

The Denka Group's Materiality Issues

Established on April 24, 2017

The Denka Group has specified key CSR issues that are critical to its stakeholders and to the Group itself, identifying them as materiality issues that it will employ in guiding its CSR activities going forward.

Selection of CSR Materiality Issues

In line with The Denka Value, its corporate philosophy, the Denka Group has positioned “Taking on the challenge of expanding the possibilities of chemistry to create new value and contribute to sound social development” as the Denka Mission. By doing so, the Group renewed its commitment to living up to society’s expectations and trust while pursuing sound and sustainable corporate growth.

The Group then turned its attention to determining its priorities regarding the realization of its corporate philosophy and identified the CSR materiality issues in April 2017, with the overarching aim of facilitating stakeholders’ understanding of its CSR initiatives.

In summary, the Denka Group carefully selected materiality issues based on pressing challenges society is now facing and in reference to external inputs, including United Nations SDGs,¹ guidelines compiled by the GRI,² ISO26000 and other international standards, as well as insights the Group has gained through its involvement in SRI,³ the CDP⁴ and CSR procurement. Moreover, these items were examined and evaluated with due consideration given to stakeholders’ expectations and their impact on our operations.

Finally, each item identified as a materiality issue was discussed and approved of as such by Denka’s Management Committee.

Based on the materiality issues defined below, each business unit in the Group is diligently pursuing ongoing CSR activities. Looking ahead, we will continually strive to improve our corporate activities while engaging with stakeholders to maintain meaningful dialogue.

1. Sustainable Development Goals
2. Global Reporting Initiatives
3. Socially Responsible Investing
4. Carbon Disclosure Project

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Category	CSR Materiality Issues (13 items)
Prioritization of safety	Reinforce security and disaster prevention measures
	Maintain occupational safety and health while creating a vibrant and comfortable workplace environment
Products and technologies	Create new products and technologies that contribute to sound social development
	Ensure product safety
Corporate governance Corporate conduct deserving stakeholder trust	Ensure that our corporate philosophy is embraced by every employee and transform our corporate culture
	Improve corporate governance
	Maintain strict compliance with laws, regulations and corporate ethics
Employee happiness	Nurture human resources and pass down technological heritage to future generations
	Embrace diversity and offer equal opportunities
	Help strike a work-life balance and promote employee health
Environmental preservation	Prevent air, water, soil and other environmental pollution
	Promote climate change countermeasures (curb global warming, reduce GHG emissions and adapt to climate changes)
Dialogue with society Partnership	Maintain appropriate and timely disclosure of corporate information and establish bidirectional communications

Material Issue Selection Process

I. Determine issues subject to analysis and evaluation

Establish an across-the-board taskforce and identify what issues to be tackled to fulfill society's expectation for chemical companies in reference to international standards as well as important guidelines (GRI guidelines, ISO26000, GC,¹ SDGs, EICC² and DJSI³)

II. Analyze stakeholder expectations

Departments at Denka in charge of each issue evaluate the expectations of stakeholders, including customers, consumers, employees, local communities, shareholders, investors and suppliers, with regard to such issues and their impact on our operations based on its own analysis

III. Assess each issue's importance to the Denka Group

Departments in charge of each issue assess the importance of the issue in light of the implementation of the Denka value-up management plan, which aims to realize The Denka Value corporate philosophy and secure sound and sustainable corporate growth, as well as the fulfilment of Denka's social responsibilities, thereby validating said assessment in tandem with the Corporate Planning Dept.

IV. Select CSR materiality

Select 32 CSR issues, including 13 items that are particularly critical, applying a material matrix based on the importance of said issues to stakeholders and the Denka Group, with the Management Committee validating and finalizing each issue's materiality

1. Global Compact
2. Electric Industry Code of Conduct
3. Dow Jones Sustainability Indices

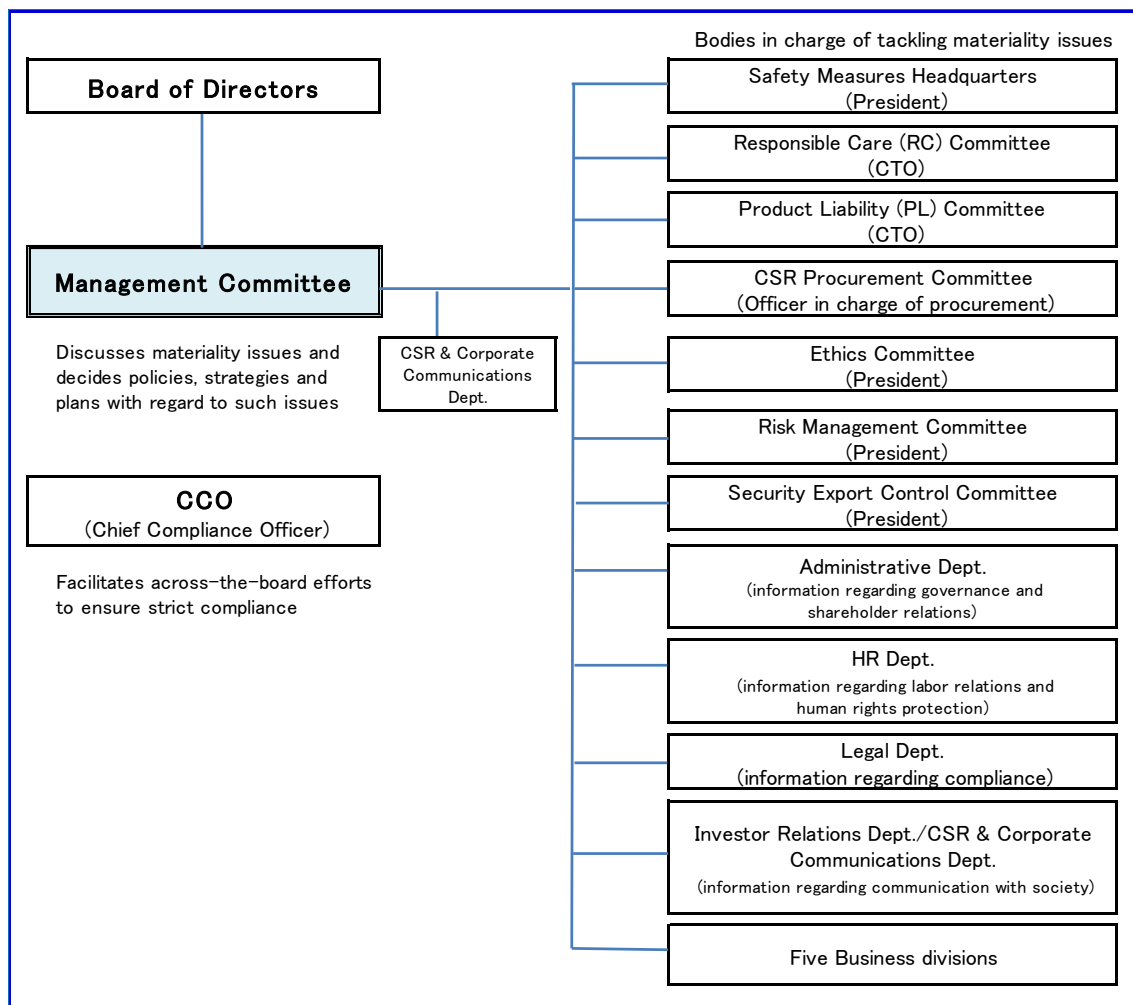
Well aware of possible changes in the operating environment and society that may affect our management priorities, we will perform the timely review of these materiality issues based on feedback from our stakeholders.

CSR Promotion Structure

At the Denka Group, CSR materiality issues are discussed by the Management Committee, which is chaired by the president and in charge of deliberating important managerial matters, with the committee's conclusions being reported to the Board of Directors.

Each body and department placed under the Management Committee supervises such initiatives as worksite safety and Responsible Care activities and is striving to achieve systematic improvements in their respective areas of responsibility.

(Note: In the following organizational chart, parenthetical items accompanying committee names indicate the head of such body, while parenthetical items accompanying department names indicate the purview of such department.)



The Denka Value—The Corporate Philosophy Guiding Our Efforts to Fulfill Our Social Responsibilities

Having established “The Denka Value” as its new corporate philosophy in 2016, the Denka Group has clarified the positioning of its motto “Taking on the challenge of expanding the possibilities of chemistry to create new value and contribute to sound social development” as the Denka Mission. To fulfill this mission, the Group formulated the Denka Principles, which serve as a constant reference for all employees while providing precepts to guide their day-to-day business conduct.

Denka believes that the fulfillment of its social responsibilities and the pursuit of growth strategies must go hand in hand and together constitute an essential component of its foundation for realizing The Denka Value corporate philosophy. Looking ahead, we will strive to become a strong, forward-thinking company capable of achieving sustainable growth.

