory Board of ASATSU-DK INC. (incumbent)

June 2015 Appointed an outside member of the Audit & Supervisory Board of Denka Co., Ltd. (incumbent)

June 2015 Appointed an outside member of the Audit & Supervisory Board of TACHI-S CO.,LTD. (incumbent)

July 2015 Appointed an outside member of the Audit & Supervisory Board of Mizuho Bank, Ltd. (incumbent)

Reasons for appointing outside members of the Audit & Supervisory Board and other detailed information with regard to these personnel are also presented in the *Corporate Governance Report* and the Notice of Convocation for Ordinary General Meeting of Shareholders posted on our corporate website.

<http://www.denka.co.jp/eng/sustainability/management/governance/index.html>

http://www.denka.co.jp/ir/fact_04.html (Japanese only)

Reasons for Appointing Outside Members of the Audit & Supervisory Board

Tsunehiro Sasanami

The Company expects him to bring his insight to enhance its audit structure based on his longstanding experience as a lawyer and wealth of legal expertise. Denka has thus appointed Mr. Sasanami as an outside member of its Audit & Supervisory Board while designating him as an independent corporate auditor in accordance with criteria of Tokyo Stock Exchange.

Toshio Kinoshita

The Company expects him to bring his insight to enhance its audit structure and help it pursue global expansion based on his longstanding experience as a Japanese and U.S. CPA, his extensive accounting expertise and his specialist knowledge of international accounting affairs. Denka has thus appointed Mr. Kinoshita as an outside member of its Audit & Supervisory Board while designating him as an independent corporate auditor in accordance with criteria of Tokyo Stock Exchange.

Main Activities Undertaken by Outside Members of the Audit & Supervisory Board in Fiscal 2016

Attending Board of Directors meetings, Mr. Sasanami and Mr. Kinoshita have proactively inquired into such issues as the organizational structure adopted by Denka and its subsidiaries as well as the potential compliance and legal risks they face and the Company's business and funding plans. At the same time, these outside Audit & Supervisory Board members provided management with valuable suggestions, with Mr. Sasanami leveraging his extensive experience and expertise in legal affairs and Mr. Kinoshita employing his longstanding experience and considerable accounting knowledge as a Japanese and U.S. CPA.

Also, Mr. Sasanami and Mr. Kinoshita made in-person visits to business sites of Denka and its subsidiaries, conducting face-to-face interviews with employees, officers and directors in order pose various questions from an external standpoint.

Moreover, Mr. Sasanami and Mr. Kinoshita attended Audit & Supervisory Board meetings, reviewing important meeting memorandums and decision documents, inspecting the operations of departments, business bases and subsidiaries and receiving reports on the status of business execution at periodic departmental reporting meetings. Mr. Sasanami and Mr. Kinoshita also reported their findings from these activities at Audit & Supervisory Board meetings, thereby engaging in active discussions with other members of said board.

	Board of Directors meetings		Audit & Supervisory Board meetings	
	Attendance / total number of meetings held	Attendance rate	Attendance / total number of meetings held	Attendance rate
Tsunehiro Sasanami	13/13	100%	15/15	100%
Toshio Kinoshita	12/13	92%	14/15	93%

Consolidated Financial Statements

Consolidated Balance Sheets (As of March 31, 2017)

Millions of yen

Account Item	(Ref.) 157 th term	158 th term
Assets	443,864	454,944
Current assets	161,876	168,902
Cash and deposits	11,895	10,258
Notes and accounts receivable-trade	76,009	85,069
Merchandise and finished goods	43,981	42,532
Work in process	3,279	3,745
Raw materials and supplies	16,839	16,907
Deferred tax assets	1,753	2,039
Other	8,336	8,809
Allowance for doubtful accounts	(218)	(460)
Non-current assets	281,988	286,041
Property, plant and equipment	214,329	213,456
Buildings	40,709	39,849
Structures	20,350	22,132
Machinery and equipment	77,730	73,761
Vehicles	647	577
Tools, furniture and fixtures	3,046	2,895
Land	63,084	63,247
Lease assets	371	312
Construction in progress	8,388	10,679
Intangible assets	11,131	10,342
Software	917	1,170
Goodwill	6,401	5,694
Right of using patent	3,813	3,477
Investments and other assets	56,527	62,242
Investment securities	49,843	54,604
Long-term loans receivable	1,293	664
Long-term prepaid expenses	1,581	2,789
Deferred tax assets	1,210	1,608
Other	3,368	3,399
Allowance for doubtful accounts	(770)	(823)
Total	443,864	454,944

Note: Amounts are rounded down to the nearest million yen.

Millions of yen

Account Item	(Ref.) 157 th term	158 th term
Liabilities	227,793	227,456
Current liabilities	147,537	144,190
Notes and accounts payable–trade	41,811	46,811
Short-term loans payable	42,861	43,492
Commercial paper	5,000	–
Current portion of long-term loans payable	18,225	72
Current portion of bonds	–	10,000
Accounts payable–other	11,543	14,229
Income taxes payable	2,806	3,659
Accrued consumption taxes	1,433	814
Accrued expenses	8,972	9,690
Provision for bonuses	2,741	2,880
Other	12,142	12,539
Non-current liabilities	80,255	83,266
Bonds payable	30,000	20,000
Long-term loans payable	28,510	40,184
Deferred tax liabilities	3,984	5,895
Deferred tax liabilities for land revaluation	8,407	8,405
Net defined benefit liability	8,314	7,774
Other	1,039	1,006
Net Assets	216,071	227,487
Shareholders' equity	190,647	199,865
Capital stock	36,998	36,998
Capital surplus	49,284	49,284
Retained earnings	112,335	123,752
Treasury stock	(7,971)	(10,170)
Accumulated other comprehensive income	21,087	23,700
Valuation difference on available-for-sale securities	10,775	14,837
Revaluation reserve for land	10,267	10,265
Foreign currency translation adjustment	2,739	1,496
Remeasurements of defined benefit plans	(2,695)	(2,898)
Non-controlling interests	4,336	3,922
Total	443,864	454,944

Note: Amounts are rounded down to the nearest million yen.

Consolidated Statements of Income (From April 1, 2016 to March 31, 2017)

Millions of yen

Account item	(Ref.) 157 th term		158 th term	
Net sales		369,853		362,647
Cost of sales		278,064		273,263
Gross profit		91,788		89,383
Selling, general and administrative expenses		61,154		63,539
Operating income		30,634		25,844
Non-operating income				
Interest and dividend income	1,210		1,428	
Equity in earnings of affiliates	1,097		568	
Other	850	3,158	640	2,637
Non-operating expense				
Interest expense	860		820	
Other	5,909	6,770	4,502	5,322
Ordinary income		27,022		23,158
Extraordinary income				
Gain on sales of non-current assets	–	–	683	683
Extraordinary loss				
Provision of allowance for doubtful accounts	671		–	
Acquisition-related expenses	632		–	
Difference on change from simple method to principled method for retirement benefits	544		–	
Loss on liquidation of business		1,848	1,356	1,356
Income before income taxes		25,174		22,486
Income taxes–current	5,488		5,133	
Income taxes–deferred	438	5,926	(464)	4,669
Profit		19,247		17,816
Profit attributable to non-controlling interests		(225)		(329)
Profit attributable to owners of parent		19,472		18,145

Note: Amounts are rounded down to the nearest million yen.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets (As of March 31, 2017)

Millions of yen

Account Item	(Ref.) 157 th term	158 th term
Assets	345,893	352,757
Current assets	103,015	103,773
Cash and deposits	4,476	2,926
Notes receivable–trade	3,157	4,446
Accounts receivable–trade	46,310	52,307
Merchandise and finished goods	29,014	26,767
Raw materials and supplies	9,686	9,851
Prepaid expenses	944	980
Deferred tax assets	699	807
Short-term loans receivable	3,960	706
Other	4,772	4,986
Allowance for doubtful accounts	(6)	(6)
Non-current assets	242,878	248,984
Property, plant and equipment	168,557	167,764
Buildings	28,305	27,587
Structures	17,455	19,468
Machinery and equipment	53,714	50,184
Vehicles	464	422
Tools, furniture and fixtures	2,118	1,967
Land	60,153	60,373
Construction in progress	6,344	7,760
Intangible assets	1,048	1,246
Software	481	776
Right of using patent	566	470
Investments and other assets	73,272	79,972
Investment securities	27,580	33,252
Stocks of subsidiaries and affiliates	40,593	40,787
Long-term loans receivable	2,412	2,283
Long-term prepaid expenses	950	1,908
Other investments	1,743	1,742
Allowance for doubtful accounts	(7)	(1)
Total	345,893	352,757

Note: Amounts are rounded down to the nearest million yen.

Millions of yen

Account Item	(Ref.) 157 th term	158 th term
Liabilities	190,142	189,854
Current liabilities	116,531	113,660
Accounts payable–trade	23,002	26,766
Short-term loans payable	27,675	27,675
Commercial paper	5,000	–
Current portion of long-term loans payable	18,058	58
Current portion of bonds	–	10,000
Accounts payable–other	9,808	12,454
Income taxes payable	–	1,169
Accrued consumption taxes	1,012	335
Accrued expenses	5,557	6,021
Deposits received	24,389	27,080
Provision for bonuses	1,488	1,523
Other	537	575
Non-current liabilities	73,611	76,194
Bonds payable	30,000	20,000
Long-term loans payable	27,637	39,554
Deferred tax liabilities	4,906	6,456
Deferred tax liabilities for land revaluation	8,407	8,405
Provision for retirement benefits	2,522	1,639
Long-term accounts payable–other	13	13
Asset retirement obligation	125	126
Net Assets	155,750	162,903
Shareholders' equity	135,840	139,320
Capital stock	36,998	36,998
Capital surplus	49,284	49,284
Legal capital surplus	49,284	49,284
Other capital surplus	0	0
Retained earnings	57,519	63,199
Other retained earnings	57,519	63,199
Reserve for advanced depreciation of non-current assets	3,854	3,835
Retained earnings brought forward	53,665	59,363
Treasury stock	(7,962)	(10,161)
Valuation and translation adjustments	19,910	23,582
Valuation difference on available for-sale securities	9,643	13,317
Revaluation reserve for land	10,267	10,265
Total	345,893	352,757

Non-consolidated Statements of Income (From April 1, 2016 to March 31, 2017)

Millions of yen

Account Item	(Ref.) 157 th term		158 th term	
Net sales		225,823		217,017
Cost of sales		169,841		161,349
Gross profit		55,981		55,667
Selling, general and administrative expenses		41,879		42,669
Operating income		14,101		12,997
Non-operating income				
Interest and dividend income	4,562		5,177	
Other	964	5,527	716	5,893
Non-operating expense				
Interest expense	702		618	
Other	4,786	5,488	3,524	4,142
Ordinary income		14,140		14,748
Extraordinary income				
Gain on sales of investment securities	–	–	432	432
Extraordinary loss				
Acquisition-related expenses	632		–	
Loss on liquidation of business	–	632	1,110	1,110
Income before income taxes		13,508		14,070
Income taxes—current	2,188		2,109	
Income taxes—deferred	554	2,742	57	2,166
Net income		10,766		11,904

Note: Amounts are rounded down to the nearest million yen.

Appendix

GRI Guidelines

Please see below to find disclosure information listed in the Sustainability Reporting Guidelines Version 4 (G4).

(Denka Report 2017 includes data related to disclosure standards set out in the GRI Sustainability Reporting Guidelines. However, the report is not fully compliant with these guidelines.)

Items	DMA and Indicators	Location of Disclosure
General Standard Disclosures		
Strategy and Analysis		
G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	• To Our Stakeholders (P.4-5)
G4-2	a. Provide a description of key impacts, risks, and opportunities.	• To Our Stakeholders (P.4-5) • Our Business Strategies (P.40-45) • Our CSR Activities (P.48-49) • Climate Change: Risks and Opportunities (Ref. P.14)
Organizational Profile		
G4-3	a. Report the name of the organization.	• Corporate Profile (P.6)
G4-4	a. Report the primary brands, products, and services.	• Corporate Profile (P.6)
G4-5	a. Report the location of the organization's headquarters.	• Corporate Profile (P.6)
G4-6	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	• Corporate Profile (P.6) • Overview of Denka's Operations by Region (P.6-7) • Site Reports
G4-7	a. Report the nature of ownership and legal form.	• Corporate Profile (P.6)
G4-8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	• Corporate Profile (P.6) • Overview of Denka's Operations by Region (P.6-7)
G4-9	a. Report the scale of the organization, including: - Total number of employees - Total number of operations - Net sales (for private sector organizations) or net revenues (for public sector organizations) - Total capitalization broken down in terms of debt and equity (for private sector organizations) - Quantity of products or services provided	• Corporate Profile (P.6) • Overview of Denka's Operations by Region (P.6-7) • Financial Statements (Ref. P.32-37)
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	• Labor Practices / Human Resource Development (Ref. P.24-25)
G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.	• Number of Labor Union Members (Ref. P.25)
G4-12	a. Describe the organization's supply chain.	-
G4-13	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: - Changes in the location of, or changes in, operations, including facility openings, closings, and expansions - Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) - Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	-
G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organization.	• Corporate Governance (P.36-37) • Safety Assurance Activities (P.12-13) • Our Initiatives to Ensure Product Safety and Quality (P.24-25) • Compliance (Ref. P.4-5)
G4-15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	• Our Initiatives to Help Preserve the Global Environment (P.20-21) • ISO 14001 Environmental Management System and ISO 9001 Quality Management System (Ref. P.8) • Product and Labor Safety Management Systems (Ref. P.15-17) • Occupational Safety and Health Management System (Ref. P.20)
G4-16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: - Holds a position on the governance body - Participates in projects or committees - Provides substantive funding beyond routine membership dues - Views membership as strategic	• Product and Labor Safety Management Systems (Ref. P.15-17)
Identified Material Aspects and Boundaries		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	• Main Points of the 2017 Edition (P2-3) • Corporate Profile (P.6) • Site Reports
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	• Main points of the 2017 Edition (P2-3) • Our CSR Activities (P.48-49) • Our CSR Materiality Issues (P50-51) • Third-party Opinion (P55-56)
G4-19	a. List all the material Aspects identified in the process for defining report content.	• Our CSR Materiality Issues (P50-51)

G4-20	a.For each material Aspect,report the Aspect Boundary within the organization, as follows: - Report whether the Aspect is material within the organization - If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the Aspect is not material or - The list of entities or groups of entities included in G4-17 for which the Aspects is material - Report any Specific limitation regarding the Aspect Boundary within the organization	•Our CSR Materiality Issues (P50-51)
G4-21	a.For each material Aspect, report the Aspect Boundary outside the organization, as follows: - Report whether the Aspect is material outside of the organization - If the Aspect is material outside of the organization, identify the entities,groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified - Report any specific limitation regarding the Aspect Boundary outside the organization	-
G4-22	a.Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	•Our Fiscal 2016 GHG Emissions (P.20)
G4-23	a.Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	• Not applicable
Stakeholder Engagement		
G4-24	a.Provide a list of stakeholder groups engaged by the organization.	• Dialogue with Society and Partnership (P.8-11) • Dialogue on Denka's Safety Assurance Activities (P.14-15) • Employee Happiness (P.16-17) • Employee Dialogue on Diversity (P.18-19) • Dialogue between Young Researcher (P.28-29) • Our Initiatives to Ensure Product Safety and Quality (P.24-25) • An Interview with Outside Audit & Supervisory Board Members (P.38-39)
G4-25	a.Report the Basis for identification and selection of stakeholders with whom to engage.	•Main points of the 2017 Edition (P2-3) •Our CSR Materiality Issues (P50-51)
G4-26	a.Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	• Dialogue with Society and Partnership (P.8-11) • Dialogue on Denka' s Safety Assurance Activities (P.14-15) • Employee Happiness (P.16-17) • Employee Dialogue on Diversity (P.18-19) • Dialogue between Young Researcher (P.28-29) • Our Initiatives to Ensure Product Safety and Quality (P.24-25) • An Interview with Outside Audit & Supervisory Board Members (P.38-39) • Third-party Opinion (P.55) • Customer Satisfaction Surveys (Ref. P.26) • Educational Support Initiatives (Ref. P.27)
G4-27	a.Report the key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Stakeholder groups that raised each of the key topics and concerns.	• Our CSR Activities (P.48-49) • Dialogue with Society and Partnership (P.8-11) • Employee Happiness (P.16-17) • Our Initiatives to Ensure Product Safety and Quality (P.24-25) • Third-party Opinion (P.55) • Customer Satisfaction Surveys (Ref. P.26) • Educational Support Initiatives (Ref. P.27)
Report Profile		
G4-28	a.Reporting period (such as fiscal or calendar year) for information provided.	• Coverage (P.2)
G4-29	a.Date of most recent previous report (if any).	• Coverage (P.2)
G4-30	a.Reporting cycle (such as annual, biennial).	• Coverage (P.2)
G4-31	a.Provide the contact point for questions regarding the report or its contents.	• Inquiries (P.3)
G4-32	a.Report the 'In accordance' option the organization has chosen. b.Report the GRI Content Index for the chosen option (see tables below). c.Report the reference to the External Assurance Report, if the report has been externally assured.	a. This table indicates the sections applicable to the Standard Disclosures, but the report as a whole is not fully compliant with the Guidelines. b. GRI Guidelines
G4-33	a.Report the organization's policy and current practice with regard to seeking external assurance for the report. b.If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c.Report the relationship between the organization and the assurance providers. d.Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	•Receiving Third-Party Verifi cation (P.21) •Website: http://www.denka.co.jp/eng/news/2017/06/greenhouse_gas_emissions_verifi cation_statement.html
Governance		
G4-34	a.Report the governance structure of the organization, including committees of the highest governance body. Committees responsible for decision-making on economic, environmental and social impacts.	• Our CSR Activities (P.48-49) • Corporate Governance (P.36-37)
G4-35	a.Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	• Our CSR Activities (P.48-49) • Corporate Governance (P.36-37)
G4-36	a.Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	• Corporate Governance (P.36-37)
G4-37	a.Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	•The Selection of Materiality Issues (P.49) •Our CSR Materiality Issues (P50-51)

G4-38	<p>a.Report the composition of the highest governance body and its committees by:</p> <ul style="list-style-type: none"> - Executive or non-executive - Independence - Tenure on the governance body - Number of each individual's other significant positions and commitments, and the nature of the commitments - Gender - Membership of under-represented social groups - Competences relating to economic, environmental and social impacts - Stakeholder representation 	<ul style="list-style-type: none"> • Corporate Governance (P.36-37)
G4-39	<p>a.Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).</p>	<ul style="list-style-type: none"> • Corporate Governance (P.36-37) • Corporate Officers (Ref. P.28)

G4-40	a. Report the Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> - Whether and how diversity is considered - Whether and how independence is considered - Whether and how expertise and experience relating to economic, environmental and social topics are considered - Whether and how stakeholders (including shareholders) are involved 	• Corporate Governance (P.36-37)
G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"> - Cross-board membership - Cross-shareholding with suppliers and other stakeholders - Existence of controlling shareholder - Related party disclosures 	• Corporate Officers (Ref. P.28) • Reasons for Appointing Outside Members of the Audit & Supervisory Board, Main Activities Undertaken by Outside Members of the Audit & Supervisory Board (Ref. P.30-31)
G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	• "Executives" and "Organization Chart" sections under Company Profile page http://www.denka.co.jp/eng/corporate/
G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	• Third-Party Opinion (P.55)
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	• Our CSR Activities (P.48-49)
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	• Corporate Governance (P.36-37) • Our CSR Activities (P.48-49) • Our CSR Materiality Issues (P50-51)
G4-46	a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	• Corporate Governance (P.36-37)
G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	• Corporate Governance (P.36-37)
G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	• Our CSR Activities (P.48-49)
G4-49	a. Report the process for communicating critical concerns to the highest governance body	• Risk Management (P.37)
G4-50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	-
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> - Fixed pay and variable pay: <ul style="list-style-type: none"> - Performance-based pay - Equity-based pay - Bonuses - Deferred or vested shares - Sign-on bonuses or recruitment incentive payments - Termination payments - Clawbacks - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	-
G4-52	a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	Website: Corporate Governance Report http://www.denka.co.jp/eng/sustainability/management/governance/pdf/cgreport.pdf
G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	Website: Corporate Governance Report http://www.denka.co.jp/eng/sustainability/management/governance/pdf/cgreport.pdf
G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-
G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-
Ethics and Integrity		
G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	• Denka's Corporate Philosophy (P.2) • Denka Principles / The Denka Group Guidelines (Ref. P.3)
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	• Compliance Hotline System (P.37)
G4-58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	• Compliance Hotline System (P.37)

Specific Standard Disclosures

DMA and Indicators	Location of Disclosure
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ECONOMIC

DMA	Management Approach	<ul style="list-style-type: none"> • To Our Stakeholder (P.4-5) • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Our Products and Technologies (P.26-35) • The Upcoming Management Plan (P.46-47) • Our CSR Activities (P.48-49) • Our CSR Materiality Issues (P50-51)
Economic Performance		
EC1	Direct economic value generated and distributed	-
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	<ul style="list-style-type: none"> • To Our Stakeholder (P.4-5) • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Denka's Energy-Saving Technologies and Initiatives to Promote the Use of Clean Energy (P.22) • Climate Change: Risks and Opportunities (Ref. P.14)
EC3	Coverage of the organization's defined benefit plan obligations	-
EC4	Financial assistance received from government	• The Utilization of Government Subsidies Related to the Environment and Energy (Ref. P.21-22)
Market Presence		
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	-
EC6	Proportion of senior management hired from the local community at significant locations of operation	-
Indirect Economic Impacts		
EC7	Development and impact of infrastructure investments and services supported	<ul style="list-style-type: none"> • Dialogue with Society and Partnership (P.8-11) • Educational Support Initiatives (Ref. P.27)
EC8	Significant indirect economic impacts, including the extent of impacts	-
ENVIRONMENTAL		
EC9	Proportion of spending on local suppliers at significant locations of operation	-

ENVIRONMENTAL

DMA	Management Approach	<ul style="list-style-type: none"> • To Our Stakeholder (P.4-5) • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Our Products and Technologies (P.26-35) • Our CSR Activities (P.48-49) • Our CSR Materiality Issues (P50-51) • The Upcoming Management Plan (P.46-47)
Materials		
EN1	Materials used by weight or volume	-
EN2	Percentage of materials used that are recycled input materials	<ul style="list-style-type: none"> • Overview of Environmental Impacts (P.21) • Effectively Utilizing Resources while Reducing Waste (P.23)
Energy		
EN3	Energy consumption within the organization	• Overview of Environmental Impacts (P.21)
EN4	Energy consumption outside of the organization	-
EN5	Energy intensity	• Fiscal 2016 Environmental Performance by Denka Business Sites and Affiliates (Ref. P.9)
EN6	Reduction of energy consumption	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Fiscal 2016 Environmental Performance by Denka Business Sites and Affiliates (Ref. P.9) • Optimizing Logistics Operations (Ref. P.18)
EN7	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Examples of Denka Group Solutions That Address SDG-Relevant Social Issues (P.30-35)
Water		
EN8	Total water withdrawal by source	<ul style="list-style-type: none"> • Overview of Environmental Impacts (P.21) • Fiscal 2016 Environmental Performance Data—Ratio of Each Business Site in Overall Emissions (Ref. P.12) • Environmental Performance (Site Reports P.33-38)
EN9	Water sources significantly affected by withdrawal of water	• Denka's Energy-Saving Technologies and Initiatives to Promote the Use of Clean Energy (P.22)
EN10	Percentage and total volume of water recycled and reused	-
Biodiversity		
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	• Our Initiatives to Protect Biodiversity (Ref. P.13)
EN13	Habitats protected or restored	• Our Initiatives to Protect Biodiversity (Ref. P.13)
EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	• Our Initiatives to Protect Biodiversity (Ref. P.13)

Emissions		
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Fiscal 2016 Environmental Performance by Denka Business Sites and Affiliates (Ref. P.9, 12) • Environmental Performance (Site Reports P.33-38)
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Fiscal 2016 Environmental Performance by Denka Business Sites and Affiliates (Ref. P.9, 12)
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Optimizing Logistics Operations (Ref. P.18)
EN18	Greenhouse gas (GHG) emissions intensity	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Fiscal 2016 Environmental Performance by Denka Business Sites and Affiliates (Ref. P.9, 12)
EN19	Reduction of greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Optimizing Logistics Operations (Ref. P.18)
EN20	Emissions of ozone-depleting substances (ODS)	<ul style="list-style-type: none"> • Our Response to the Revised Act for Rationalized Use and Proper Management of Fluorocarbons (P.21)
EN21	NOx, SOx, and other significant air emissions	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Fiscal 2016 Environmental Performance by Denka Business Sites and Affiliates (Ref. P.9, 12) • Environmental Performance (Site Reports P.33-38)
Effluents and Waste		
EN22	Total water discharge by quality and destination	-
EN23	Total weight of waste by type and disposal method	<ul style="list-style-type: none"> • Our Initiatives to Help Preserve the Global Environment (P.20-21) • Environmental Performance (Site Reports P.33-38)
EN24	Total number and volume of significant spills	<ul style="list-style-type: none"> • Prevention of Environmental Pollution (P.21)
EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ² Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	-
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	-
Products and Services		
EN27	Extent of impact mitigation of environmental impacts of products and services	<ul style="list-style-type: none"> • Effective Utilizing Resources while Reducing Waste (P.23) • Our Business Strategies (P.40-45) • Examples of Denka Group Solutions That Address SDG-Relevant Social Issues (P.30-35)
EN28	Percentage of products sold and their packaging materials that are reclaimed by category	-
Compliance		
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	-
Transport		
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	<ul style="list-style-type: none"> • Optimizing Logistics Operations (Ref. P.18)
Overall		
EN31	Total environmental protection expenditures and investments by type	<ul style="list-style-type: none"> • Environmental Accounting (Ref. P.23)
Supplier Environmental Assessment		
EN32	Percentage of new suppliers that were screened using environmental criteria	-
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	-
Environmental Grievance Mechanisms		
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	-

SOCIAL: LABOR PRACTICES AND DECENT WORK

DMA	Management Approach	<ul style="list-style-type: none"> • Safety Assurance Activities (P.12-13) • Employee Happiness (P.16-19)
Employment		
LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	<ul style="list-style-type: none"> • Employee Happiness (P.16-17) • Status of Employees (non-consolidated basis) and Diversity Data (Ref. P.25)
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<ul style="list-style-type: none"> • Employee Happiness (P.16-17)
LA3	Return to work and retention rates after parental leave, by gender	-
Labor/Management Relations		
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	-

Occupational Health and Safety		
LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	-
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	• Safety Assurance Activities (P.12-13)
LA7	Workers with high incidence or high risk of diseases related to their occupation	-
LA8	Health and safety topics covered in formal agreements with trade unions	• Safety Assurance Activities (P.12-13)
Training and Education		
LA9	Average hours of training per year per employee by gender, and by employee category	-
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	• Nurturing Human Resources and Passing Down Our Technologies to Future Generations (P.17)
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	-
Diversity and Equal Opportunity		
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	• Labor Practices / Human Resource Development (P.Ref. 24)
Equal Remuneration for Women and Men		
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	-
Supplier Assessment for Labor Practices		
LA14	Percentage of new suppliers that were screened using labor practices criteria	-
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	-
Labor Practices Grievance Mechanisms		
LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	-

SOCIAL:HUMAN RIGHTS

DMA	Management Approach	<ul style="list-style-type: none"> • Our Supply Chain Initiatives and CSR Promotion (P.25) • The Denka Group Guidelines ((Ref. P.3) • The CSR Procurement Policies & Guidelines (Ref. P.26)
Investment		
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	-
Non-discrimination		
HR3	Total number of incidents of discrimination and corrective actions taken	• Compliance Hotline System (P.37)
Freedom of Association and Collective Bargaining		
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	-
Child Labor		
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	<ul style="list-style-type: none"> • Our Supply Chain Initiatives and CSR Promotion (P.25) • The CSR Procurement Policies & Guidelines (Ref. P.26)
Forced or Compulsory Labor		
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	<ul style="list-style-type: none"> • Our Supply Chain Initiatives and CSR Promotion (P.25) • The CSR Procurement Policies & Guidelines (Ref. P.26)
Security Practices		
HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	-
Indigenous Rights		
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-
Assessment		
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	-
Supplier Human Rights Assessment		
HR10	Percentage of new suppliers that were screened using human rights criteria	-
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	-
Human Rights Grievance Mechanisms		
HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	• Compliance Hotline System (P.37)

SOCIAL:SOCIAL

DMA	Management Approach	<ul style="list-style-type: none"> • Safety Assurance Activities (P.12-13) • Dialogue with Society and Partnership (P.8-11) • Compliance (Ref. P.4-5)
Local Communities		
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	-
SO2	Operations with significant actual or potential negative impacts on local communities	-
Anti-corruption		
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	-
SO4	Communication and training on anti-corruption policies and procedures	• Compliance (Ref. P.4-5)
SO5	Confirmed incidents of corruption and actions taken	-
Public Policy		
SO6	Total value of political contributions by country and recipient/beneficiary	-
Anti-competitive Behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	• Compliance (Ref. P.4-5)
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-
Supplier Assessment for Impacts on Society		
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	-
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	-
Grievance Mechanisms for Impacts on Society		
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	-

SOCIAL:PRODUCT RESPONSIBILITY

DMA	Management Approach	<ul style="list-style-type: none"> • Our Initiatives to Ensure Product Safety and Quality Denka's R&D Activities (P.24-25) • Information Security / Information Disclosure (Ref. P.6-7) • ISO 9001 Quality Management Systems (Ref. P.8) • Product and Labor Safety Management Systems (Ref. P.15-17)
Customer Health and Safety		
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<ul style="list-style-type: none"> • ISO 9001 Management Systems (Ref. P.8) • Product and Labor Safety Management Systems (Ref. P.15-17)
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	<ul style="list-style-type: none"> • Our Initiatives to Ensure Product Safety and Quality Denka's R&D Activities (P.24-25) • Product and Labor Safety Management Systems (Ref. P.15-17)
Product and Service Labeling		
PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	• Product and Labor Safety Management Systems (Ref. P.15-17)
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	<ul style="list-style-type: none"> • Our Initiatives to Ensure Product Safety and Quality Denka's R&D Activities (P.24-25) • Product and Labor Safety Management Systems (Ref. P.15-17)
PR5	Results of surveys measuring customer satisfaction	• Customer Satisfaction Surveys (Ref. P.26)
Marketing Communications		
PR6	Sale of banned or disputed products	-
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	• Information Disclosure (Ref. P.7)
Customer Privacy		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-