

We are building a highly transparent corporate structure to earn the trust of all stakeholders.

■ Corporate Governance

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

■ Corporate Governance Structure

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

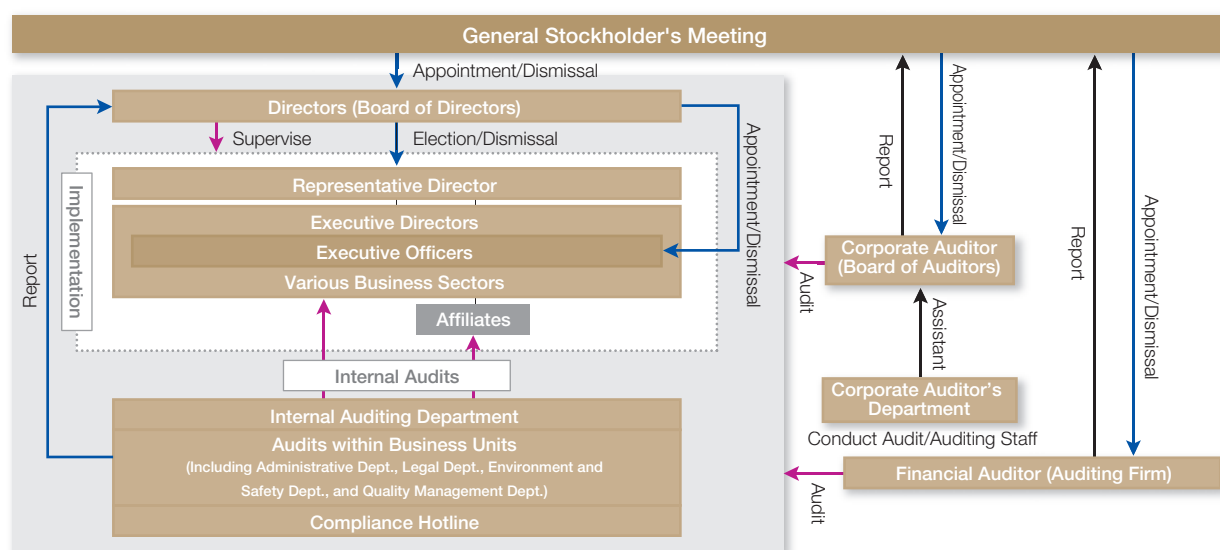
The Board of Directors similarly has two external members. We ensure management transparency by separating that board's oversight from executive implementation.

The chart below shows our corporate governance structure, including the Internal Auditing System

■ Management Committee

DENKA established the Management Committee, which is composed of directors, corporate auditors and some executive officers, to streamline and accelerate deliberation on important

■ Corporate Governance Overview



managerial matters. For such important matters as the drawing up of a budget and capital investment, we set up special committees or deliberative councils by function redundant.

■ Internal Controls

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

1. Board of Directors and Executive Officers

Two of our ten directors are external. In April 2008, we reformed this body to separate oversight and implementation by eliminating ranks within the board while reinforcing its supervisory functions. The Board of Directors appoints executive officers to run operations under the leadership of the president.

2. Internal Auditing System

The Internal Auditing Department conducts our in-house checks, with assistance from the Legal, Environment and Safety, and Quality Management departments. It also works closely with the Product Liability, Responsible Care and other committees based on their specific functions. Each department and committee collaborates to educate on legislation and audit operations. The results are reported to the Board of Directors as needed.

We inaugurated the Compliance Hotline System supplement internal audits by swift identifying and addressing any violations (see page 2).

3. Internal Controls Reporting System

This system under Japan's Financial Services and Exchange Act aims to ensure that financial statements are reliable.

We conduct checks of Groupwide business procedures to reduce mistakes and possible risks in keeping with the implementation standards of this system, swiftly addressing any problems that are discovered. We issued an internal control report following the system's implementation in fiscal 2008. In fiscal 2010, this document declared the effectiveness of our internal controls based on an evaluation in line with assessment standards for generally accepted financial reports.

An independent accounting firm (ERNST & YOUNG SHINNIHON LLC) audited our report and determined that all significant aspects of our disclosure were proper. We will continue to maintain internal controls for the purpose of ensuring the reliability of our financial reports.

■ Compliance

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

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

We educate employees on compliance through programs run by the Human Resources Development Center.

■ Compliance Hotline System

This system covers any shortfalls in our internal control and compliance systems by enabling us to fix organizational problems that may arise. We set up the Compliance Hotline in keeping with the DENKA Group Ethics Policy. The hotline accepts calls on actions that may or do violate

that policy. The Ethics Committee quickly addresses reports.

The hotline's mandate is to be fair and swift. It receives reports from the Corporate Auditors' Office and the labor union, which operate independently, as well as from the Ethics Committee Administrative Office and general affairs sections within all offices. People can send reports to an external law firm. They can also e-mail reports to internal auditors. During fiscal 2010, we received one report.

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

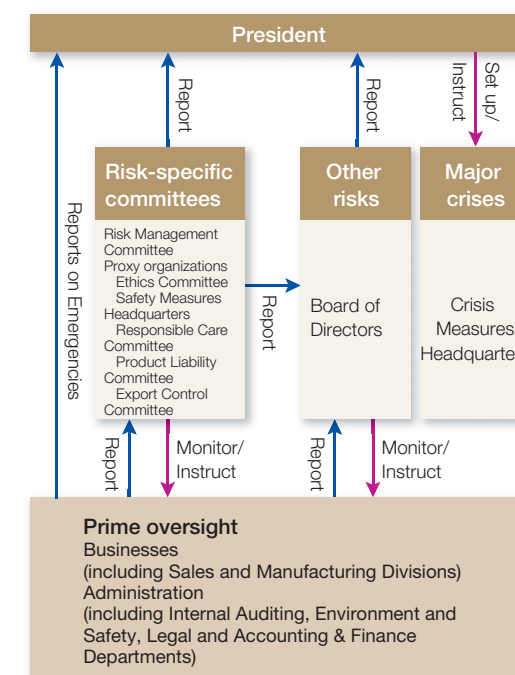
■ Risk Management

It is important to understand the diverse and numerous hazards of corporate activities through proper risk control.

In general, each business unit is responsible for identifying and managing its specific risks. We maintain special sections and permanent committees to handle environmental, safety, product liability and export control issues that affect the entire Company.

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

■ Risk Management Overview



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 in 2007

We endeavor to maintain safe and comfortable workplaces.

■ Sexual Harassment

DENKA has instituted policies to prevent sexual harassment and inform all employees of these policies through in-house newsletters and the Company intranet, while establishing a consultation hotline (Ethics Committee) in response to various inquiries and requests for advice. Furthermore, we clearly stipulate disciplinary code in our employment regulations.

■ Work-Life Balance

DENKA established the Action Plan for General Business Operators (April 1, 2011–March 31, 2014) based on the Act on Advancement of Measures to Support Raising Next-Generation Children and will promote the following:

- Facilitating the acquisition of annual paid holidays
- Shortening of overtime by streamlining works
- Encouraging school attendance through the internship and scholarship systems

Furthermore, we clearly stipulate regulations regarding child-care and nursing care leaves in our employment regulations.

■ Change Management

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 gather with in-house 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.

* The 4Ms: man, machines (facilities, equipment, tools), materials (raw materials and components) and methods (including work methods/operations, processing conditions and formulas)

■ Occupational Safety and Health Management System

DENKA conducts risk assessment 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 follows.

Plant Name	Certification System	Certification Number	Acquisition Date
Chiba Plant	OHSAS18001	1026525	February 6, 2007
Omi Plant	OSHMS	10-15-6	March 8, 2010
DSPL Seraya Plant	OHSAS18001	SNG6011133	January 23, 2011



DENKA is Promoting the Development of Environment-Friendly Products in All Business Areas

Category	Business Department	Product Name	Application	Details of Contribution Effects	
1	CO ₂ emissions reduction in manufacturing process	Organic Chemicals Department	Acetylene black (AB)	Tire bladders	Incorporated in bladders used in the manufacturing (vulcanization) of tires to improve heat conductivity and thus shorten vulcanization time (contributing to energy conservation)
2	Used in environment-friendly products	Organic Chemicals Department	Chloroprene rubber (CR)	1) Gaskets for photovoltaic panels	Potential for use in roof panel gaskets, which require a particular level of flame resistance
		Organic Chemicals Department	Chloroprene rubber (CR)	2) Vibration insulation rubber for wind power generation	Potential for use in vibration insulation rubber for wind turbine nacelles
		Organic Chemicals Department	Chloroprene rubber (CR)	3) Charging cables for electric vehicles	Potential for use in charging cables, which require flame resistance
		Organic Chemicals Department	Acetylene black (AB)	Lithium-ion secondary cells	Used as a conductive aid
		Electronic Products Department	ALSINK, ANP	Railway industry equipment EV	Used to dissipate the high heat generated by drive transistors as well as in electric insulation substrates to improve inverters' efficient use and control of electricity
		Electronic Products Department	HITTPATE	Air conditioners	Used to dissipate the high heat generated by drive transistors as well as in electric insulation substrates to improve inverters' efficient use and control of electricity
		Electronic Products Department	Thermally conductive sheets	EV	Used to dissipate the high heat generated by drive transistors as well as in electric insulation substrates to improve inverters' efficient use and control of electricity
		Electronic Products Department	HITTPATE, thermally conductive sheets	LED	Used to improve LED luminance by insulating LED chips from heat
		Functional Ceramics Department	Spherical alumina, BN powder	LED	Inserted in resin as filler for the purpose of insulating and effectively dissipating the heat generated by LED chips, thereby enhancing LED's luminance
		Functional Ceramics Department	Molded BN products	LED manufacturing equipment	Used in LED chip manufacturing equipment as an excellent, easy to cast insulation material
		Functional Ceramics Department	B4C powder	Nuclear power generation	Used in nuclear power generation as a reaction control neutron-absorbing material
		Electronic Products Department	ALONBRIGHT	Phosphor for LEDs	Used increasingly in the shift to backlights for LCD TVs and LED lighting, which is expected to reduce energy consumption
		Industrial Materials Department	DX FILM	Photovoltaic back sheets	Used on photovoltaic back sheets, takes advantage of fluorine resin compound's characteristics of weather resistance, contamination resistance and chemical resistance in addition to realizing easy thermal adhesion on substrates
Housing & Environmental Materials Department	Rain Oasis	Rainwater storage system	Used to collect rainwater through a system of rain gutters with water intake fittings. Collected rainwater may be used for watering gardens and washing cars, contributing to water savings and helping to prevent global warming.		
3	Reduce the weight when in use	Inorganic Chemicals Department	ALCEN	Automotive engine peripherals	Used to replace steel automotive engine parts in the shift to aluminum parts reinforced with alumina fiber, which is helping to reduce automobile weight and thus improve fuel efficiency and reduce CO ₂ emissions
		Household Packaging Materials Department	SOFRIA	Food packaging	Used to make food packaging as thick as but lighter than A-PET
		Industrial Materials Department	Karariyan Y	Various types of packaging	Used for packaging high-molecular-weight hyaluronic acid preparations and enabling a shift from blister packs to pillow packaging, thereby contributing to a reduction in package weight
		Special Cement Additives Department	SUQCEM	Concrete precast products	Used to create lighter, thinner products than possible with ordinary concrete, this superhigh-strength fiber-reinforced concrete can cut construction costs.

Category	Business Department	Product Name	Application	Details of Contribution Effects	
4	CO ₂ emissions reduction when in use	Inorganic Chemicals Department	SARUFEX	Steel desulfurization	Used in place of calcined lime, the most common desulfurizing agent, these products lower thermal loss during steel refining while helping to reduce CO ₂ emissions from transportation by lowering slag ejection
		Inorganic Chemicals Department	Synthetic FLUX COMPOUND		
		Fertilizer Department	Calcium cyanamide	Agriculture	A nitrogen fertilizer with lower N ₂ O emissions compared with other nitrogen fertilizers, can also be used to curb CH ₄ emissions from rice straw
		Inorganic Chemicals Department	ALCEN	Fire resistant materials	Used as a high heat insulator to reduce heat loss and thus save energy, boasts greater heat resistance than ceramic fibers, thereby improving repair and maintenance frequency for fireproof linings while helping to lower CO ₂ emissions from the transportation of products and waste
		Special Cement Additives Department	Σ1000 Σ2000	Concrete secondary product	Used as high-strength additives to reduce the volume of high CO ₂ emitting cement needed to make concrete
		Special Cement Additives Department	Σ80N	High-strength cast-in-place concrete	Used as high-strength additive to reduce the volume of high CO ₂ emitting cement needed to make concrete
		Special Cement Additives Department	F-DAC	Concrete secondary product	Increasing the strength of concrete, F-DAC can shorten pre-curing and steam curing time while reducing the CO ₂ emissions from products made of concrete
5	Improve customers' operational processes (in-house processes)	Special Cement Additives Department	TECHNOCRETE	Repair and maintenance of concrete structures	When concrete is damaged by salt or neutralized, the TECHNOCONCRETE method repairs it electrochemically so that it does not need to be demolished, thereby reducing the amount of construction materials needed compared with existing repair methods.
		Inorganic Chemicals Department	Hydrated lime		By reacting with the CO ₂ formed during the limestone cycle, encompassing limestone, calcined lime, calcium carbide, (water and) hydrated lime, hydrated lime absorbs CO ₂ while helping to curb the use of heavy machines for limestone mining (and thus reduce CO ₂ emissions).
		Organic Chemicals Department	CR latex	Water-based adhesives	With no VOCs, this product helps customers to reduce the use of (or not use) solvents that produce VOCs while improving operational environment.
		Functional Resin Department	CLEAREN	Sheets	Lightweight (80% of the specific gravity of the competitive material PET-G), CLEAREN has a lower energy burden regarding transportation per unit area and volume. In addition, it has a processing temperature for sheet and other materials that is 50C° lower than that of PET-G, therefore it lowers energy costs for processing.
		Functional Resin Department	MS	Moldings	MS resin is lighter than PMMA when used for the same applications (specific gravity is 6% lower than that of PMMA) and has lower energy burden in transportation per unit area and volume.
		Tapes and Adhesive Department	TEMPLOC	Temporary adhesives for the processing of glass in smartphones	Unlike previous temporary adhesives that had to be removed by dissolving with organic solvents that posed potential health hazards for workers, these products can be removed with water, averting the aforementioned risk.
		Tapes and Adhesive Department	SOLARLOC		
		Special Cement Additives Department	Slurry shot method (NATMIC US-32, US-50)	Shotcrete for tunnels	Reduce dust and concrete splash when spraying shotcrete, while improving the operational environment and decreasing material losses.
		Special Cement Additives Department	Slurry shot method (NATMIC LSA, USS)	Shotcrete for tunnels	The low alkaline content of NATMIC LSA and USS results in an improved operational environment with reduced dust and less concrete splash when shotcrete is sprayed, qualities that, in turn, reduce the environmental burden and decrease material loss.
		Special Cement Additives Department	Super Cement	Emergency repair of road, railways and airports	Using ultrarapid hardening concrete that quickly attains initial strength, Super Cement can gain practical strength in a short period of time, helping to shorten construction periods and reduce the time of closure to traffic.
6	Reduction of environmental burdens and improvement of durability	Special Cement Additives Department	DENKA TECHNOCRETE SYSTEM (electrochemical repair work)	Repair and maintenance of concrete structures	When concrete is damaged by salt or neutralized, the TECHNOCONCRETE method repairs it electrochemically so that it does not need to be demolished, thereby extending the life of structural objects and reducing lifecycle costs and waste generation.
		Special Cement Additives Department	SUNTIGHT T-K, T-F	Repair and maintenance of sewage systems	The sulfuric acid generated inside sewage facilities deteriorates concrete. Therefore, the use of acid-resistant mortar for repair and maintenance work can enhance the facility durability and extend the life of facility buildings.
		Special Cement Additives Department	EIEN	Concrete precast products	Incorporating special cement additives (γ-2CaO and SiO ₂), EIEN can densify the internal structure of concrete by reacting with carbonate ions, thereby improving concrete durability and thus reducing life cycle costs.
		Special Cement Additives Department	SUQCEM	Concrete precast products	SUQCEM's durability is extremely high thanks to its ultra-high strength. Therefore, it can reduce life cycle costs.

We are pursuing ongoing improvement based on our quality and environmental management systems. We secured the following ISO certifications in fiscal 2010:

Note: Only the ISO 9001 certification excludes the Central Research Institute.

■ Status of ISO Certification Acquisition

	ISO 14001 (Environment)		ISO 9001 (Quality)		
	Date certified	Registration number	Date certified	Registration number	Products covered
Omi Plant	October 16, 1999	187071/A (BV)	August 19, 1994	275156 (BV)	Chloroprene, POVAL, ASR, SAKNOHOL, butyral, special cement additives, cement, arsenic chemicals, monochloro acetic acid, sodium monochloroacetate, caustic soda, monosilane, dichlorosilane, hexachlorodisilane
Omuta Plant	October 28, 2000	284330 (BV)	November 7, 1998	439189 (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
Chiba Plant	May 31, 1999	180943 (BV)	March 22, 1995	155885 (BV)	Polystyrene, acrylonitrile styrene resins, methyl methacrylate styrene resins, methacrylate-butadiene-styrene resins, methacrylate acrylonitrile butadiene styrene resins, acrylonitrile butadiene styrene resins, styrene-maleimide copolymers, styrene-butadiene copolymers, vinyl acetate, ethylene vinyl acetate copolymers, acrylic rubber, polystyrene sheet, acetic acid, styrene monomer, toluene, ethyl benzene, rain gutters, vinyl tape, corrugated pipes, duct hosing, wall ducts, polyvinyl chloride
Shibukawa Plant	May 21, 2001	363444 (BV)	October 23, 1996	484541 (BV)	Metal substrates, resin compounds, adhesives, emitters, thermally conductive spacers, thermally conductive adhesive sheets, electromagnetic shields, Elegrid Tape
Ofuna Plant	November 9, 2001	JQA-EM1895 (JQA)	October 25, 1996	JQA-1429 (JQA)	Packaging tape, plastic films, vinyl compounds, polyvinyl chloride fibers, embossed carrier tape for taping
Iesaki Plant	September 30, 2003	1090712 (BV)	February 28, 2008	428794 (BV)	Stretch films, food packaging sheets, electronic packaging sheets, cover tapes
Central Research Institute	July 5, 2004	352185 (BV)	—	—	—
DSPL Merbau Plant	June 8, 2001	SNG0190016 (Lloyd's)	November 29, 2000	SNG0160194 (Lloyd's)	Acetylene black
DSPL Seraya Plant	May 28, 2003	SNG0190023 (Lloyd's)	September 27, 2001	SNG0160242 (Lloyd's)	Polystyrene, methyl methacrylate styrene resins, styrene-butadiene copolymers
DAPL Tuas Plant	March, 2003	2003-0194 (PSB)	April, 2000	99-2-0984 (PSB)	Manufacture of fused silica filler
Denka Advanced Materials (Suzhou) Co., Ltd.	May 20, 2008	310092-UK (BV)	September 19, 2007	273428 (BV)	Electronic packaging sheets, cover tapes
DENKA Polymer Co., Ltd.	—	—	September 14, 2001	C2010-01748 (PJR)	Plastic food packaging and plastic sheets
DENKA SEIKEN Co., Ltd.	June 23, 2000	803041(BV)	July 13, 2005	12 100 25631 TMS (TMS)	Clinical chemistry diagnostic reagents, immunological diagnostic reagents, bacteriological and virological diagnostic reagents, sterile cotton swabs
CRK Corporation	—	—	November 19, 2009	1069716 (BV)	Rubber compounds, rubber tape, rubber molding

DSPL: Denka Singapore Pte., Ltd.

DAPL: DENKA Advantech Pte., Ltd.

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

■ 1. Conservation Costs

In fiscal 2010, initiatives to save energy accounted for approximately 55% of environmental investments, with research and development spending to conserve resources representing another approximately 40%.

Coverage: Plants and Research Institutes

Category	Details	Conservation costs (millions of yen)	
		Investments	Expenses
1. Business site costs	(Subtotal)	898	2,424
	(1) Pollution prevention	603	1,922
	(2) Conservation	212	83
	(3) Recycling resources	83	419
2. Upstream and downstream costs	Changing raw materials	0	0
3. Administrative costs	Environmental education	0	30
4. R&D costs	Conserving resources	791	1,754
5. Social activity costs	Environmental education	0	5
6. Environmental damage costs	Community relations	0	114
7. Others		0	2
Total		1,688	4,330

From 2007 to 2009, DENKA has proactively invested in energy saving-related projects from which it can expect quick results. Although we maintain this policy, direct investment costs in fiscal 2010 declined due to the revision of some themes. From fiscal 2011, we will continue to invest in key areas based on careful review.

■ 2. Conservation Effects

We calculated the environmental load data.

△: Increase

Environmental load	Units	Fiscal 2009 results	Fiscal 2010 results	Effects
CO ₂ emissions (from energy sources)	10,000 t	229	247	△ 18
SO _x emissions	t	870	257	613
NO _x emissions	t	4,470	4,320	150
Soot and dust emissions	t	149	111	38
COD (BOD) discharges	t	1,120	1,600	△ 480
Water used	1,000m ³	78,600	80,400	△ 1,800
PRTR substance emissions	t	136	122	14
Waste	1,000 t	100	112	△ 12
Final waste disposal	t	510	304	206
CO ₂ emissions from transportation	1,000 t	40	39	1

Environmentally harmful substance emissions declined compared with the fiscal 2009 level. The SO_x emissions volume showed a substantial drop thanks to the shift in fuel to natural gas.

■ 3. Economic Effects

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

△: Increase

Category	Item	Details	Effects (millions of yen)
Profits	Proceeds from selling waste from core operations and income from recycling waste	Sales profits	648
Cost reductions	Lowering energy costs by conserving energy	Conserving energy	177
	Reducing waste treatment costs by conserving or recycling resources	Using resources effectively	△ 5
Total			820

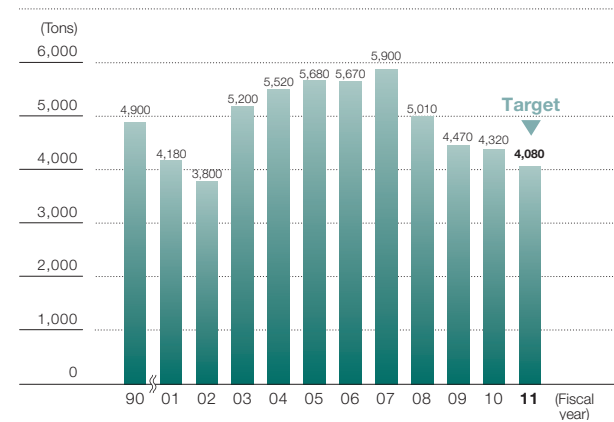
External processing costs increased due to an increase in test products that accompanied the launch of the expanded chloroprene plant. We will strive to secure stable operations to increase earnings.

Denka strives to reduce the emission of substances and waste generated by its production activities while pursuing the appropriate treatment of such emissions.

■ Emissions

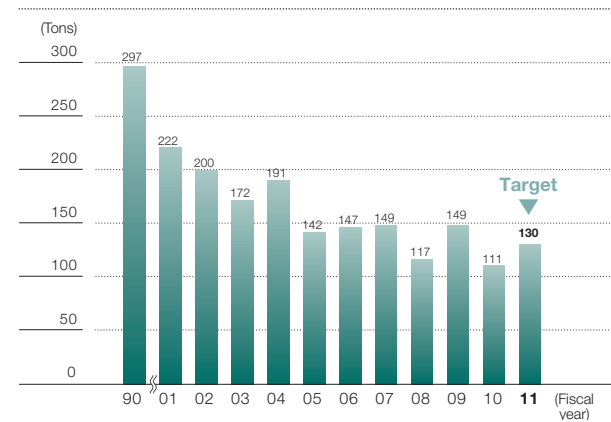
■ Nitrogen Oxide (NOx)

Production volume declined approximately 3% year on year, reflecting decreased cement production. We will consider the establishment of denitration facilities.



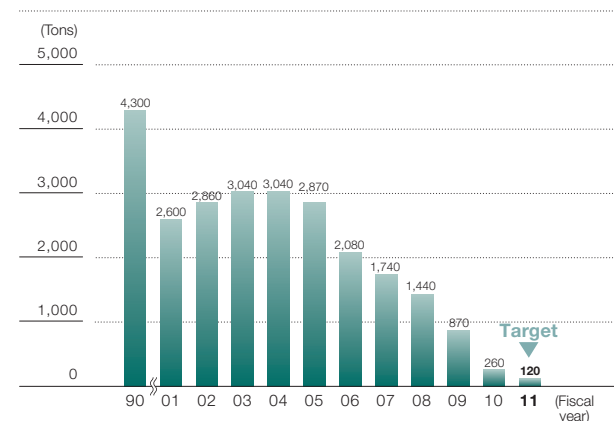
■ Soot and Dust

Emissions fell approximately 25% due to reduced cement production and the shift in fuel to natural gas.



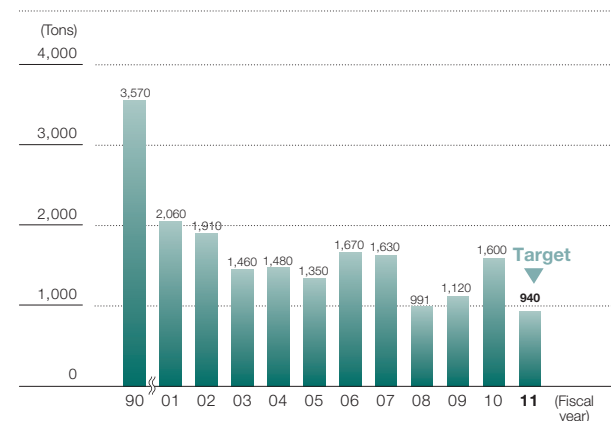
■ Sulfur Oxide (SOx)

Emissions significantly dropped thanks to the use of gas turbines.



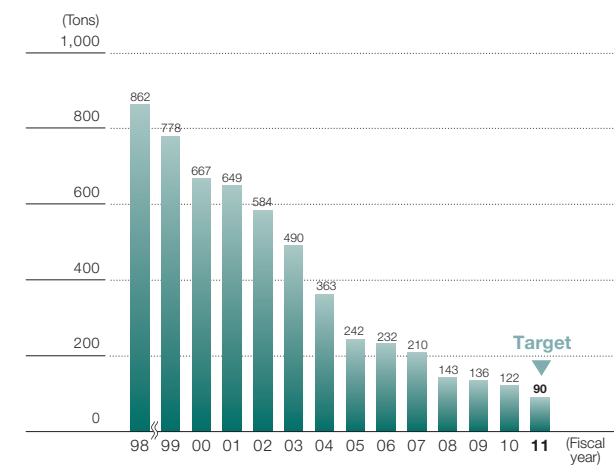
■ Chemical and Biochemical Oxygen Demand (COD (BOD))

Emissions increased due to the large-scale chloroprene rubber production increase. We will reinforce wastewater processing facilities.



■ PRTR Substances Emissions

Emissions from the Omi Plant grew due to the increased chloroprene rubber production. However, toluene emissions at the Chiba Plant declined, reflecting a shift to water-soluble adhesives that helped bring overall toluene emissions down by approximately 10%. In addition, ethylene glycol (with emissions totaling 9 tons) was excluded from the PRTR substances list due to a revision to the Law, while calcium cyanamide (with emissions totaling 9 tons) and other substances were newly included.



■ Fiscal 2010 Substance Emissions and Transfers

The following table shows emissions and transfers exceeding one ton of substances on the register.

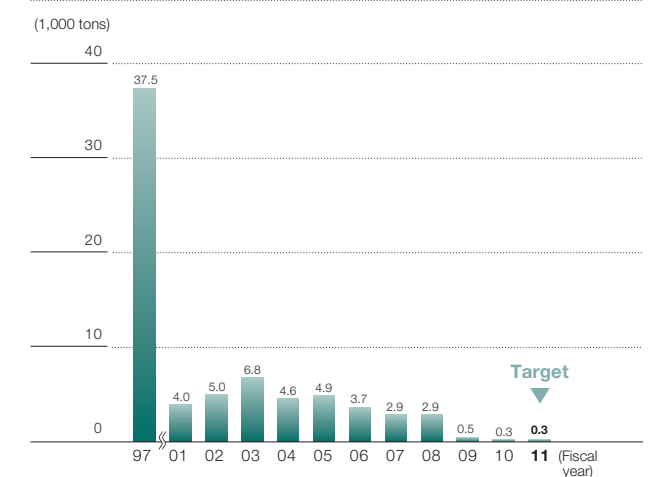
PRTR substances	Emissions					Amount transferred
	Air	Water	Soil	Landfill	Total	
Zinc	0	0	0	0	0	3
n-Butyl acrylate	0	0	0	0	0	2
Acrylonitrile	2	0	0	0	2	12
Acetaldehyde	2	4	0	0	6	0
Aniline	0	0	0	0	0	7
Ethyl benzene	3	0	0	0	3	51
Ferric chloride	0	0	0	0	0	43
Calcium cyanamide	0	0	0	8	8	0
Xylene	1	0	0	0	1	0
Vinyl acetate	18	0	0	0	18	0
Dimethyl formamide	0	0	0	0	0	32
Styrene	25	0	0	0	25	152
Water soluble copper salt	0	4	0	0	4	0
Toluene	32	1	0	0	33	35
Carbon disulfide	1	1	0	0	2	0
Bis (2-ethylhexyl) phthalate	0	0	0	0	0	2
Hydrogen fluoride	0	0	0	0	0	23
Boron and boron compounds	0	13	0	0	13	3
2-ethylhexyl methacrylate	0	0	0	0	0	1
Methyl methacrylate	2	0	0	0	2	14
(Others total)	3	0	0	1	4	6
Total	90	23	0	9	122	386
Dioxins (mg-TEQ) (see note)	76	50	0	0	126	0

Units: tons (excluding dioxins)

■ Waste

■ Changes in the amount of waste for final disposal

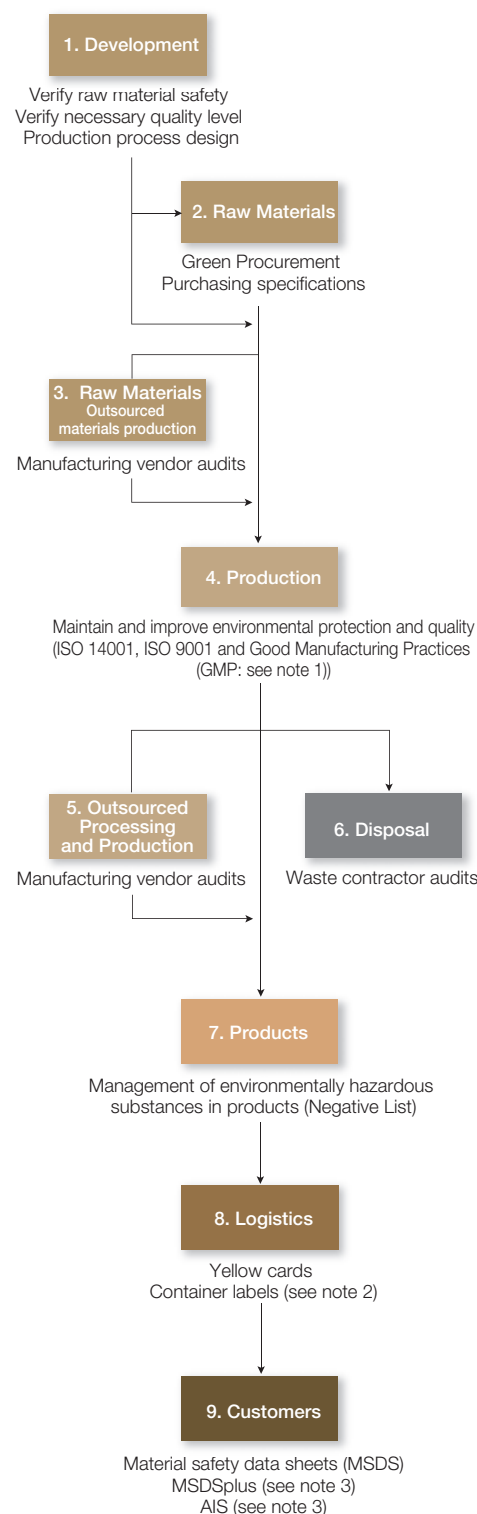
In fiscal 2010, DENKA promoted the recycling of dust and waste plastic, and the total amount of landfill waste was reduced approximately 200 tons. The emissions ratio (final disposal amount/amount of waste generated × 100) was also drastically improved from 0.51% in fiscal 2009 to 0.27%, maintaining the status of zero emissions (an emissions ratio of below 1%).



We thoroughly undertake management operations that fully consider safety, environmental protection and quality in all our processes, from raw materials procurement to research, production, logistics, consumption and disposal.

Product Safety Management

Materials Safety and Management Flowchart



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

1. Verify the Safety of Raw Materials and Necessary 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 /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 materials 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 the 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

We established the Negative List, which lists substances that are considered to be harmful to people and the environment. 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 Central Research Institute (which is in charge of certifying measurements) analyzes the amount of residual substances harmful to the environment contained within raw materials and products. Analytical data on items that do not meet regulatory standards 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. Material Safety Data Sheets (MSDS)

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 MSDS plus—which supplements information conveyed on MSDS sheets—and Article Information Sheet systems.

Collaborating in Chemical Industry Initiatives

● High Production Volume Program (HPV)

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

● Japan Challenge Program

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

● Long-Range Research Initiative

The Japan Chemical Industry Association, the American Chemistry Council and the European Chemical Industry Council oversee this program. 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. Currently, they are engaged in long-term basic studies of endocrine disruption due to exposure to chemical substances, cancer caused by neurological exposure to toxic chemicals, and endocrine hypersensitivity due to exposure to chemical substances. We are cooperating fully in the implementation of this program.

Notes 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 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 System plus (MSDSplus) and Article Information Sheet 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 Article Information Sheets 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.

Consolidated Balance Sheets (Summary)

Account item	Millions of yen		
	Amount	As of March 31, 2011	As of March 31, 2010
Assets			
Current assets	¥143,352	¥138,360	
Cash and time deposits	6,258	6,856	
Notes and accounts receivable, trade	75,564	74,843	
Inventories	47,622	44,413	
Other current assets	14,348	13,017	
Allowance for doubtful accounts	(441)	(770)	
Non-current assets	258,693	262,046	
Property, plant and equipment	203,395	207,005	
Intangible fixed assets	2,749	3,476	
Investment securities	38,571	39,492	
Other	14,123	12,383	
Allowance for doubtful accounts	(146)	(310)	
Total assets	¥402,046	¥400,407	
Liabilities			
Current liabilities	¥153,410	¥150,689	
Notes and accounts payable, trade	48,364	45,499	
Short-term bank loans	44,632	48,709	
Commercial paper	16,000	9,000	
Current portion of corporate bonds	—	—	
Other current liabilities	44,414	47,480	
Long-term liabilities	80,453	89,401	
Corporate bonds	25,000	25,000	
Long-term debt	28,929	37,866	
Other long-term liabilities	26,523	26,534	
Total liabilities	233,864	240,091	
Net Assets			
Shareholders' equity	156,645	147,190	
Common stock	36,998	36,998	
Capital surplus	49,292	49,303	
Retained earnings	73,997	64,550	
Treasury stock, at cost	(3,642)	(3,662)	
Valuation and translation adjustments	8,974	10,634	
Minority interests	2,561	2,491	
Total net assets	168,182	160,316	
Total liabilities and net assets	¥402,046	¥400,407	

Consolidated Statements of Income (Summary)

Account item	Millions of yen		
	Amount	Fiscal 2010	Fiscal 2009
Net sales	¥357,893	¥323,875	
Cost of sales	281,219	251,411	
Selling, general and administrative expenses	52,054	50,809	
Operating income	24,618	21,655	
Non-operating income	3,081	1,543	
Non-operating expense	4,647	6,310	
Ordinary income	23,052	16,888	
Extraordinary losses	2,021	1,048	
Income before income taxes	21,030	15,839	
Income taxes—current	6,385	6,960	
Income taxes—deferred	180	(1,644)	
Minority interest in earnings of consolidated subsidiaries	108	49	
Net income	¥14,355	¥10,474	

Consolidated Statement of Comprehensive Income

Account item	Millions of yen	
	Amount	Fiscal 2010
Income before minority interests	¥14,463	
Other comprehensive income		
Valuation difference on available-for-sale securities	(521)	
Deferred gains or losses on hedges	(6)	
Foreign currency translation adjustments	(1,149)	
Share of other comprehensive income of associates accounted for using equity method	34	
Total other comprehensive income	(1,642)	
Comprehensive Income	¥12,821	
(Breakdown)		
Comprehensive income attributable to owners of the parent	12,697	
Comprehensive income attributable to owners of the minority interests	123	

Consolidated Statements of Shareholders' Equity for Fiscal 2010 (April 1, 2010, to March 31, 2011) Millions of yen

Account item	Shareholders' equity					Total shareholders' equity	
	Common assets stock	Capital surplus	Retained earnings	Treasury stock at cost			
Balance at March 31, 2010	¥36,998	¥49,303	¥64,550	¥(3,662)		¥147,190	
Changes of items during the term							
Dividends from retained earnings			(4,910)			(4,910)	
Net income			14,355			14,355	
Net increase in treasury stock				(52)		(52)	
Gain on sales of treasury stock		(10)		71		61	
Reversal of revaluation reserve for land			2			2	
Net changes of items other than shareholders' equity						—	
Total changes of items during the term	—	(10)	9,447	19		9,455	
Balance at March 31, 2011	¥36,998	¥49,292	¥73,997	¥(3,642)		¥156,645	
Account item	Valuation and translation adjustments					Minority interests	Total net common assets
	Unrealized gain on securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Total cumulative other comprehensive income		
Balance at March 31, 2010	¥5,361	¥—	¥7,597	¥(2,323)	¥10,634	¥2,491	¥160,316
Changes of items during the term							
Dividends from retained earnings					—		(4,910)
Net income					—		14,355
Net increase in treasury stock					—		(52)
Gain on sales of treasury stock					—		61
Reversal of revaluation reserve for land					—		2
Net changes of items other than shareholders' equity	(502)	(6)	(2)	(1,149)	(1,660)	70	(1,589)
Total changes of items during the term	(502)	(6)	(2)	(1,149)	(1,660)	70	7,866
Balance at March 31, 2011	¥4,858	¥(6)	¥7,594	¥(3,473)	¥8,974	¥2,561	¥168,182

Consolidated Statements of Cash Flows (Summary)

Account item	Millions of yen		
	Amount	Fiscal 2010	Fiscal 2009
Net cash provided by operating activities	¥ 33,780	¥ 46,418	
Net cash used in investing activities	(23,763)	(28,377)	
Net cash used in financing activities	(10,554)	(17,262)	
Effect of exchange rate changes on cash and cash equivalents	(118)	(40)	
Net increase in cash and cash equivalents	(655)	738	
Cash and cash equivalents at the beginning of the year	6,815	6,077	
Cash and cash equivalents at the end of the year	6,160	6,815	

Omi Plant

Profile

Address: 2209 Omi, Itoigawa, Niigata

Telephone: +81-25-562-6105

Employees: 790 (as of March 31, 2011)

Major products: Inorganic materials: Cement, special cement additives, calcium carbide, lime, calcium cyanamide and ALSEN (alumina fiber)

Organic materials: Chloroprene rubber, DENKA POVAL and monosilane

Pharmaceuticals: High molecular hyaluronan

Others: Eel farms

Operations: Since our establishment in 1921, we have maintained unique carbide chemical operations that exploit abundant in-house assets. These include Mount Kurohime, with its five billion metric tons of limestone reserves, and an in-house hydro-power generation capacity of 180,000kW. Our broad product range includes calcium cyanamide, chloroprene rubber and cement. In recent years, we have diversified into inorganic fine chemicals and pharmaceuticals. We continue to develop our business to meet new and diverse challenges in chemicals.



CSR Policies

General Manager's Policies

Working in unison to become a highly competitive main plant

<Safety> We all wish to achieve a zero accident, zero disaster and zero occupational illness plant. Let's make the Omi Plant a cheerful and competitive workplace by complying with safety rules and practicing *ho-ren-so* (reporting, contacting and consultation).

<Environment> Fully aware of our target to pursue lasting trust as an outstanding manufacturer, we will engage in RC activities.

<Quality> Aiming to secure and improve quality from customers' point of view.



Akihiko Okuda
Executive Officer,
General Manager of
Omi Plant

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

Communication with local societies

In prompt response to local residents' requests, we issued reports covering environment-related information while reflecting the results of analysis of this information in the operation of the plant. In addition, we communicated our environmental and security initiatives on a regular basis to local communities and the various organizations concerned about our business operations with the aim of gaining the trust of the local community.

Local cleanup activities and environmental improvement

We proactively participate in cleanup activities in the local area, for example, the Himekawa River Cleaning Mission, Tomigawa River Mouth Cleaning Mission, and others along the Omi river and roads around the Plant. As for environmental improvement activities in and around the plant site, we are currently refurbishing the perimeter fence.

Local disaster prevention activities

Aiming to reinforce collaboration with local municipalities and to fully prepare the disaster prevention system, we conduct fire drills on a routine basis, including comprehensive emergency drills at Himekawa Port, combined emergency drills with the Itoigawa City fire companies, and comprehensive emergency drills at the Plant.

Local youth development

Guided by a spirit of welfare aimed at supporting mental health care for young people and revitalizing local societies, "The Fureai Trio—Kyoko Yoshida and Her Fellows" concerts were held at the Omi and Yamatogawa elementary schools as well as at the Omi Cultural Center. DENKA supported those concerts held in the Itoigawa area.

Guided by a spirit of welfare, "The Fureai Trio—Kyoko Yoshida and Her Fellows" held concerts at the Omi and Yamatogawa elementary schools as well as at the Omi Cultural Center that were aimed at supporting mental health care for young people and revitalizing the local community. DENKA supported those concerts held in the Itoigawa area.

To deepen the understanding of the Omi Plant, we proactively invite local elementary schoolchildren for plant tours and participate in the Youngsters' Science Festival in Niigata.

Fiscal 2011 Initiatives

- We implemented monitoring training (including pointing and calling, greeting others, etc.) as the "Basics of Safety" for managers with the aim of disseminating activities aimed at improving communications. It is hoped that this will enable us to achieve zero occupational accidents, disasters and illness.
- Following up on the achievements of fiscal 2009, we attained zero emissions in fiscal 2010. Aiming to further reduce harmful substance emissions, we will continue to strive to improve and maintain conditions of the local environment. In addition, we will continue to build trust through the careful consideration of dialogue with local communities.
- Adopting new technologies, we will strive to reduce the use of energy and resources, while making efforts on an individual basis to prevent global warming (for example, reducing the use of office paper and turning off lights).
- We will maintain product safety and enhance and stabilize production processes to meet customer needs.

Environmental Performance

Item	Units	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011 targets
Energy consumption indicator unit	Compared with fiscal 1990	0.95	0.95	0.94	0.97	0.99
CO ₂ emissions (from energy sources)	10,000 t	104	93	76	76	76
PRTR substance emissions	t	43	17	16	12	6
NOx emissions	t	4,220	3,870	3,030	2,750	2,500
SOx emissions	t	1,510	1,340	740	120	10
Soot and dust emissions	t	137	108	140	103	120
Water used	1,000m ³	69,000	66,800	64,700	66,300	—
COD (BOD) discharges	t	1,600	964	1,100	1,570	920
Waste	t	79,900	82,800	74,700	84,400	77,000
Final waste disposal	t	1,470	2,330	240	160	137

Note: Totals of individual figures in this and other tables may not be exact because we rounded down fractions. The totals for this table match the figures in the Input and Output section on CSR Report 2011 p. 22. We registered under the Japan government's pilot emissions trading scheme in December 2008, so for CSR Report 2009 we calculated energy intensity and CO₂ emissions based on the coefficients standards of the voluntary action plan of Nippon Keidanren, recalculating figures for previous reports, which we had based on the coefficients of the amended Law Concerning the Rational Use of Energy.

Omuta Plant

Profile

Address: Shinkai-Machi 1, Omuta, Fukuoka

Telephone: +81-944-52-1055

Employees: 616 (as of March 31, 2011)

Major products: Inorganic materials: Carbide, calcium cyanamide, FIRELEN, alumina cement (for refractories) and special cement additives

Organic materials: DENKA BLACK

Electronic materials: Fused silica filler, silicon nitride, boron nitride, aluminum nitride, ceramic electronic circuit substrates, thermally conductive sheets and metal/ceramic compounds and fluorescent materials for LEDs

Operations: Established in 1916, the Omuta Plant is DENKA's oldest plant, and the first to manufacture carbide and calcium cyanamide. Since that time, as a production base of inorganic chemical products based on the proprietary electric furnace, high-temperature control and nitride technologies, the Omuta Plant has introduced a number of unique products. In recent years, we have entered the fine ceramics and electronic materials fields. Today, we contribute to the development of the electronics, automotive and numerous other industries.



CSR Policies

General Manager's Policies

Addressing objectives to achieve targets stipulated in the CS13 plan, the Omuta Plant has stepped up its efforts to further develop the plant and contribute to society while promoting the improvement and development as a manufacturing plant for electronics products.

Environmental, Safety and Quality Policies

(1) Maintaining Safety, Security and Health

Based on initiatives undertaken as a team to instill knowledge of the basics of safety in employees, we reinforced our commitment to a safety-oriented work environment with zero disasters or accidents, while promoting the development of a cheerful and vibrant workplace by invigorating communications.

(2) Further Pursuing RC Activities

Through the entire production process, from raw materials procurement, manufacturing and storage to distribution, usage and disposal as well as in our R&D activities, each employee will address objectives to improve the global environment and contribute to society, including local communities.

(3) Reinforcing On-Site Capabilities—Better Customer Satisfaction

Promoting quality improvement activities encompassing the "advancement of technologies to improve quality" by product and "raising awareness of employees engaged in manufacturing," we will secure stable production underpinned by consistent quality and enhanced yields to achieve better customer satisfaction.



Shohei Tamaki
Senior Executive Officer,
General Manager of
Omuta Plant

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

Communication with the local community

The Omuta Plant employees participate in the Omuta Daijaya Festival in summer, while carrying out volunteer activities, such as blood donation and cleaning in tandem with local community



Omuta Daijaya Festival



Chemistry class for children

organizations biannually in spring and autumn. In addition, we invite people in neighboring communities to take plant tours and hold chemistry classes for local children to facilitate understanding of our plant operations and products.

Fiscal 2011 Initiatives

- We will continue to cut environmental burdens, mainly industrial waste, and strive to achieve zero emissions in 2011 for the second consecutive year.
- We will further improve and develop the Omuta Plant to be an "open plant" as a production base for electronic products.

Environmental Performance

Item	Units	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011 targets
Energy consumption indicator unit	Compared with fiscal 1990	0.91	0.92	0.92	0.91	0.89
CO ₂ emissions (from energy sources)	10,000 t	12	11	9	11	11
PRTR substance emissions	t	8	6	6	17	6
NOx emissions	t	1,160	770	1,000	1,120	1,120
SOx emissions	t	2	1	2	1	1
Soot and dust emissions	t	4	5	3	3	4
Water used	1,000m ³	1,300	1,308	1,190	1,310	—
COD (BOD) discharges	t	1	1	1	1	1
Waste	t	8,982	9,345	6,861	8,670	7,000
Final waste disposal	t	1,190	420	133	71	60

Note: Totals of individual figures in this and other tables may not be exact because we rounded down fractions. The totals for this table match the figures in the Input and Output section on CSR Report 2011 p. 22. We registered under the Japan government's pilot emissions trading scheme in December 2008, so for CSR Report 2009 we calculated energy intensity and CO₂ emissions based on the coefficients standards of the voluntary action plan of Nippon Keidanren, recalculating figures for previous reports, which we had based on the coefficients of the amended Law Concerning the Rational Use of Energy.

Chiba Plant

Profile

Address: 6, Goi-Minamikaigan, Ichihara, Chiba

Telephone: +81-436-26-3200

Bibai Subplant: 1-1 Higashi-Gojo-kita, 10-chome, Bibai, Hokkaido

Telephone: +81-126-62-1444

Employees: 463 (as of March 31, 2011)

Major products: Organic materials: Styrene monomer, polystyrene,* ABS resin, transparent resins, heat resistance resins, CLEAREN styrene-butadiene block copolymer, vinyl acetate monomer and DENKA ER

* Product of an affiliated company

Plastic products: Food packaging, construction materials and vinyl tape

Operations: This facility is one of Japan's top styrene monomer plants, and is reinforcing such styrene operations as polystyrene and ABS resins. While reinforcing petrochemical-related businesses, it also focuses on such functional plastic products as transparent plastic and CLEAREN DENKA ER and plastic processed products.



CSR Policies

General Manager's Policies

Under the DENKA100 management plan, which sets out goals to be achieved by 2015—the Company's 100th anniversary—we are simultaneously promoting CHIBA50 activities to commemorate the Chiba Plant's 50th anniversary. Under the latter initiative, we aim to become a plant that always creates value.

1. Attaining zero accidents through continuing efforts aimed at ensuring safe and stable operations (workplace communications, safety measures for individuals and equipment, promotion of security activities)
2. Reviewing, studying and developing new fundamental businesses for the next 50 years
3. Reinforcing our organizational foundation and passing on technologies to nurture young engineers through human resource development and the operation of techno schools
4. Advancing production technologies by reinforcing on-site capabilities and stabilizing quality
5. Pursuing CS13-based plant activities "strengthening, restructuring and reorganizing of existing businesses"
6. Consider corporate social responsibility (CSR)—legal compliance, environment consciousness and product safety

Environmental, Safety, and Quality Policies

<Environment> We will consider the environment in all processes, from product development, manufacturing and distribution to usage, final consumption and disposal. We will build an environmental management system.

<Safety> We want all plant workers to recognize the importance of maintaining a safe and healthy workplace. We aim to achieve a healthy, safe and cheerful manufacturing plant that fully recognizes and implements necessary security management systems as a license holder for high-pressure gas handling, boiler operation and first-class pressure vessel operation while complying with relevant laws and regulations. We will achieve zero accidents through continuing system improvement for security management as well as safety and health management, both of which are essential to a healthy, safe and cheerful workplace, while implementing safe and stable operations.

<Quality> We will strive to secure and enhance product quality to gain the trust of customers by consistently offering satisfying products.



Shotaro Fujii
Senior Executive Officer,
General Manager of
Chiba Plant

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

Security and Disaster Prevention

We applied for the renewal of the licensing of a safety inspection expert for the high-pressure gas plant and were recertified as an "appropriate" license holder. As a host company of the marine disaster prevention workshop offered by the Minami Koshi Bay Ship Safety Association, we held a joint workshop with local companies focusing on measures against marine accidents that included a tour to observe oil barriers extended from a ship. During the period under review, we received a commendation from the Japan Petrochemical Industry Association, and a person of merit award for safe operations from the High Pressure Gas Safety Institute of Chiba Prefecture.

Occupational Safety

As the Chair of the Safety Expert Committee of the Goi Disaster Prevention Countermeasures Council, we promoted safety activities with other member companies, held mental health care lectures for managers and provided guidance counseling by industrial physicians. Furthermore, we held safety classes and an in-house forklift handling training seminar.

Community Engagement

As a member of the Environmental Conservation Association of Chiba Prefecture, we conducted environmental awareness-raising activities at the Eco Fair Ichihara. During Environmental Month as well as a plant tour for local elementary school students, cleaned up the stretch of National Route 16 that runs in front of the plant and operated a stall at the Goi Rinkai Festival, deepening exchanges with local residents. We also issued a

general invitation during the Eighth Regional Dialogue meeting in the Chiba district to anyone wishing to attend a plant tour, and approximately 80 people, including academic experts, university students and local representatives, signed up.

Social Contributions

Traffic Safety: As a member of the Ichihara Area Safe Driving Management Association, we instructed employees on issues related to traffic safety and participated in a seatbelt campaign during Traffic Safety Week. We also cooperated in the development of technology for measuring buoyant particle substances (PM2.5/10) at soot and smoke-emitting facilities and in boiler exhaust gas.

Fiscal 2011 Initiatives

We will promote CHIBA50 activities to commemorate the Chiba Plant's 50th anniversary while engaging in CSR activities.

We will also continue to proactively improve our security management, ISO 9001, ISO 14001 and OHSAS 18001 systems. Together with this, in our role as an industrial complex we will work in close liaison with government bodies, other companies, councils and local residents to promote security and disaster prevention activities. Fulfilling roles, obligations and responsibilities as a good corporate citizen, we will faithfully engage in business operations fully aware of the fact that all of our production activities carry "social responsibility."

Environmental Performance

Item	Units	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011 targets
Energy consumption indicator unit	Compared with fiscal 1990	0.85	0.93	0.85	0.87	0.86
CO ₂ emissions (from energy sources)	10,000 t	510	370	440	430	481
PRTR substance emissions	t	153	120	109	86	71
NOx emissions	t	508	355	436	444	444
SOx emissions	t	209	76	116	129	88
Soot and dust emissions	t	8	3	5	5	6
Water used	1,000m ³	9,730	9,690	9,700	9,700	—
COD (BOD) discharges	t	24	22	17	23	20
Waste	t	21,997	15,412	17,431	18,300	18,000
Final waste disposal	t	211	124	98	40	64

Note: Totals of individual figures in this and other tables may not be exact because we rounded down fractions. The totals for this table match the figures in the Input and Output section on CSR Report 2011 p. 22.

We registered under the Japan government's pilot emissions trading scheme in December 2008, so for CSR Report 2009 we calculated energy intensity and CO₂ emissions based on the coefficients standards of the voluntary action plan of Nippon Keidanren, recalculating figures for previous reports, which we had based on the coefficients of the amended Law Concerning the Rational Use of Energy.

Shibukawa Plant

Profile

Address: 1135 Nakamura, Shibukawa, Gunma

Telephone: +81- 279-25-2109

Employees: 437 (as of March 31, 2011)

Major products: Electronic materials : Thermally conductive materials, HARDLOC and HARDLOC OP/UV adhesives, DENKA HITPLATE high thermal-conductivity aluminum substrates, DENKA LaB6 CATHODE electron and ion emitters, ELEGRIP dicing tape, back grinding tape, THERMALLY CONDUCTIVE SHEETS, ELETHERMAL

Operations: Since 1951, the Shibukawa Plant has developed as a production base for vinyl chloride resins. In 1976, the plant began manufacturing HARDLOC structural adhesive and, in 1984, changed its business domain as it entered into full-scale participation in the electronic materials business. Currently, the plant focuses on the production of electronics-related products, encompassing electronic circuit substrates, thermal materials, emitters, structural adhesives and semiconductor processing-related products, contributing DENKA's growth as a key organic electronic materials production base.



CSR Policies

General Manager's Policies

Aiming to become a plant that meets the needs of the electronic materials business we are further accelerating our efforts.

Basic Policies

1. Undertake safety activities focused on risk management
 - Zero occupational injuries, zero distribution accidents in the safety environment, and thorough compliance
2. Smooth start of CS13
 - Reinforcing on-site capability by improving technology to pursue better quality
3. Raising awareness of quality, safety and cost as well as developing human resources at the Shibukawa techno school

Environmental, Safety and Quality Policies

<Environment> We will continue to reduce environmental burdens by conserving resources and energy, cutting CO₂ emissions and waste generation, maintaining zero emissions and reinforcing the management of chemical substances. Together with this, we will aim to operate in harmony with the community through the interaction.

<Safety> With the keywords "eliminating human error" and "enhancing each individual's risk prediction capability," we will promote disaster prevention and security risk reduction by further reviewing hazard source countermeasures, with a focus on eliminating human error at each section, applying risk prediction and using the pointing-and-calling method before operations.

<Quality> Continuing to secure and improve product quality, we will offer reliable products that satisfy customers on a timely basis.



Kazuyuki Koyama
Executive Officer,
General Manager of
Shibukawa Plant

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

Initiatives in waste emissions

In fiscal 2009, we achieved an emissions ratio of 0.93%, attaining zero emissions. In fiscal 2010, the figure was improved to 0.61%.

Educational session involving simulating danger and training for the safe operation of forklifts

With the aim of eliminating possible serious accidents, such as employees being caught in rollers as well as forklift-related accidents, we conducted an educational session that involved in hands-on training in July 2010 and training sessions for the safe operations of forklifts in May 2010 and January 2011.

Experimental science class

As part of exchanges with the local community, we invited approximately 70 local elementary school students and their parents to hold experimental science classes in July 2010 and March 2011. Starting with a plant tour to intro-

duce electronic microscopes and air shower, the event had a number of classes where the children could make their own plastic bottle or super ball, a very bouncy rubber ball. Also, DENKA's TEMPLOC was demonstrated, bringing an exciting time for participants to experience the world of chemistry. The experimental science class is planned to be held in fiscal 2011 and beyond on a regular basis.

Fiscal 2011 Initiatives

As part of our environmental activities, we will strive to reduce environmental burdens by conserving resources and energy while cutting CO₂ and chemical substance emissions. For safety activities, we will aim to achieve zero occupational injuries and zero distribution accidents.

In addition, we aim to deepen community understanding of the Company and contribute to society by participating in local events, holding experimental science classes and engaging other activities, such as hydrangea planting and drainage ditch cleaning.

Environmental Performance

Item	Units	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011 targets
Energy consumption indicator unit	Compared with fiscal 1990	1.00	1.08	0.85	0.74	0.70
CO ₂ emissions (from energy sources)	10,000 t	1	1	1	1	1
PRTR substance emissions	t	5	4	5	6	5
NOx emissions	t	9	8	6	10	9
SOx emissions	t	25	23	16	10	25
Soot and dust emissions	t	1	1	1	0	1
Water used	1,000m ³	2,700	3,430	2,520	2,580	—
COD (BOD) discharges	t	3	4	3	3	3
Waste	t	552	453	503	479	335
Final waste disposal	t	13	6	5	3	3

Note: Totals of individual figures in this and other tables may not be exact because we rounded down fractions. The totals for this table match the figures in the Input and Output section on CSR Report 2011 p. 22.

We registered under the Japan government's pilot emissions trading scheme in December 2008, so for CSR Report 2009 we calculated energy intensity and CO₂ emissions based on the coefficients standards of the voluntary action plan of Nippon Keidanren, recalculating figures for previous reports, which we had based on the coefficients of the amended Law Concerning the Rational Use of Energy.

Ofuna Plant

Profile

Address: 13-1, Dai 2-chome, Kamakura, Kanagawa

Telephone: +81- 467-45-1110

Employees: 225 (as of March 31, 2011)

Major products: Resins and plastic products: Including synthetic fibers for wigs, packaging materials, and functional films

Operations: Our product lineup is the fruit of advanced capabilities drawing on ejection molding, adhesion coating and film production technologies. We are DENKA's prime production unit for plastic products. We develop and manufacture such offerings as TOYOKALON synthetic fiber for top global wig and hairpiece brands, packaging tapes that include hand-cuttable and printing tapes, laterally stretched Calalyan Y polyethylene film and polyvinylidene fluoride DX Film.



CSR Policies

General Manager's Policies

Philosophy: We aim to contribute to and prosper with the community of Kamakura, which abounds with cultural, historical and environmental legacies.

Goals: We will contribute to the community and corporate progress by making the environment, safety and quality our top priorities.

1. Reduce our environmental footprint by conserving energy and cutting waste
2. Comprehensively manage safety relating to raw materials, products, logistics and disposal and continue to engage with the community



Tatsuhiro Aoyagi
Senior Executive Officer,
General Manager of
Ofuna Plant

Environmental, Safety, and Quality Policies

<Environment> • Comply with laws and ordinances and enhance environmental awareness

- Act in line with medium-term environmental plan and improve performance
- Contribute to the community

<Safety> • Deploy full-fledged initiatives that ensure underlying safety

- Create a vibrant and healthy workplace

<Quality> • Continue to improve raw materials, processes and product management to pursue and maintain high quality

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

- We implemented comprehensive emergency drills to ensure preparedness in case of fire



A comprehensive emergency drill
(November 22)

- We held a Safety Announcement Meeting to raise safety consciousness.
- We implemented special training for operating cranes, leading to the building of a structure for "cultivating safety-conscious employees who do not get hurt or cause others to be harmed."

- We conducted complete cleanups of the plant and nearby streets on the third Wednesday of each month.

- We deepened our interactions with local residents mainly by making the square in front of the plant's main gate available for a festival held in July by a nearby neighborhood association. We also set up food stands and an employee band performed during this event.

Fiscal 2011 Initiatives

Based on the philosophy, "We aim to contribute to and prosper with the community of Kamakura, which abounds with cultural, historical and environmental legacies," we promote dialogue and interaction with the local community. Particularly in terms of our activities to reduce waste, we aim to reduce environmental burdens by curbing waste generation through better yields and by improving our emission ratio based on efforts to separate waste.

Environmental Performance

Item	Units	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011 targets
Energy consumption indicator unit	Compared with fiscal 2002	0.81	0.80	0.94	0.79	0.80
CO ₂ emissions (from energy sources)	10,000 t	1	1	1	1	1
PRTR substance emissions	t	1	1	1	1	1
NOx emissions	t	4	2	1	2	2
SOx emissions	t	0	0	0	0	0
Soot and dust emissions	t	0	0	0	0	0
Water used	1,000m ³	71	70	87	86	—
COD (BOD) discharges	t	0	0	0	0	0
Waste	t	194	211	188	199	184
Final waste disposal	t	13	22	22	30	18

Note: Totals of individual figures in this and other tables may not be exact because we rounded down fractions. The totals for this table match the figures in the Input and Output section on CSR Report 2011 p. 22.
We registered under the Japan government's pilot emissions trading scheme in December 2008, so for CSR Report 2009 we calculated energy intensity and CO₂ emissions based on the coefficients standards of the voluntary action plan of Nippon Keidanren, recalculating figures for previous reports, which we had based on the coefficients of the amended Law Concerning the Rational Use of Energy.

Iseaki Plant

Profile

Address: Iseaki Plant: 245, Nishigawara, Naganuma-cho, Iseaki, Gunma

Telephone: +81-270-32-1251

Iseaki Plant (Ota): 3015 Serada-cho, Ota, Gunma

Telephone: +81-276-52-4111

Employees: 268 (as of March 31, 2011)

Major products: Electronic materials: DENKA THERMOSHEET EC, DENKA Thermo Film ALS and other carrier tape, trays and cover tape for semiconductor and electronic components processes

Functional materials and plastics: Styrene Sheet, CLEAREN sheet and stretch film, and Denka DX film used in solar cell module back sheets

Operations: This plant manufactures sheets and films from polystyrene, vinyl chloride and other raw materials. The Ota facility has the greatest production capacity in the Orient for these products. We supply food and electronic packaging materials that meet stringent requirements for performance and quality management, and are endeavoring to bolster our processing technologies while developing value-added offerings.



CSR Policies

General Manager's Policies

1. Ensure safety and health
2. Reach CS13 objectives
3. Improve customer satisfaction
4. Promote the creation of environment-friendly products

Environmental, Safety, and Quality Policies

<Environment> Conserve energy and resources, ensure distribution safety and harmonious coexistence with local communities

<Safety> Undertake risk assessments and ensure that no accidents or disasters occur

<Quality> Improve quality and swiftly and accurately meet customer needs



Toshiharu Kano
Executive Officer,
General Manager of
Iseaki Plant

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

Security and Disaster Preparedness

We hold evening on-call drills for those with the rank of assistant manager or above while working to raise employee awareness about proper conduct during emergencies.



An evening on-call drill

Safety Education

Given that the plant undertakes numerous types of roller-related operations, we provide wide-ranging safety education for operators. We continued to invite outside instructors to train employees in how to conduct safety verification routines that involve pointing and calling while providing hands-on training related to getting caught in rollers. In addition, we conducted training for managers to provide pointers regarding the 5Ss (*seiri, seiton, seiso, seiketsu* and *shitsuke*, or sorting, straightening, sweeping, standardizing and self-discipline).



An intensive, hands-on roller-related training session

Social Contributions

As part of our social contribution efforts, all employees routinely engage in cleanup activities in city parks and along the roads in the plant's immediate vicinity. In addition, we established a monthly "beautification day" initiative with the aim of making areas within the plant more attractive. All of these initiatives help keep the plant and adjacent areas clean.



Employees cleaning up a sidewalk near the plant

Fiscal 2011 Initiatives

We will continue to promote environmental preservation measures while placing the highest possible priority on complying with relevant laws. In particular, we have positioned the following as important initiatives: the reduction of waste; conservation of energy and resources; and ensuring distribution safety primarily by improving processing technology. Moreover, we will contribute to the local community through ongoing beautification activities in areas surrounding the plant. Regarding health and safety, we are creating a positive and comfortable workplace mainly by promoting measures to prevent labor- and equipment-related accidents, lifestyle diseases, heat stroke and mental problems.

Environmental Performance

Item	Units	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011 targets
Energy consumption indicator unit	Compared with fiscal 2005	0.99	1.02	0.99	0.97	0.98
CO ₂ emissions (from energy sources)	10,000 t	1	1	1	1	1
PRTR substance emissions	t	0	0	0	0	0
NOx emissions	t	0.3	0	0	0	0
SOx emissions	t	0	0	0	0	0
Soot and dust emissions	t	0	0	0	0	0
Water used	1,000m ³	320	326	358	412	—
COD (BOD) discharges	t	0	0	0	0	0
Waste	t	0.2	0.2	0.2	0.2	0.2
Final waste disposal	t	28	0	12	0	55

Note: Totals of individual figures in this and other tables may not be exact because we rounded down fractions. The totals for this table match the figures in the Input and Output section on CSR Report 2011 p. 22.
We registered under the Japan government's pilot emissions trading scheme in December 2008, so for CSR Report 2009 we calculated energy intensity and CO₂ emissions based on the coefficients standards of the voluntary action plan of Nippon Keidanren, recalculating figures for previous reports, which we had based on the coefficients of the amended Law Concerning the Rational Use of Energy.

Central Research Institute

Profile

Address: 5-1, Asahi-cho 3-chome, Machida, Tokyo

Telephone: +81-42-721-3611

Employees: 94 (as of March 31, 2011)

Center Overview: The Central Research Institute began operating at its current site after DENKA relocated its Meguro Research Center from its Meguro-ku, Tokyo, location in 1962. The facility has created numerous basic technologies for inorganic and organic chemicals, petrochemicals and plastic products as the spearhead of DENKA's product innovation. Serving as a focal point for DENKA's R&D efforts, the institute will concentrate on R&D initiatives based on medium- to long-term themes in order to augment its research capabilities related to large, next-generation products and basic technologies.



CSR Policies

General Manager's Policies

In line with our motto, "the newly reformed Central Research Institute promotes R&D to create future-oriented, next-generation products," we are:

1. Encouraging coordination among divisions and plants while clarifying the Central Research Institute's functions
2. Promoting new product development
3. Generating new themes to meet next-generation markets
4. Undertaking environmental and safety initiatives

Environmental, Safety, and Quality Policies

Based on Companywide safety and health plans, the Central Research Institute works to continuously improve Plan-Do-Check-Act (PDCA) cycles while expanding its involvement in volunteer activities that conform to the circumstances of individual workplaces. Such activities are intended to maintain the institute's environmental preservation and safety and health initiatives. The main activities of each department involve promoting the development of positive workplaces that are accident, disaster and illness free. These efforts are carried out in accordance with administrative action plans that follow the Fundamental Policies listed below.

- | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Fundamental policies for responsible care activities:</p> <ul style="list-style-type: none"> • Encourage initiatives to counter global warming • Promote efforts to contribute to society • Prevent environmental accidents | <p>2. Fundamental safety and health policies:</p> <ul style="list-style-type: none"> • Eliminate such safety-related accidents as explosions and fires • Eradicate labor-related accidents • Prevent occupational diseases | <p>3. Fundamental product quality-related policy</p> <ul style="list-style-type: none"> • Improve quality at the new product development stage |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

Safety and health activities are carried out regularly based on the motto: "maintaining an honest commitment to common sense." Accordingly, we steadily undertake safety activities that include maintaining environmental management systems (EMS), effectively raising safety awareness, regularly conducting fire drills involving our in-house fire-fighters and jointly holding comprehensive fire drills with the Machida Fire Department. As a result, the Central Research Institute won the Special Safety Award on May 27, 2010, at the 34th Grand Prix Safety Awards, sponsored by the Japan Chemical Industry Association (JCIA) and Japan Responsible Care Council (JRCC). In fiscal 2010, the institute acquired a model promotion workplace designation from the Tokyo Labour Bureau and continued to proactively implement risk management to prevent accidents.

We aggressively promote interactions with the local community and social activities. Accordingly, the Central Research Institute hosted tours for approximately 80 third graders from Machida Dai-San Elementary School on June 17, 2010 and 120 third graders from Machida Dai-Yon Elementary School in October 22, 2010. These educational field trips mainly included an up-close look at the testing facilities and



Students from the Machida Dai-Yon Elementary School in Tokyo taking a tour of the Central Research Institute

the opportunity to observe objects through electron microscopes, activities that inspired the students to ask many unique questions.

Fiscal 2011 Initiatives

Regarding our ongoing safety and health activities, we will work to avoid all accidents and disasters, mainly by steadily maintaining our EMS as well as developing occupational health and safety management systems.

In fiscal 2011, we plan to rebuild the Central Research Institute's main facility in anticipation of our centennial. Featuring more spacious exhibition spaces, preset tour guide routes, presentation rooms and other facilities, the new and more open main facility will encourage greater communication with the local community. Under the concept of being environmentally friendly, the new facility will be installed with an array of energy-efficient equipment to reduce CO₂ emissions. Such devices include solar power generators as well as LED lighting and air conditioners equipped with motion sensors in addition to such recycling systems as toilets that use rainwater.



The Central Research Institute being presented with the Special Safety Award for maintaining operations free of accidents that required lost work days for 17 years (May 27, 2010)



Norihiro Shimizu
Senior Executive Officer
General Manager of
Central Research Institute

Denka Singapore Pte., Ltd.

Denka Singapore Private Limited
Hong Leong Building, 16 Raffles Quay #18-03, Singapore 048581
TEL: 65-6224-1305

Merbau Plant

Profile

Employees: 31 (as of March 31, 2011)

Operations: The Merbau Plant was DENKA's first production facility in Singapore. We established this plant in 1980 to participate in the Singapore Petrochemicals Complex project. The complex is located on Jurong Island, where we manufacture DENKA BLACK. We began operating our 50% press facility in 1984, upgrading it in 1997. We set up a granulation facility in 2002. Owing to its superior liquid absorption, electrical and thermal conductivity properties and high purity, DENKA BLACK is used worldwide in dry manganese and lithium-ion batteries, power cables and semiconductor packaging materials.



CSR Policies

General Manager's Policies

"Cohesion as one lively team"

Safety: Eradicate careless accidents and maintain safety

Quality: Ensure quality management by improving manufacturing processes

Production: Maintain optimal production

Maintenance: Improve maintenance activities

Distribution: Undertake optimal inventory management by ensuring optimal distribution within the Jurong Island



Yoshiteru Yamazaki
General Manager of
Merbau Plant

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

In fiscal 2010, we engaged in various activities that included voluntarily producing a safety guidance video and holding safety-related competitions. At a safety conference, we held a forklift driving safety competition.

In fiscal 2011, regular repairs of the Singapore Petrochemicals Complex (housing eight companies) will be undertaken. As a member of this complex, the plant will work to comply with safety and environmental standards through coordinated efforts with the other member companies. To this end, the Merbau Plant is planning to engage in a large-scale construction project.

Seraya Plant

Profile

Employees: 63 (as of March 31, 2011)

Operations: The Seraya Plant commenced operations to produce general-purpose polystyrene in 1998. The plant was expanded in 2006 to manufacture TX Polymer methyl methacrylate styrene copolymer resin and CLEAREN styrene-butadiene block copolymer. Currently the plant's three manufacturing facilities have an annual production capacity of 300,000 metric tons. We are constructing a facility to produce imidized polymers (IP), which is scheduled to commence operations in 2012. Consequently, the Seraya Plant is expanding into the DENKA Group's largest petrochemical and polymer production base.



CSR Policies

General Manager's Policies

1. Maintain zero-accident record

2. Maintain compliance

3. Achieve a better working environment

4. Educate employees and strengthen our organization

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

- We acquired OSHAS18001 certification.
- We completely shifted from paper to plastic bags

Fiscal 2011 Initiatives

- We will provide training related to the chemical plant's operations
- We will promote and investigate energy- and resource-reduction measures based on improved manufacturing processes.
- We will acquire ISO 28000 certification.



Sadao Kawamura
Deputy Managing
Director,
General Manager of
Seraya Plant

DENKA Advantech Pte., Ltd.

Denka Advantech Private Limited
16 Raffles Quay #18-03, Hong Leong Building, Singapore 048581
TEL: 65-6224-1305

Tuas Plant

Profile

Employees: 60 (as of March 31, 2011)

Operations: The Tuas Plant, established in 1991 in Singapore, produces fused silica filler, a material mainly used as a sealant for semiconductor packaging. Currently, the Tuas Plant's focus is on spherical fused silica filler to accommodate advances in semiconductor packaging as well as the trend toward more environmentally friendly products, and it is striving to enhance quality and reinforce production. Working in cooperation with the Omuta Plant, the Plant supplies products mainly to China and Southeast Asia.



CSR Policies

General Manager's Policies

1. Going back to basics, we will secure plant security and employee safety
2. Promoting energy and resource conservation, we will reduce environmental burdens
3. We will reduce customer complaints and pursue better customer satisfaction by controlling risks
4. We will develop a supply system that meets market demands and technological trends
5. We will make cost reduction efforts by improving production processes and technologies



Toshiyuki Kageyama
General Manager of
Tuas Plant

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

- <Safety>** During fiscal 2010, we strived to raise employee awareness of safety by making an in-house safety video, conducting fire drills and in-plant patrols and proactively participating in external seminars. Safety education is being carried out using the abovementioned safety video, KYT sheets and external instructors, and we are promoting 5S activities.
- <Environment>** We saved electricity by enhancing productivity and shifting to energy-saving lighting. In addition, we recycled flexible containers and wooden pallets and began to partially reuse plastic pallets. In fiscal 2011, we will continue to reduce environmental burdens mainly by conserving electricity and recycling packaging materials.
- <Quality>** We conducted quality risk assessments and improved production processes mainly to address the issue of foreign matter contaminating products. We will further promote measures to reduce risks.

Address: Unit 9B Modern Industrial Square, No. 333
Xingpu Road, Suzhou Industrial Park, Suzhou China
Telephone: +86-512-6287-1088

Denka Advanced Materials (Suzhou) Co., Ltd.

Profile

Employees: 58 (as of March 31, 2011)

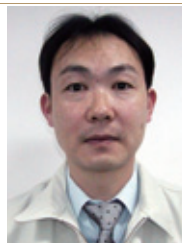
Operations: In January 2006, this company was established as DENKA's first production and sales subsidiary in China since World War II. The company manufactures carrier tape for electronic packaging and micro-slit products, while responding to domestic users' demand for higher quality.



CSR Policies

General Manager's Policies

1. Bolster safety initiatives to maintain our zero-accident record.
2. Improve production techniques and quality management, reduce the number of complaints about quality
3. Maintain the workplace environment and ensure strict compliance.
4. Undertake education and drills, continue to work to upgrade workplaces



Yuichi Kadoya
Deputy Director,
General Manager

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

● Security and disaster prevention

- To raise employee awareness of disaster prevention, we invited an external instructor to hold an educational seminar regarding prevention and countermeasures against fire.
- Regarding disaster prevention measures at the Plant, we identified danger spots needing improvement and inspecting fire-fighting equipment.

● Occupational safety

- Each day, before work begins, employees gather to recite an inspiring slogan.
- More than once a month, management-level and above personnel conduct safety patrols to identify danger spots needing improvement.

● Environment

- Aiming to reduce waste generation, we constantly strive to improve manufacturing yields.

Fiscal 2011 Initiatives

In fiscal 2011, we will continue to enforce disaster prevention measures, secure occupational safety and reduce waste generation while striving to improve the capabilities of all employees. To achieve this goal, we will step up our focus on compliance with environment-related laws and regulations.

Major Affiliates

DENKA Polymer Co., Ltd.

<http://denkapolymer.co.jp>

Profile

Address

Head Office: 12-8 Kiba, 5-chome, Koto-ku, Tokyo

Telephone: +81-3-5245-3641

Plants: 3 in Chiba Prefecture (Sakura, Goi, Katori)

Employees: 367 full-time and 147 part-time (as of April 1, 2011)

Major Products: OPS products, PSP food trays, food containers, SOFLIGHT products, packaging wrap and agricultural packs



Shinji Sugiyama
President



Fiscal 2010 Achievements and Fiscal 2011 Initiatives

At the start of fiscal 2010, we established an environmental policy that aims to reduce energy use, environmentally harmful substance (CO₂) emissions and waste generation. At the same time, we are developing and reinforcing the supply of environmentally friendly, safe and reliable products that promote further cutbacks in packaging weight and reduce customers' generation of CO₂.

Our efforts resulted in an average 8.3% reduction in product weight, mainly PSP and OPS, compared with fiscal 2004. Owing to our energy conservation efforts, we recorded an overall 1.6% improvement in energy consumption intensify at all business sites—particularly at three plants—compared with the fiscal 2009 level.

With regard to the Koto-ku-based recycling business in which we have been participating since fiscal 2009, we joined a commission investigating expanding the applications of recycled polystyrene foam pellets, improved the quality of recycled pellets, developed processing methods for non-white pellets and ingots made from colored trays, supported the expansion of the use of recycled pellet for building materials in Japan, improved the

environment inside the recycling facilities and stepped up the employment of handicapped people.

Fiscal 2011 Initiatives

Following up on our efforts in fiscal 2010, we will continue to proactively promote environmental improvement activities. As part of such efforts, we will bolster the development and supply of environmentally friendly, safe and reliable products, while reducing resource use and environmental burdens by developing new products and upgrading existing products to lower packaging weight. Amid the expected trend toward deteriorating operational efficiency due to the Japanese government's request to save electricity, we will strive to further conserve energy by carrying out an appropriate production plan and efficient production activities. In cooperation with the Koto-ku recycling business, we will develop new applications (point-of-purchase panels and other building materials) and prepare for facility improvement, including of equipment for cleaning collected trays.

DENKA SEIKEN Co., Ltd.

<http://www.denka-seiken.co.jp>

Profile

Address

Head Office: 4-2 Kayaba-cho, 3-chome, Nihonbashi, Chuo-ku, Tokyo

Telephone: +81-3-3669-9091

Plants: Gosen City, Niigata (Niigata Plant, Kagamida Plant)

Employees: 550 (as of April 1, 2011)

Major Products: Influenza vaccines, bacteriological diagnostic reagents, virological diagnostic reagents, clinical chemistry diagnostic reagents, immunological diagnostic reagents, point of care testing (POCT) products



Shigetoshi Toyooka
President



Fiscal 2010 Achievements and Fiscal 2011 Initiatives

In the area of safety and health activities, we conducted risk assessments to prevent major accidents. We also invited external instructors to provide mental health as well as safety and health education for plant general managers and managers to ensure a more comfortable workplace.

On the environmental front, we are promoting activities to reduce environmental burdens and preserve the environment based on the ISO 14001 environmental management system. As part of our community engagement, we donated a bus, an important means of transportation for local people, to Gosen City as part of the commemoration of our 60th anniversary. In addition, we cleaned irrigation channels around the Niigata Plant. Furthermore, we invited neighborhood association representatives to join a plant tour and meeting held to facilitate the exchange of opinions and thus foster more friendly ties.

In terms of social contribution, we participated in the Niitsu Labor Standards Association as a member of the board, and strived to disseminate and promote health and welfare activities among local participating companies. We also continue to participate in the Gosen Gender Equality Council, an organization that investigates and deliberates on the establishment of ordinances of Gosen City, to deliver our opinions.

Fiscal 2011 Initiatives

We will continue to focus on safety, health and environment preservation activities to prevent major accidents and disasters. Together with this, we will strive to further deepen communications with local communities to become a company that society can rely on.

CRK Corporation

<http://www.crk.co.jp>

Profile

Address: 306-banchi, Koyagi-cho, Takasaki, Gunma

Telephone: +81-27-362-7510

Employees: 65 (as of April 1, 2011)

Major Products: Rubber compounds, industrial rubber products, thermal expansion fire-resistant rubber products, butyl adhesive tape, water swelling leakage stop rubber tape and earthquakeproof manhole joints



Haruo Kimura
President



Fiscal 2010 Achievements and Fiscal 2011 Initiatives

- Continued to reduce waste generation and landfill waste
- Reinforced the separation of waste rubber, while promoting thermal recycling in fiscal 2010. Accordingly, the amount of landfill waste dropped 70% from the previous fiscal year.
- Continued to improve the safety level at work, we reviewed the basics of our safety operations and raised the awareness of all employees

Fiscal 2011 Initiatives

- We will promote safe operations based on risk assessments
- We will hold skills improvement training seminars for site supervisors
- We will reduce CO₂ emissions by shifting to LPG for fuel upon the renewal of boilers
- We will lower the amount of electric power we draw from the grid from 3,000V to 400V and thus improve safety
- We will conserve energy during summer and pursue a more comfortable work environment

Hinode Kagaku Kogyo

<http://www.hinode-kagaku.co.jp>

Profile

Address: 660 Aza Kuratani, Maizuru, Kyoto

Telephone: +81-773-75-5760

Employees: 44 (as of April 1, 2011)

Major Products: YORIN (fused magnesium phosphate), TORETARO (fused silicate phosphate fertilizer), mixed fertilizer, chemical fertilizer



Shizuo Takagi
President



Fiscal 2010 Achievements and Fiscal 2011 Initiatives

Aiming to contribute to society and facilitate employees' self-fulfillment through fertilizer production



Presentation about risk assessment results



Setting up a smoking room

- Trial practice of risk assessment
- Commenced the establishment of separate smoking areas as a means to improve the work environment
- Upgrading the quality management system by adopting the ISO concept
- Promoting the 5Ss in our Good Company Program Initiatives
- Proactively participating in in-house and local cleaning activities

Fiscal 2011 Initiatives

Aiming to contribute to society and facilitate employees' self-fulfillment through fertilizer production

- Dissemination of risk assessment
- Reviewing checkup procedure of laws and regulations
- Preparing for the acquisition of the KES environmental management system certificate

DENKA Azumin Co., Ltd.

<http://www.denka-azumin.co.jp>

Profile

Address: 118, 5 Chiwari, Nimaibashi, Hanamaki, Iwate

Telephone: +81-198-26-2131

Employees: 26 (as of April 1, 2011)

Major Products: Azumin (magnesium humate fertilizer)

CSR Initiatives

- Major Activities
- We maintained our zero-accident record
 - We worked to safeguard the environment
 - We built relationships of trust with local residents

Fiscal 2010 Achievements and Fiscal 2011 Initiatives

- **Maintained a zero-accident record**
 - Due to the occurrence of a no-shutdown disaster, our record of accident-free days stands at 1,943. Under the leadership of the Risk Prediction and Near-Accident Committee as well as the Safety Patrol Committee, we took safety measures. Currently, we are aiming to achieve 1,000 consecutive accident-free days.
 - One of our employees received an award from the Hanamaki City Association for the Safety of Hazardous Materials for the excellent handling of hazardous materials.
- **Environmental activities**
 - We conducted energy conservation activities that included turning off all lights during work breaks, ensuring that no one could forget to turn the lights off and maintaining room temperature at an appropriate level when using air conditioners or heaters.
 - We were able to gain a full understanding of the Plant's energy consumption by using an energy monitoring system. Based on the acquired data, we will reduce the energy use.



Mamoru Nakamura
President



- **Building relationships of trust with local communities**
 - We conducted a plant visit and information exchange with the Nimaibashi Committee for Pollution Prevention Measures
 - On the assumption of nitric acid leakage, we carried out a fire drill with a local fire station. Inviting neighboring companies and local residents to come to view the drill, we were able to deepen their understanding of our safety activities.
- **Environmental preservation activities based on the Hanamaki City Pollution Control Agreement**
 - We reported that all air, water and noise pollution as well as vibration from our facility were within the limits of an accord with Hanamaki City.

Fiscal 2011 Initiatives

- Maintaining a zero-accident record: We will make across-the-board efforts to conduct safe operations
- Passing on production techniques to younger generations: We will strive to eliminate operational troubles by enhancing on-the-job trainings
- Streamlining in-plant logistics: In tandem with subcontractors, we will promote appropriate cargo control and legal compliance