



Annual Report 2007

For the fiscal year ended March 31, 2007

DENKA
DENKI KAGAKU KOGYO KABUSHIKI KAISHA

The Denka Group, of which DENKI KAGAKU KOGYO KABUSHIKI KAISHA is the core company, pushes forward with its daily business activities so that it can enrich people's lives and the development of society as a whole by developing and providing a broad spectrum of materials centered on chemical products. The Denka Group is making huge strides in the expansion of its businesses and technologies not only in the fields of organic materials, inorganic materials and cement, but also in field familiar to people including those that constitute the very foundation of society and industry such as medicine, engineering, semi-conductors and electronics.

The globalization of economics has brought with it an integration of global markets that has led to changes in the various constituent elements of the management environment encompassing the Denka Group. Against this background, we in the Denka Group feel that it is both our mission and goal to constantly challenge the next stage in our development to maintain constant growth and create corporate values as well as to establish an ongoing reputation for corporate excellence not only with our shareholders, customers and employees, but also with society and the global community.



Contents

Profile	1
Financial Highlights	2
To All Stakeholders	3
DENKA Products in Life	5
Operational Review	7
Research and Development	9
Measures for Environmental Issues	10
Global Operations	11
Five-year Summary	12
Financial Review	13
Consolidated Financial Statements (Summary)	15
Corporate Data/Board of Directors	17
Shareholder Information	18

Disclaimer Regarding Forward-Looking Statements

This annual report contains forward-looking statements related to management's expectations about future business conditions. Actual business conditions may differ significantly from management's expectations and accordingly affect the Company's sales and profitability. Actual results may differ as a result of factors over which the Company has no control, including unexpected changes in competitive and economic conditions, government regulations, technology and other factors.

Financial Highlights

Denki Kagaku Kogyo Kabushiki Kaisha and Consolidated Subsidiaries

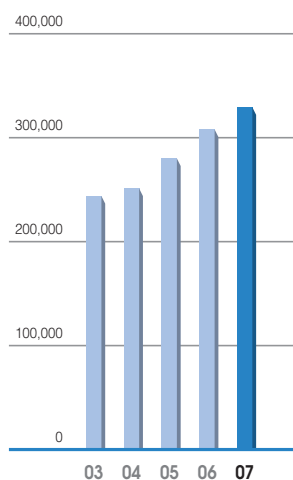
Millions of Yen

Years ended March 31, 2007 and 2006	2007	2006
Net Sales	¥ 329,262	¥ 307,923
Operating Income	29,877	26,069
Ordinary Profit	26,006	23,913
Net Income	15,734	15,365
Total Assets	365,301	349,689
Total Net Assets*	164,643	146,148
Net Income per Share (Yen)	32.03	31.08
Shareholders' Equity per Share (Yen)	323.81	297.23

*2006: Exclusive minority interests.

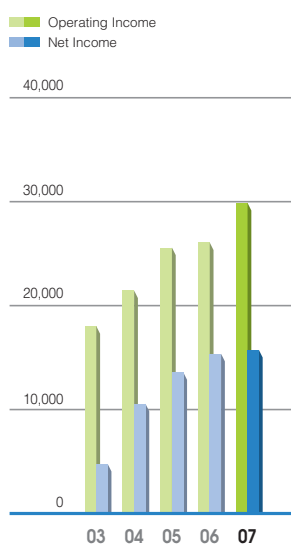
Net Sales

Millions of Yen



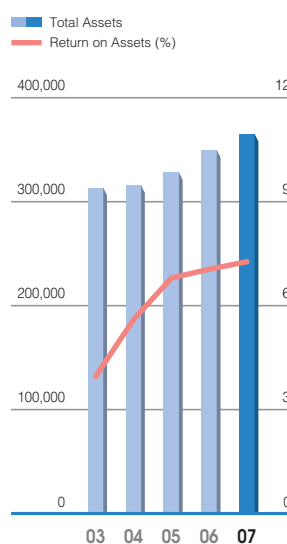
Operating Income and Net Income

Millions of Yen



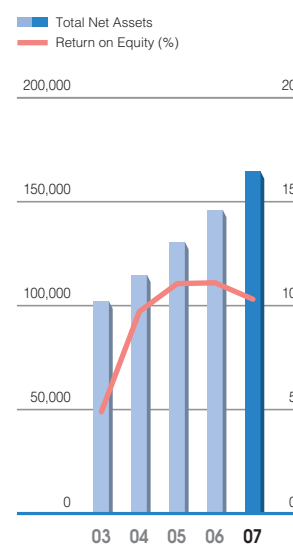
Total Assets and Return on Assets

Millions of Yen



Total Net Assets and Return on Equity

Millions of Yen



*As we approach our 100th anniversary,
we will tackle DENKA100,
a new set of challenges.*



Seiki Kawabata, President

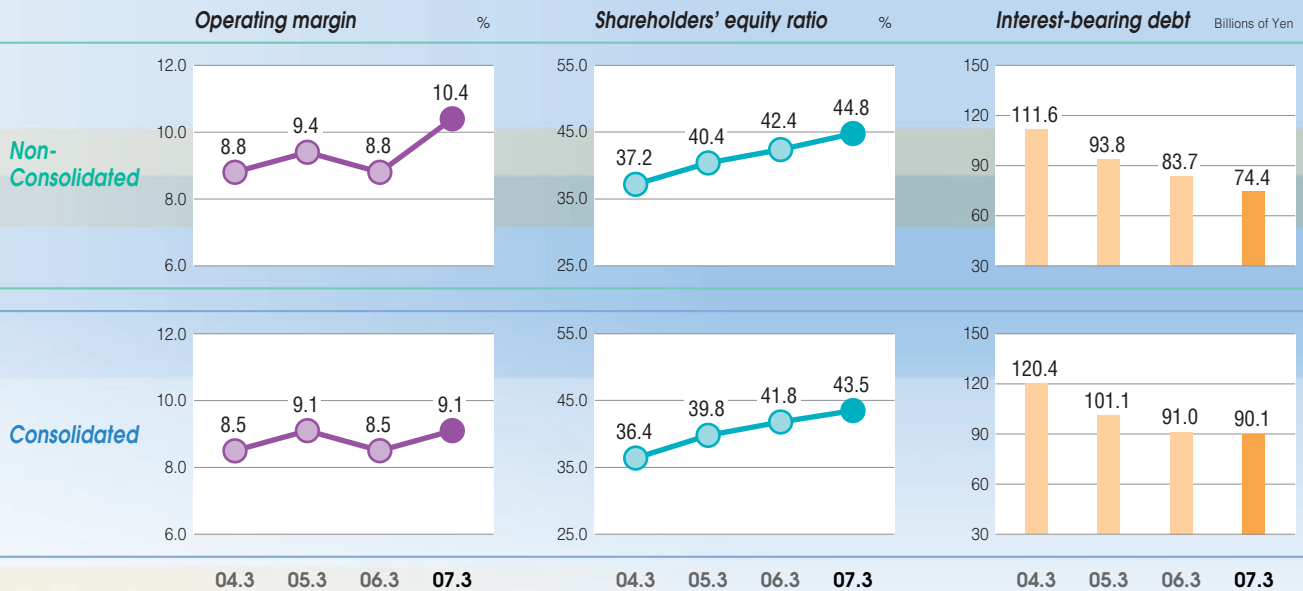
To all stakeholders

Fiscal 2006 was our fifth consecutive year of both higher net sales and earnings. This was the result of our efforts throughout the Company, bolstered by the support of all stakeholders, to whom we extend our sincere thanks.

The goals laid out in NS06, the three-year plan implemented in fiscal 2004, have successfully been achieved, and we believe this has significantly improved our financial position and profitability as initially projected. We have also made great progress in terms of qualitative benefits through our enhanced awareness and Good Company Program (GCP).

Based on these results, we have established and begun to pursue a new set of challenges that we have named “DENKA100,” formulated to encompass the goals we aim to achieve in the run-up to our 100th anniversary in 2015.

NS06 Results



With “DENKA100’s” underlying theme of being a company that utilizes its high-end technologies to create valuable products out of resources, we have set a goal of doubling our operating income from its current level by 2015.

We will spare no effort in pursuing these goals to strengthen our corporate foundation and further reinforce the faith and confidence of all stakeholders through six initiatives mentioned below. We very much appreciate your ongoing support as we undertake this endeavor.

August 2007

Seiki Kawabata

Seiki Kawabata, President

The “Six Pillars” of “DENKA100”

(1) DS-09

Our first quantitative objectives by fiscal year 2009 are to increase operating income by ¥13 billion on a consolidated basis and ¥10 billion on a non-consolidated basis.

(2) GCP2.0

Employee awareness and operational reforms aimed at furthering GCP.

(3) Education and training

(4) Productivity improvement

(5) R&D promotion

(6) CSR promotion

DENKA Products in Life

While many of DENKA's products are used as materials or intermediary materials in finished goods, they are rarely noticed by consumers. Many of goods used casually in the day-to-day life of consumers are DENKA products.

In Kitchen Space



Refrigerator Components

ABS resin

This product is used in refrigerator compartments and door handles.

"DENKA STYROL MW" (ultrahigh molecular weight polystyrene)

This product is used for refrigerator trays and food cases.

Plastic containers and packaging for lunch, dessert and dishes

DENKA THERMOSHEET OPS (lid)

(lower left of the photo)

DENKA STYRENE SHEET (plastic cases)

(lower left of the photo)

DENKA THERMOSHEET HG, DENKA THERMOSHEET PT, etc. (upper right of the photo)

These materials are used for plastic containers for lunch, sushi, and other dishes, as well as desserts such as yogurt, custard, etc.



Eels

We raise eels with the warm water produced by heating the clear waters from the Hime River near our Omi Plant, using surplus heat from the thermal power station on the plant grounds.



PET Bottle Film

"CLEAREN" (SBC resin)

With its high transparency and moldability, CLEAREN is used mainly for labelling film on PET bottles and has a high share of this market.

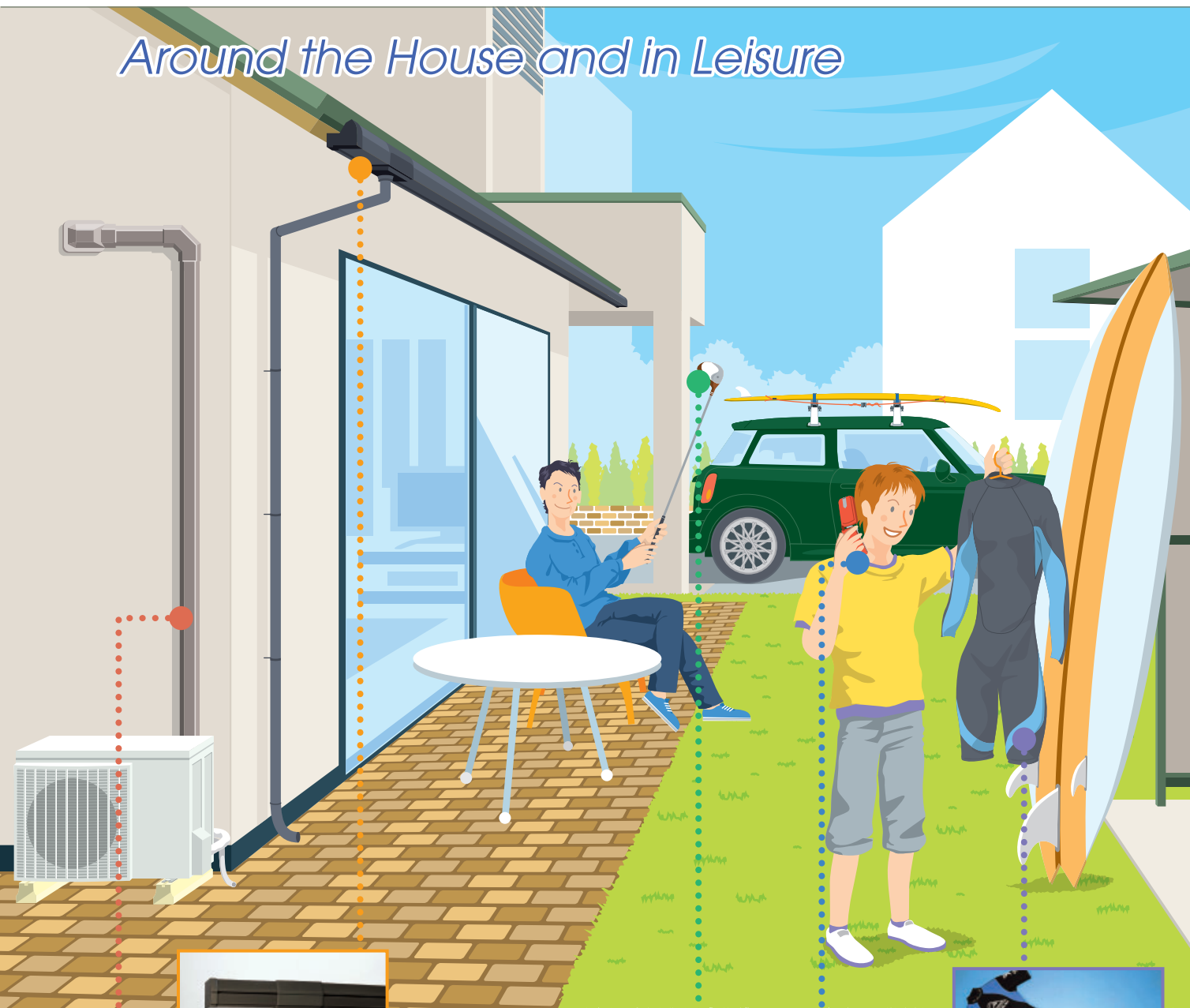


Packaging Film

Calalyan Y (the easy-to-cut film)

Calalyan Y is used for food packaging films, taking advantage of its ease to be easily torn linearly.

Around the House and in Leisure



Rain Gutters

TOYO GUTTERS

"TOYO GUTTERS"—a pioneering product in the area of plastic rain gutters—protects houses, shops, public buildings, etc. from rainwater and harmonizes their outer appearance.



Golf Clubs

"HARDLOC"

"HARDLOC" is an adhesive with excellent impact strength and durability used to assemble golf clubs.



Wetsuits

"DENKA CHLOROPRENE"

The balanced characteristics that have made "DENKA CHLOROPRENE" an ideal material for use in automobile parts also makes it ideal for wetsuits.



Air Conditioner Ducts

WALL DUCT

"WALL DUCT" is decorative piping cover. This product protects piping of air-conditioners and improves the finishes of pipes exposed on the outer wall of houses.



Cellular Phones

"DENKA MALECCA" (heat-resistant ABS resin)

"DENKA MALECCA," heat-resistant ABS resin which has excellent heat and impact resistance, is used in making casings for cellular phones.

Organic Materials Business

Net sales for this business increased ¥18,100 million, or 13.4%, to ¥153,627 million.

Shipments of styrene-monomers declined as scheduled shutdown maintenance resulted in lower production. After revising upwards, however, domestic and overseas prices to compensate for higher raw material prices, net sales increased. Net sales of polystyrene resin at Denka Singapore Private Limited (DSPL), a subsidiary, rose following an increase in production capacity. Sales volumes for AS resin and versatile ABS resin declined.

Sales volumes of functional resins increased on higher domestic results boosted by sales volumes for transparent resins used for optical lenses and game equipment, and better overseas results helped by the second-half start-up of new facilities at DSPL. The domestic sales volume of "CLEAREN," a special resin, rose primarily as use of shrink film on plastic bottles increased. Sales volume of acetic acid declined, but, with increases in both sales volumes and prices for vinyl acetate and polyvinyl alcohol (POVAL), net sales for these products increased.

Net sales of chloroprene rubber rose due to an increase in export sales volume, mostly for applications in automobile-related products and adhesives, and higher sales prices. The sales volume for "ER," a special synthetic rubber highly resistant to heat and oil, grew for applications including automobile hoses. Also, acetylene black, mainly DSPL's high-grade type, increased in sales volume.

Inorganic Materials Business

Net sales for this business increased ¥79 million, or 0.2%, to ¥49,636 million.

Net sales of calcium cyanamide and other fertilizers declined due to the negative impact of a long spell of rainy weather. Sales of calcium carbide approximated the previous year's result, but net sales of alumina cement increased with higher sales volume. Net sales of "DENKA ALCEN" crystalline alumina short fiber increased due to higher export sales volumes for furnaces used to make electronic parts and for automobile fields.

Net sales of cement and ready-mix concrete recorded both higher sales volumes and net sales due to strong demand for earthquake-recovery work in the Niigata area and for the private construction. Among special cement additives, "DENKA CSA," an expansive agent, saw higher export sales volumes, while "PRETASCON," a non-shrink grouting material, realized steady growth in sales volume for earthquake-resistant reinforcement work. Sales volumes increased for "SPREED," a reinforcing material, and HARDLOC II, an acrylic adhesive, both used for repairing and reinforcing structures.

Electronic Materials Business

Net sales for this business increased ¥4,360 million, or 13.1%, to ¥37,584 million.

Sales volumes increased for thermally

Topics

Consolidation in the Food Packaging Sheet Business

Polystyrene sheet is used to package a wide variety of products including dairy products and lunch boxes because it offers excellent properties in terms of moldability and its resistance to heat and shock. To consolidate and strengthen its polystyrene sheet operations, the Company merged with Idemitsu Unitec Co., Ltd., a wholly owned subsidiary of Idemitsu Kosan Co, Ltd., and RP Topla Limited, a member of the Asahi Kasei Group, to establish a new company named Cleartec Sheet, Co., Ltd. This new company (Capital: ¥30

million; DENKA ownership ratio: 50%; President: Yasushi Arakawa; Head Office: Chuo-ku, Tokyo) commences operation effective June 1, 2007.

The company covers only sales functions at the beginning, but later we will build up optimal systems for production, R&D, and other functions. While enhancing cost competitiveness in these business operations, we will swiftly respond to customers' needs, utilizing accumulated technical expertise as a manufacturer of polystyrene (PS) resin.



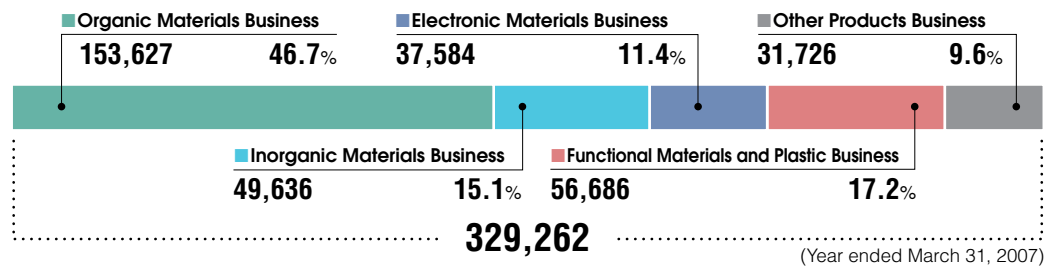
Polystyrene sheet



Dessert and other containers made of polystyrene sheet

Sales by Product Category

(Millions of Yen)



conductive products such as electronic circuit substrates used for IT-related products and electric power modules used for industrial power supplies and electric railways. Sales volumes of “HARDLOC” increased especially as an adhesive for speakers in vehicles. Sales volume of monosilane gas by Denal Silane Co., Ltd. rose, pushing up net sales of this product.

In electronic packaging materials, electronic packaging supplies, including cover-tape film for embossed carrier tapes for transportation of semiconductors, and electronics-parts adhesive tape for securing semiconductors rose on the domestic and overseas sales volumes.

Demand for spherical fused silica filler for semiconductor sealants declined as a result of second-half inventory adjustments. But with steady growth in demand for environmental-conscious products, net sales increased.

Functional Materials and Plastic Business

Net sales for this business as a whole increased ¥663 million, or 1.2%, to ¥56,686 million.

The sales volume of OPS (biaxial oriented polystyrene sheet) increased for use in food packaging.

Lower net sales were recorded for construction materials due to lower sales volumes for plastic rain gutters and corrugated pipes for agricultural and engineering applications.

In industrial materials, “TOYOKALON” synthetic fiber for use in wigs sold in greater volume, but discontinuations of unprofitable products and other factors kept overall net sales at about the same level recorded for the previous year.

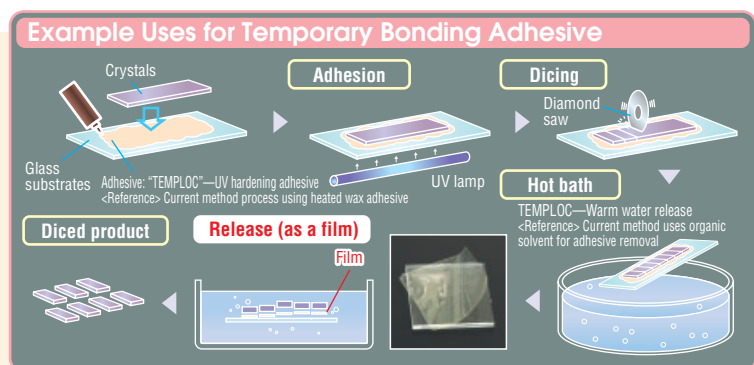
Pharmaceutical products, however, saw increases in sales volume and net sales for “SUVENYL,” a joint function improvement agent (preparation of high molecular weight hyaluronic acid), and greater net sales of an influenza vaccine, a core product of Denka Seiken Co., Ltd.

“TEMPLOC” (temporary bonding adhesive)

When optical and electronics components are subjected to high-precision polishing and dicing, they are temporarily bonded to an equipment plate with wax or some other substance. Heating wax to approximately 150°C for bonding and using organic solvent to remove wax from components after processing have given rise to safety and environmental concerns.

“TEMPLOC” is a temporary bonding adhesive utilizing technology accumulated in the development of “HARDLOC.” It is a groundbreaking product. It rapidly hardens when exposed to ultraviolet light and is easily removed with hot water. Without the adhesion and peeling in the previous process, “TEMPLOC” is superior not only from safety and environmental perspectives but also in terms of quality as it releases as a film, leaving product surfaces clean.

The Company is focusing on boosting sales in the area of temporary bonding materials and is working to develop new applications for the unique characteristics of “TEMPLOC.”



Research and Development

1. Basic Strategy

The DENKA Group focuses on making the most of its specific technologies and on developing highly functional products specialized for related technical areas. Based on research tailored to the needs of particular fields and on a constant awareness of real-world application, it strives to rapidly meet market demands, perform the necessary research and development, and swiftly turn R&D results into products that meet commercial needs.

2. Results for the Fiscal Year under Review

For the fiscal year ended in March 2007, the Group's total R&D expenditure came to 8,338 million yen, and there were 587 research personnel. During the fiscal year, 330 patents were disclosed and 268 patents (including utility patents) were actually registered in Japan.

The year's R&D activities and achievements for each division were as follows:

(1) Organic Materials Business

In this business, R&D's focus has been on unique styrene-based functional resins. Progress was made in advancing production technology, improving quality, and developing new products for materials such as transparent resin, "CLEAREN," and heat-resistant resins. Another focus of attention was bringing up to operational status a new Singapore plant that was built with DENKA technology and will produce polystyrene, transparent resin, and "CLEAREN."

In organic chemicals, production technology was enhanced to expand the chloroprene, "ER," and acetylene black, and planning for additional plant expansions for chloroprene production in particular was undertaken.

(2) Inorganic Materials Business

In special cement additives, the Company focuses on new product development and technology proposals aimed at differentiating itself and meeting private-sector demand. Regarding existing products, the Company

continues to develop new business for expansion material in the construction sector, while, in the area of new products, it is developing markets for concrete materials with high durability and hyper-strength.

For its fertilizers and inorganic chemicals, the Company concentrated on strengthening alumina fibers and on developing new automobile-related products and new products aimed at strengthening the fertilizer business.

(3) Electronic Materials Business

In electronic components, while promoting business for products such as ceramic and metal circuit boards, heat sinks, and thermally conductive sheets and grease, the Company developed new products to strengthen its line of thermally conductive products for LEDs and other applications to meet the market needs. Regarding adhesives, the Company is working to develop new specific-function adhesives that employ UV light curing technology for applications like temporarily securing electronics parts during manufacturing. These products will add to our past accomplishments in developing adhesives for use on acrylic structures and adhesives that cure under UV light.

In functional ceramics, the Company is developing spherical silica, spherical alumina, and other functional fine particles for use in semiconductor sealants and thermally conductive materials, which are in high demand. It is also working on boron nitride (BN) composite products for use in semiconductor manufacturing and other applications.

In electronic packaging materials, the Company is expanding its business by developing new products to meet the market needs, such as tape used in transporting electronics components, and adhesive tape for protecting and fastening semiconductor wafers.

(4) Functional Materials and Processed Products Business

In packaging materials, construction materials, and industrial materials, the Company is working to achieve further business expansion by developing products that suit the market needs. These products include ones that are based on film/sheet manufacturing technology, profile extrusion technology, and adhesive application technology, and apply the Company's styrene materials.

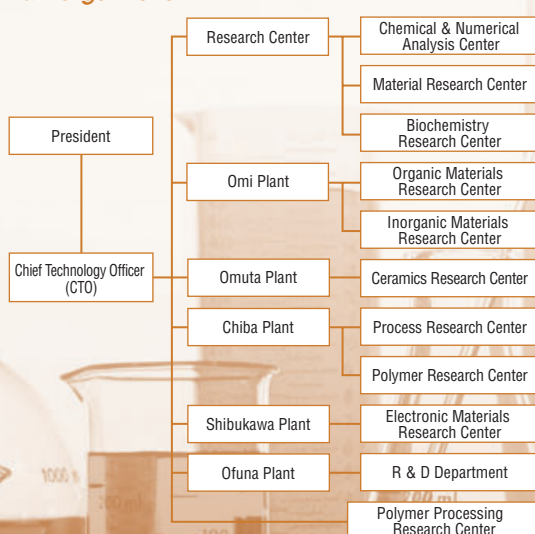
In pharmaceutical products, the Company is making efforts to advance R&D aimed at expanding its market share in fermented hyaluronic acid as a joint function improvement agent, and to develop new applications that take advantage of the properties of hyaluronic acid.

Denka Seiken Co., Ltd. is pushing forward with the development of high quality human vaccines and reagents for the detection of bacteria and viruses and clinical diagnostic reagents, etc.

(5) Other Business

Denka Engineering Co., Ltd., which is engaged in the design and installation of industrial equipment, has been performing R&D on technology for efficient pneumatic transfer equipment powders, and on wastewater treatment facilities.

R&D Organization



Measures for Environmental Issues

The corporate philosophy underlying DENKA100 is to 'create assets from resources through the use of advanced technology.' Whether in regard to inorganic materials, organic materials, or products related to electronics materials the Company is fully committed to manufacturing and contributes to society through the development and supply of a broad range of chemical products.

Chemical substances have potential risks to human health and the global environment. So, we have the responsibilities of minimizing those risks in pursuing our business activities. With an emphasis on strict compliance as the backbone of our management, we operate and audit not only our legal compliance but also various management systems by establishing our own standards in all stages from raw material procurement manufacturing, research and development, and distribution to use, final consumption and disposal. We also work for maintenance and improvement of product environment and safety.

In particular, we launched the secondary medium-term environmental plan with more aggressive objectives from fiscal 2005, focusing on our main targets of "reducing emissions of chemical substances," "promoting energy saving," and "reducing waste" — steadily pursuing our RC (Responsible Care) activities.

Reports on environmental activities and the targets for fiscal 2006, are as follows.

Reducing emissions of chemical substances

In fiscal 2006, our emissions of chemical substances designated by the PRTR* Law decreased by only 5%, compared to the target of a year-on-year reduction by 35%, because of a delay in raw material conversion and other factors. For fiscal 2007, we aim to achieve the fiscal 2006 target and reduce emissions by 30%.

*PRTR: Pollutant Release and Transfer Register

Promotion of energy-saving measures

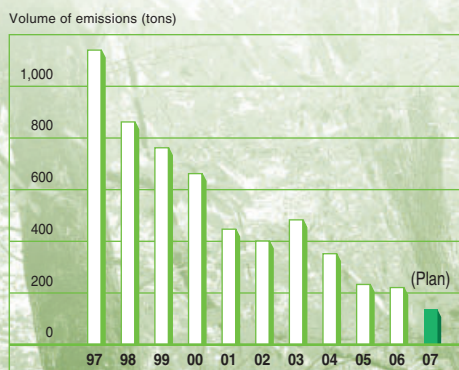
In fiscal 2006, production fell by 1%, while our total energy consumption decreased by 2%. Efficient

operation and management of equipment, together with the promotion of energy-saving measures, resulted in 1% improvement in our unit energy consumption.

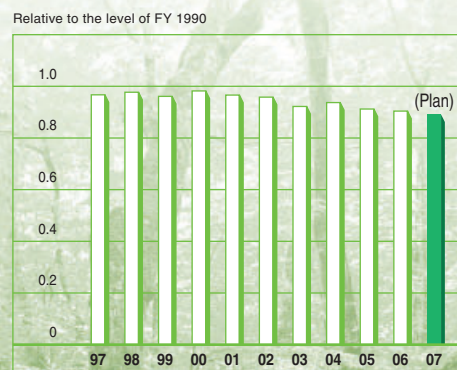
Reduction of waste

Process improvements at each plant resulted in higher collection and recycling rates, and the quantity of leftover waste for final disposal in fiscal 2006 declined 20% year-on-year.

Emissions of chemical substances under the PRTR Law



Unit energy consumption



Global Operations

Excellent products with global competitiveness

The DENKA Group offers a wide variety of products that excel in global competitiveness. Prime examples include chloroprene rubber (75% of which is exported), spherical type fused silica filler (which has a global market share exceeding 50%), and acetylene black. The DENKA Group, working from the basic principle of pursuing product manufacturing that is appreciated throughout the world, is developing a global business based on high value-added products born of leading-edge technologies.

Promotion of overseas business development

The DENKA Group has overseas production bases in Singapore and China. It has two companies in Singapore: Denka Singapore Private Limited (DSPL), which produces styrene resin and acetylene black (AB), and Denka Advantech Private Limited (DAPL), which produces fused silica filler. As of 2006, DSPL had doubled its GP-grade styrene capacity to 200,000 tons per year, and completed new facilities capable of producing 60,000 tons per year of MS resin and 40,000 tons per year of SBC resin "CLEAREN." The aggregate 300,000 tons per year production capacity makes DSPL the world's largest single styrene production facility.

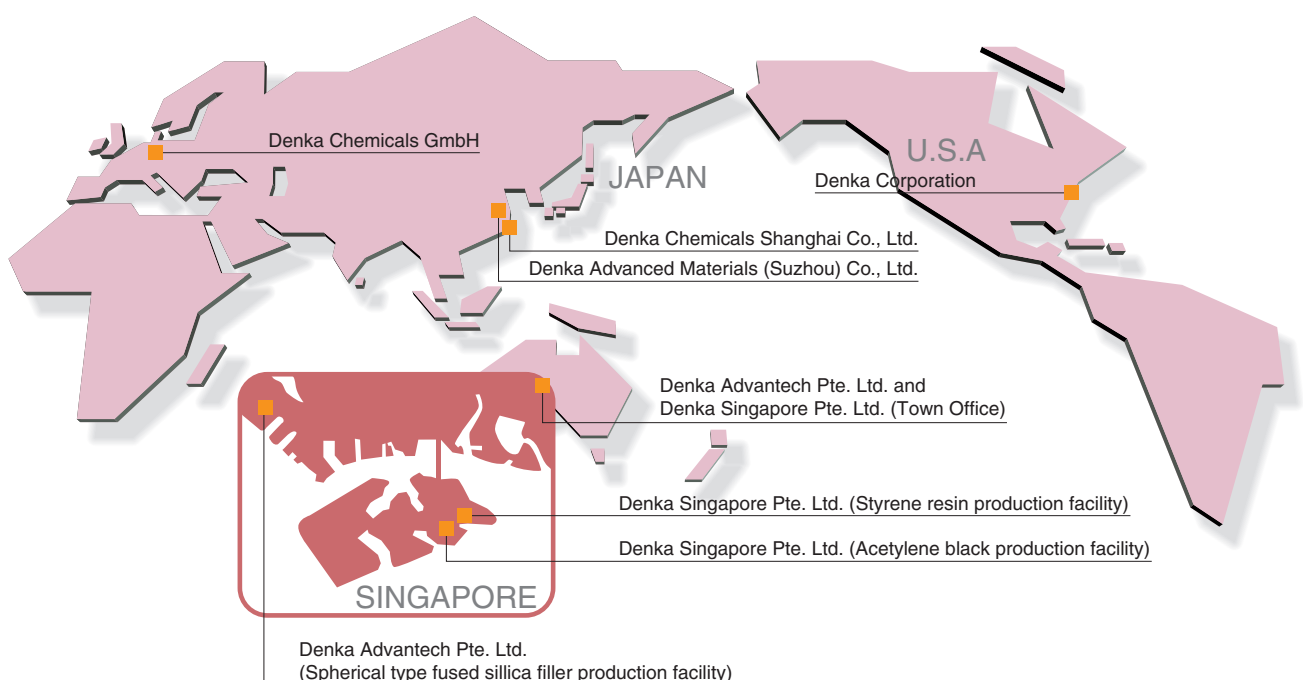
In 2006, the DENKA Group established a slit processing plant for producing electronics packaging materials and other products in Suzhou, China, thereby securing a bridgehead in a growth market.

As for sales bases, the DENKA Group now has four offices in Singapore, Shanghai, Düsseldorf, and New York. European demand for chloroprene rubber, DENKA's main export item, is strong for applications in automobile parts and belts, industrial parts, adhesives, and other products, and the Düsseldorf office, taking advantage of its location, has an annual sales volume of over 10,000 tons in that market.

From Asia to the world

Increased production capacity in Singapore has made global market development for the DENKA Group's transparent resins, shrink films, and other highly rated styrene resins a realistic possibility. Taking advantage of Singapore's location, plans are to move forward, with sales expansion initiatives in North America, Europe, and other markets. In China, the Suzhou plant will be used to develop downstream and South China markets.

Anticipating that overseas sales will account for greater and greater percentages of our total sales, we will work to enhance and strengthen our overseas bases.



Five-year Summary

Denki Kagaku Kogyo Kabushiki Kaisha and Consolidated Subsidiaries

Although this financial section was prepared based on our 148th Business Reports, some of the parts are inconsistent with our conventional annual reports.

	2007	2006	2005	2004	2003
		Millions of yen			
Net sales	¥ 329,262	¥ 307,923	¥ 280,033	¥ 251,116	¥ 243,824
Gross profit	79,261	75,177	74,190	69,792	66,625
Operating income	29,877	26,069	25,585	21,451	18,017
Ordinary profit	26,006	23,913	21,897	17,610	12,608
Net income (loss)	15,734	15,365	13,587	10,554	4,773
Total assets	365,301	349,689	328,248	315,742	313,560
Total liabilities	200,657	198,069	192,084	195,699	206,791
Interest-bearing debt	90,140	91,006	101,066	120,448	140,006
Total net assets*	164,643	146,148	130,715	114,964	102,105
Cash dividends	3,929	3,440	3,441	2,895	2,825
		Yen			
Net income (loss) per share	32.03	31.08	27.70	21.70	9.99
Shareholders' equity per share	323.81	297.23	265.71	238.13	211.45
		%			
Shareholders' equity ratio	43.52	41.79	39.82	36.41	32.56
ROE	10.31	11.10	11.06	9.72	4.89
ROA	7.27	7.05	6.80	5.60	3.96
Employees	4,696	4,739	4,747	4,831	4,860

*2003-2006: Exclusive minority interests.

Operating Results

The Japanese economy continued on a path of recovery during the year under review by the growth of capital investments by corporations in line with improvements in corporate earnings as well as moderate increase in personal consumption. Uncertainties about the future of the economy remained; however, due to stubbornly high crude oil prices and concerns about possible interest rate hikes.

In the chemical industry, both domestic and overseas demands expanded in general, but hikes in crude oil and naphtha prices and rise in raw material costs have been remained as concerns about corporate earnings.

DENKA Group strove to expand its business and secure profits despite the prevailing economy. As a result, the Group achieved on consolidated basis total net sales of ¥329,262 million, an increase of ¥21,339 million, or 6.9%, from the previous year.

As for earnings, while we strove to offset the impact of a steep rise in raw material prices with product price adjustments, we focused on expanding sales volume and lowering production costs to make up

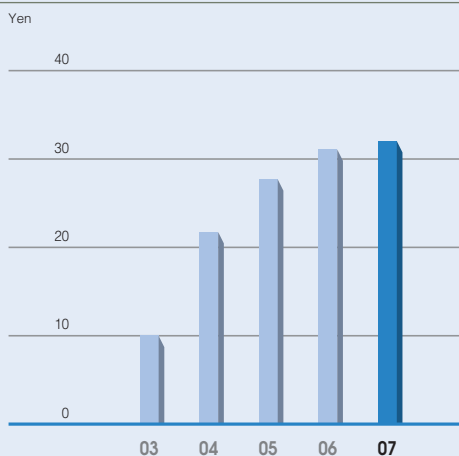
for a delay in adjusting overseas prices for some downstream products and styrene resin. Consequently, operating income rose ¥3,807 million, or 14.6% from a year earlier, to ¥29,877 million. The operating income ratio increased 0.6 percentage points, to 9.1%. With regard to non-operating income, investment profit declined in line with deterioration of financial position at equity-method subsidiaries, however, ordinary income increased by ¥2,093 million, or 8.8% year-on-year, to ¥26,006 million. Net income was ¥15,734 million, a year-on-year increase of ¥368 million, or 2.4%.

Financial Position

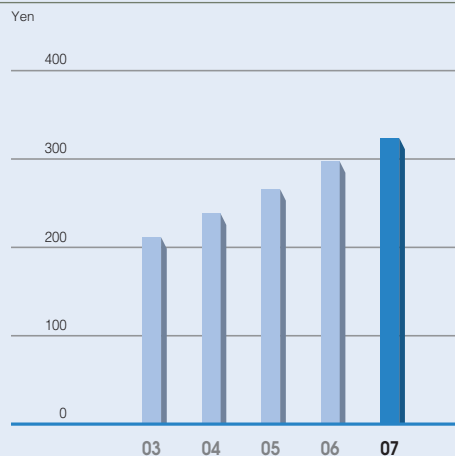
Total assets at the end of the year under review were ¥365,301 million, up ¥15,612 million from the previous year, while current assets were ¥126,446 million, an increase of ¥5,763 million from the previous year resulting from increase in inventories due to higher raw material prices.

Non-current assets increased by ¥9,848 million from year earlier, to ¥238,854 million. These results are mainly attributed to an increase in property, plant and equipment by aggressive capital investment, and an increase in investment

Net Income per Share



Shareholders' Equity per Share



securities driven by improved profitability at equity-method subsidiaries and a more favorable stock market.

Total liabilities were ¥200,657 million, an increase of ¥2,588 million compared to the end of the previous fiscal year, mainly because of an increase in payables due to the rise in raw material prices. Interest-bearing debt fell ¥867 million, to ¥90,140 million, reducing the ratio of total debts to total assets by 1.3 percentage points, to 24.7%.

Net assets, including minority interest, rose by ¥13,023 million from the end of the previous fiscal year, to ¥164,643 million, because of an increase in retained earnings and other factors. The shareholders' equity ratio improved to 43.5%, from 41.8% at the end of the previous fiscal year, and shareholders' equity per share rose to ¥323.81, from ¥297.23 a year earlier.

Cash Flows

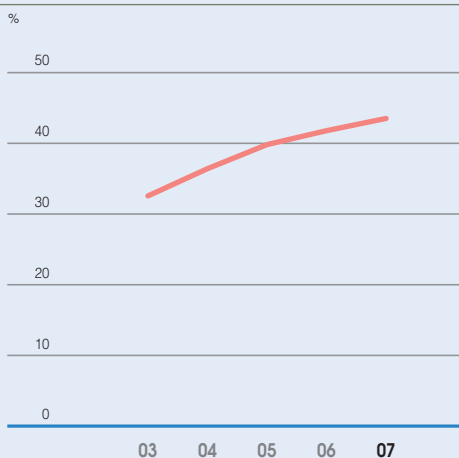
Net cash provided by operating activities during the year under review totaled ¥25,064 million, a decrease of ¥4,388 million from a year earlier, due to an increase in inventories increased by soaring raw material prices and higher corporate taxes.

Net cash used in investing activities amounted to ¥22,057 million, an increase of ¥4,512 million from a year earlier, as a result of aggressive capital investment for projects such as construction of production facilities for the special resin "CLEAREN" and transparent resin at DSPL, and the expansion of production capacity for super macromolecular polystyrene "MW."

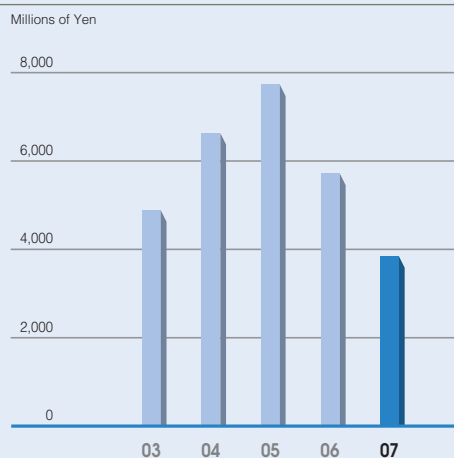
Net cash used in financing activities included ¥3,614 million in cash dividends and ¥1,059 million in repayments of interest-bearing debt in an ongoing drive to bolster the Company's financial position.

As a result, cash and cash equivalents at the end of the year under review came to ¥3,841 million, down ¥1,869 million from a year earlier.

Shareholders' Equity Ratio



Cash and Cash Equivalents at the End of the Year



Consolidated Financial Statements (Summary)

Denki Kagaku Kogyo Kabushiki Kaisha and Consolidated Subsidiaries

Consolidated Balance Sheets

Millions of Yen

March 31	2007	2006
ASSETS		
Current assets	¥ 126,446	¥ 120,683
Cash and time deposit	3,879	5,755
Notes and accounts receivable, trade	66,937	66,280
Inventories	44,555	40,681
Other current assets	11,285	8,225
Allowance for doubtful accounts	(211)	(259)
Non-current assets	238,854	229,005
Property, plant and equipment	184,456	176,682
Intangible fixed assets	2,901	3,170
Investment securities	46,394	44,155
Other	5,355	5,257
Allowance for doubtful accounts	(252)	(260)
Total assets	365,301	349,689
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	150,914	137,923
Notes and accounts payable, trade	58,325	45,344
Short-term bank loans	45,553	43,976
Commercial paper	2,000	4,000
Current portion of long-term debt	10,000	—
Other current liabilities	35,035	44,602
Long-term liabilities	49,743	60,145
Corporate bond	20,000	30,000
Long-term debt	12,585	13,029
Other long-term liabilities	17,157	17,116
Total liabilities	200,657	198,069
Minority interest in consolidated subsidiaries	—	5,472
Shareholders' equity		
Common stock	—	36,998
Capital surplus	—	41,551
Retained earnings	—	48,666
Other	—	18,931
Total shareholders' equity	—	146,148
Total liabilities and shareholders' equity	—	¥ 349,689
NET ASSETS		
Shareholders' equity	138,885	—
Common stock	36,998	—
Capital surplus	41,563	—
Retained earnings	60,855	—
Treasury stock, at cost	(533)	—
Valuation and translation adjustments	20,103	—
Minority interests	5,654	—
Total net assets	164,643	—
Total liabilities and net assets	¥ 365,301	—

Consolidated Statements of Income

Millions of Yen

For the Years Ended March 31	2007	2006
Net sales	¥ 329,262	¥ 307,923
Cost of sales	250,001	232,745
Selling, general and administrative expenses	49,383	49,107
Operating income	29,877	26,069
Non-operating income	2,524	2,885
Non-operating expense	6,395	5,041
Ordinary Profit	26,006	23,913
Extraordinary gains	—	4,101
Extraordinary losses	—	4,998
Income before income taxes	26,006	23,016
Current	9,705	8,932
Deferred	205	(1,474)
Minority interest in earnings of consolidated subsidiaries	361	192
Net income	¥ 15,734	¥ 15,365

Consolidated Statements of Cash Flows

Millions of Yen

For the Years Ended March 31	2007	2006
Net cash provided by operating activities	¥ 25,064	¥ 29,452
Net cash used in investing activities	(22,057)	(17,545)
Net cash used in financing activities	(4,877)	(13,956)
Effect of exchange rate changes on cash and cash equivalents	19	35
Net increase (decrease) in cash and cash equivalents at the beginning of the year	5,710	7,724
Increase of cash and cash equivalents resulting from inclusion and exclusion of subsidiaries from consolidation	(17)	—
Cash and cash equivalents at the end of the year	¥ 3,841	¥ 5,710

Consolidated Statements of Shareholders' Equity

Millions of Yen

For the Years Ended March 31	Shareholders' equity				Valuation and translation adjustments				Minority interests	Total net assets	
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Unrealized gain on securities	Gains (Losses) on deferred hedge	Foreign currency translation adjustments			Total valuation and translation adjustments
Balance at March 31, 2006	¥ 36,998	¥ 41,551	¥ 48,666	¥ (317)	¥ 126,898	¥ 11,064	¥ 8,596	¥ (412)	¥ 19,249	¥ 5,472	¥ 151,620
Changes of items during the term											
Dividends from retained earnings			(3,439)		(3,439)						(3,439)
Bonus to directors and corporate auditors			(93)		(93)						(93)
Net income			15,734		15,734						15,734
Net increase in treasury stock				(248)	(248)						(248)
Gain on sales of treasury stock		12		33	45						45
Decrease in retained earnings due to decrease in consolidated subsidiaries			(12)		(12)						(12)
Net changes of items other than shareholders' equity						338		515	854	182	1,037
Total changes of items during the term	—	12	12,189	(215)	11,986	338	—	515	854	182	13,023
Balance at March 31, 2007	¥ 36,998	¥ 41,563	¥ 60,855	¥ (533)	¥ 138,885	¥ 11,403	¥ 8,596	¥ 103	¥ 20,103	¥ 5,654	¥ 164,643

Corporate Data/Board of Directors

Corporate Data

(As of March 31, 2007)

Established

May 1, 1915

Paid-in Capital

¥36,998 million

Number of Employees

4,696 (Consolidated)

2,635 (Non-Consolidated)

Directory

Head Office —

Nihonbashi Mitsui Tower, 1-1,

Nihonbashi-Muromachi 2-chome, Chuo-ku

Tokyo 103-8338, JAPAN

Main telephone: +81-3-5290-5055

Main facsimile: +81-3-5290-5059

URL: <http://www.denka.co.jp/>

Branches & Sales Offices —

Osaka, Nagoya, Fukuoka, Niigata, Toyama, Sapporo,

Sendai, Nagano, Takasaki, Shizuoka, Hiroshima,

Takamatsu, Akita, Ageo

Reserch Center —

Machida (Tokyo)

Production Facilities —

Omi (Niigata), Omuta (Fukuoka), Chiba,

Shibukawa (Gunma), Ofuna (Kanagawa),

Denka Kako Co., Ltd. (Gunma)

Overseas Subsidiaries

Denka Corporation

780 Third Avenue, 32nd Floor

New York, NY 10017, U.S.A.

Telephone: +1-212-688-8700

Facsimile: +1-212-688-8727

E-mail: info@denkany.com

Denka Chemicals GmbH

Wehrhahn-Center Cantadorstr, 3

D-40211 Düsseldorf, F.R. Germany

Telephone: +49-211-130990

Facsimile: +49-211-329942

E-mail: info@denkagermany.de

Denka Singapore Pte. Ltd.

Denka Advantech Pte. Ltd.

Hong Leong Building, 16 Raffles Quay

#18-03, Singapore 048581

Telephone: +65-6224-1305

Facsimile: +65-6224-3840

E-mail: tomomichi-takahashi@denka.co.jp

Denka Chemicals Shanghai Co., Ltd.

Room 3308, New Hongqiao Center Building No:83

Loushanguan Rd., Chang Ning Area, Shanghai

China 200336

Telephone: +86-21-6236-9090

Facsimile: +86-21-6236-8770

E-mail: k-ishizuka@denka.com.cn

Denka Advanced Materials (Suzhou) Co., Ltd.

Unit 9B, Modern Industrial Square, No. 333

Xingpu Road, Suzhou Industrial Park, Suzhou

China 215126

Telephone: +86-512-6287-1088

Facsimile: +86-512-6287-1066

E-mail: ttsushima@denka.com.cn

Board of Directors and Corporate Auditors

(As of June 28, 2007)

Chairman

Toshio Hiruma

President

Seiki Kawabata

Senior Managing Directors

Higashi Ito

Yoshiaki Mikami

Managing Director

Koji Minai

Directors

Takashi Toratani

Shigetoshi Toyooka

Tetsuro Maeda

Senior Executive Officers

Hiromitsu Niigaki

Nobuyoshi Sakuma

Kuniaki Taketomi

Hitoshi Watanabe

Kenichi Ono

Shinsuke Yoshitaka

Mamoru Hoshi

Takashi Fukuda

Executive Officers

Akira Kobayashi

Haruo Kimura

Hideo Oishi

Tatsuhiko Aoyagi

Mitsukuni Ayabe

Standing Corporate Auditors

Yukinori Totake

Takayasu Tanaka

Corporate Auditors

Kenichi Tsuchigame

Kozo Tanaka

Shareholder Information

Shareholder Information

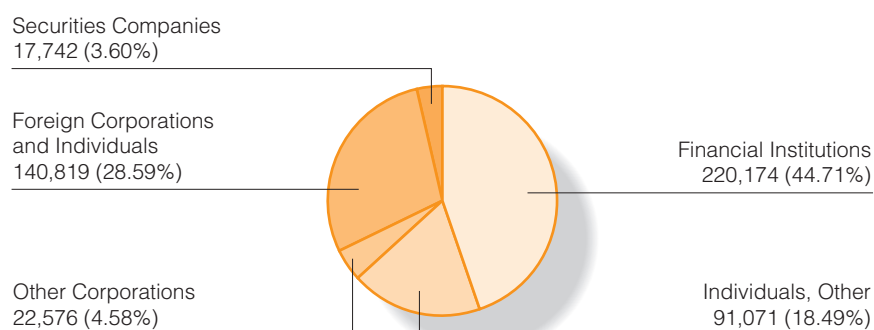
(As of March 31, 2007)

Total Number of Authorized Shares	1,584,070,000
Shares of Common Stock Issued	492,384,440
Number of Shareholders	45,511

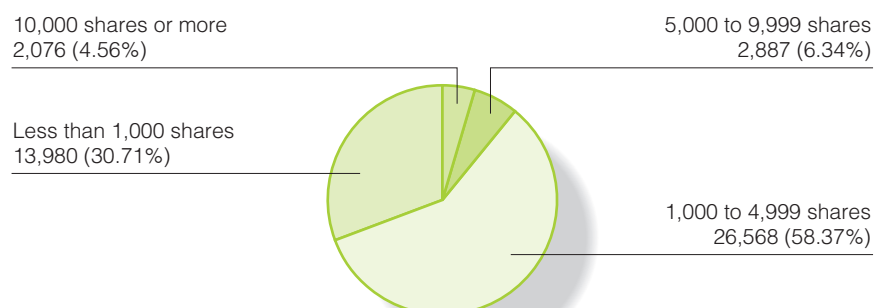
Major Shareholders

	Number of shares held (thousands)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	49,021	9.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	37,285	7.57
National Mutual Insurance Federation of Agricultural Cooperatives	21,893	4.44
Japan Trustee Services Bank, Ltd. (Trust Account 4)	17,300	3.51
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	15,275	3.10
Mitsui Mutual Life Insurance, Co.	11,908	2.41
The Sumitomo Trust & Banking Co., Ltd. (Trust Account B)	10,951	2.22
State Street Bank and Trust Company 505103	9,964	2.02
Nomura Securities Co., Ltd.	8,394	1.70
Mitsui Sumitomo Insurance Co., Ltd.	6,295	1.27

Distribution of Shares by Type of Shareholder (Thousand shares)



Distribution of Shares by Number of Shares Held (Persons)



DENKA

DENKI KAGAKU KOGYO KABUSHIKI KAISHA

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

<http://www.denka.co.jp/eng/top.htm>