



Environmental and Social Report

2012

Technologies to pass our global environment down to future generations.



**Our
company
motto**

Contributing to the nation and society through industry.

**Our
company
credo**

Quality First / Cost Reduction / R&D Efforts

The Spirit Enshrined in Our Company Credo

1. To Embody the Dai-ichi Kogyo Spirit, Put Quality First into Practice
We believe the key to continuing growth for our company is to earn and maintain the trust of customers within the field of specialty chemicals. Each of our employees must pay constant and profound attention not only to product quality, but also to product evaluation by consumers.
2. To Embody the Dai-ichi Kogyo Spirit, Try to Pursue Cost Reduction Opportunities
Conditions necessary for the best production in terms of quality and quantity include reducing production costs through cost reduction, increasing production values, and taking advantage of declining market prices. Each of our employees must discharge their duties in a way that allows them to use their own ingenuity and creativity to achieve highly efficient results on both a spiritual and technological basis.
3. To Embody the Dai-ichi Kogyo Spirit, Always Maintain R&D Efforts
Both Quality First and Cost Reduction are the fruits of R&D Efforts. R&D Efforts is the motive power for all our activities. We must be committed to sustaining our R&D Efforts while enlightening ourselves with this concept.

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Environmental and Social Report 2012: Editorial Policy

Dai-ichi Kogyo Seiyaku has published the "Environment & Safety Report" annually since 2003, and delivered the report about RC (Responsible Care) activities that focus on environmental, safety, and health efforts. In 2008 we added new content on our social activities to the previous contents on our environmental, safety, and health efforts, and renamed the report "Environmental and Social Report." Since then we have continued to improve our involvement in society.

This report aims to explain to our stakeholders the efforts taken by Dai-ichi Kogyo Seiyaku on environmental and social activities, and promote our communication. We always keep in mind that we should do our best to disclose lucid and comprehensive reports in a sincere manner.

Since 2010 we have posted our reports in English on our website.

A Summary of Dai-ichi Kogyo Seiyaku's Environmental and Social Report

Organizations Covered by this Report

Dai-ichi Kogyo Seiyaku

Head Office, Laboratory, Tokyo Branch, Osaka Branch, Nagoya Branch, Kyushu Branch, Yokkaichi Branch, Ohgata Branch, and Shiga Branch

National Affiliates

Gembu Co., Ltd.; Dai-ichi Kenkou Co., Ltd.;
Dai-ichi Clean Chemical Inc.;

(the above three companies are located within the premises of Dai-ichi Kogyo Seiyaku) and Elexcel Corporation.

Yokkaichi Chemical Co., Ltd.

In the description related to our performance, we use the following definition and distinguish between "Dai-ichi Kogyo Seiyaku" and "Dai-ichi Kogyo Seiyaku Group."

Dai-ichi Kogyo Seiyaku: Dai-ichi Kogyo Seiyaku and national affiliates located within the premises of Dai-ichi Kogyo Seiyaku

Dai-ichi Kogyo Seiyaku Group: Dai-ichi Kogyo Seiyaku and all national affiliates

Period Covered by this Report

Essentially, this report contains our activities and data for fiscal year 2011 (from April 1, 2011 to March 31, 2012).

The data on Industrial Accident Severity Rate (ASR) and Industrial Accident Frequency Rate (AFR) were obtained from January to December 2011. Note that this report in part contains descriptions after April 2012.

Reference Guidelines

"Environmental Reporting Guideline 2007"/"Environmental Accounting Guideline 2005" from the Ministry of the Environment

"Environmental Accounting Guideline for Chemical Industries (November 2003)" from the Japan Chemical Industry Association (JCIA)



Message from the President

Implement the approach to "chemistry to respond to people's needs,"
and contribute to the realization of a sustainable society through our business practices.

In 2011 we confronted various incidents which would affect the future of globalized corporate activities, such as the natural disaster of the Great East Japan Earthquake and floods in Thailand, concerns about shortage of electricity, increase of resource costs, and anxiety about deceleration of the global economy resulting from European debt problems. It has been a year that reminded us of the starting point of "company."

Our corporation group, belonging to the chemical industry that has a key role in product innovation, pays close attention to the expanding sales of the core product business, as well as focusing on exploiting a new market and developing new materials in the growing field. Through the above approaches, we intend to walk the paths of continuation and progress, which is regarded as our mission, while interpreting global trends. "Getting ahead of the times as a leading chemical manufacturer that offers industrial chemicals," through accomplishment of this management vision, we hope to create common values with society through our business activities and enhance the value of our company based on our company motto of "Contributing to the nation and society through industry."

Now, once again, we enhance our awareness of changes and proceed towards expansion of our business accompanied by earnings.

The medium-term management plan "Change 100 Plan" started in 2009, the year of the 100th anniversary of the company's foundation. Our corporate group ended Stage I of the plan and started Stage II in April this year. Not all the assignments of the three-year plan, with the aim of converting the corporate culture, were completed, but we almost accomplished our desired purpose. Based on the earnings structure built in Stage I, we take over the policy of "changes," meaning full-scale of essential changes, and have set our minds on 100% revolution, which leads us to set



the goal of Stage II – Expansion Accompanied by Earnings. The following goals have been raised as our management policies: (1) Expanding into the peripheral fields (2) Replenishing and revitalizing the production bases in Japan (3) Speeding up creation of new businesses (4) Pursuing cost minimization (5) Enhancing management and fostering human resources (6) Strengthening overseas operations Pursuing our business opportunities in changes of the relationship between the mature societies of advanced countries and developing societies of emerging countries, we continue to implement the approach to "chemistry to respond to people's needs," and devote ourselves to accomplish our goals without fail.

We contribute to the actualization of a sustainable society by expanding the surroundings of core business.

Our corporate group has been placing emphasis on five core business segments: surfactants, amenity materials, polyurethane materials, functional materials, and electronic device materials. To date, we have continued to offer specialty chemicals to meet our customers' needs.

If we set our sights on environmentally friendly product development as well as purification maintenance of the global environment, and conversion fields to recyclable or natural energy, and promote to expand the surrounding areas of our business based on solutions of our own development ability and technology, we believe we could contribute a great deal towards the realization of a sustainable society.

Continuous Efforts on RC (Responsible Care) activities

Since joining the Japan Responsible Care (RC) Council (JRCC) in 1998, Dai-ichi Kogyo Seiyaku has been aggressively promoting RC activities.

For example, we have been making efforts on the reduction of CO₂ emissions, promotion of energy savings, reduction of environmental impacts, process safety and Disaster Prevention, occupational safety, CSR activities such as lecture delivery, and promotion of Dialogue with Society and society. In order to gain a reputation for higher reliability from society through approaches to global environmental problems, chemical substance control, and dialogue, we believe that our continuous efforts on independent RC (Responsible Care) activities are important.

Management to Enhance Further Thoroughness of Compliance

We establish the corporate ethics charter and declare that each of our employees will not only observe all legal regulations and international rules, but also obey the spirit thereof and behave in a socially sensible manner. During the corporate ethics monthly campaign in October, we conducted various events and educational activities with the aim of improving our awareness of compliance. We will continue transparent and healthy management in order for the company to continue being trusted by all stakeholders and with a high entity, as well as in order to continue as a company where individual employees conduct fair and healthy business activities as members of society, and devote efforts to enhance the compliance system.

We encourage you to look over this summary of our activities ended March in 2011 titled "Environmental and Social Report 2012." We hope this report will help you to deepen your understanding of our company. We would appreciate and welcome your candid opinion and review.

Sincerely yours,

September, 2012

OYANAGI Masatoshi, Ph.D.
President



Making Efforts on Environmental and Social Activities

Our company has been actively making efforts on environmental and social activities since the company's establishment. We received a commendation from outside organizations, and our activities have attained high reputation.

Company Overview

Overview

Company Name: Dai-ichi Kogyo Seiyaku Co., Ltd.
 Head Office: 5 Ogawara-cho, Kisshoin, Minami-ku, Kyoto, Japan
 Date Business Started: April 1909
 Date Established: August 1918
 Representative: OYANAGI Masatoshi, Ph.D. (President)
 Capital: 7.1 billion and 41.7 million yen*
 Number of Employees: 995 persons (consolidated)*
 533 persons (non-consolidated)*
 (*as of the end of March 2012)

Domestic Branches

Dai-ichi Kogyo Seiyaku Co., Ltd.

Head Office, Laboratory (in Kyoto Branch)
 Main Branch Tokyo Branch
 Osaka Branch Nagoya Branch
 Kyushu Branch Yokkaichi Branch
 Ohgata Branch Shiga Branch

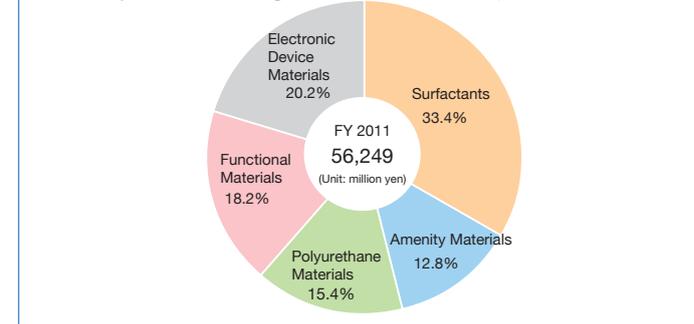
Affiliates

Domestic: 9 companies
 Overseas: 8 companies
 Total: 17 companies

Business Segments & Main Products

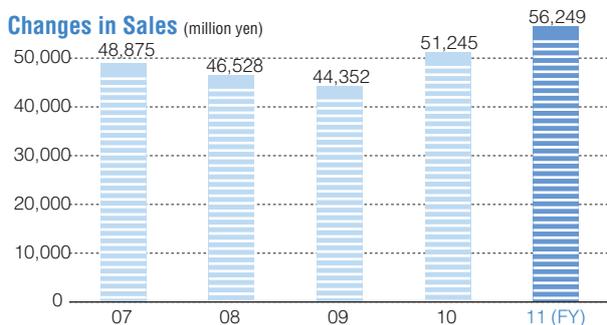
Business Segments	Main Products
Surfactants	Non-ionic surfactant, anionic surfactant, cationic surfactant, amphoteric surfactant
Amenity Materials	Sucrose fatty acid esters, cellulose type polymer, vinyl type polymer, acrylic acid type polymer
Polyurethane Materials	Polyether polyol, urethane prepolymer, urethane system
Functional Materials	Materials used for radcure resins, water-borne urethane resin, flame retardants, amide-type lubricant
Electronic Device Materials	Conductive paste for electronic components, injection molding pellets, functional inorganic materials

Sales by Business Segment (Consolidated)

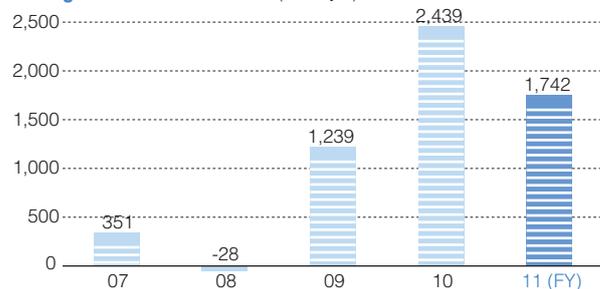


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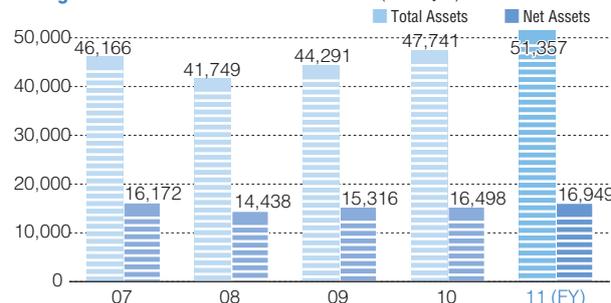
Changes in Sales (million yen)



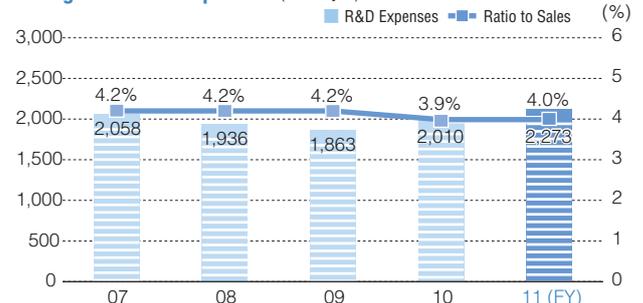
Changes in Current Profits (million yen)



Changes in Total Assets & Net Assets (million yen)



Changes in R&D Expenses (million yen)



Business of Dai-ichi Kogyo Seiyaku and History of Environmental and Social Activities

	Business of Dai-ichi Kogyo Seiyaku	Environmental and Social Activities	Situations in Japan and Abroad
1900	<ul style="list-style-type: none"> '09 Founded in Ohno Kungyokudo Co., Ltd. '10 Launched the Cocoon Reeling Agent '18 Established Dai-ichi Kogyo Seiyaku Co., Ltd. 	<ul style="list-style-type: none"> '18 Established our company motto and company credo 	<ul style="list-style-type: none"> '05 The Russo-Japanese War begins '10 The Japan-Korea Annexation Treaty is signed '14 The World War I begins '20 The League of Nations is established '23 The Great Kanto earthquake
1925	<ul style="list-style-type: none"> '34 Launched higher alcohol detergent "DKS300" (renamed MONOGEN in '37) '38 Newly constructed Yokkaichi Plant '49 Launched CMC "CELLOGEN" 	<ul style="list-style-type: none"> '31 Published the first newsletter '36 Introduced the weekly holiday system '47 Made presentations at the Kyoto Commerce and Industry Exhibition in commemoration of implementation of the new constitution 	<ul style="list-style-type: none"> '28 The Japan Chamber of Commerce and Industry is established '31 The Manchurian Incident begins '39 The World War II begins '43 The Japan Stock Exchange is launched '47 The Japanese Constitution is enacted, The Labor Standards Act is announced officially
1950	<ul style="list-style-type: none"> '59 Established Yokkaichi Chemical Co., Ltd. '60 Newly constructed Ohgata Plant. '69 Established Nippon Levulose Co., Ltd. '70 Launched the sucrose fatty acid ester "DK ESTER" '73 Established Gembu Co., Ltd. 	<ul style="list-style-type: none"> '53 Published "MONOGEN Story" '54 Joined the 1st world surfactant congress and business convention '66 Household synthetic detergents were completely converted to LAS (soft type) '68 Published "CELLOGEN Story" '72 Established "Pollution Prevention Rules"  	<ul style="list-style-type: none"> '51 The Japan Oil Chemists' Society (JOCS) is established '55 The Japan Oil & Fat Industry '59 The Ise Bay Typhoon '64 The Tokyo Olympic, The Tokaido Shinkansen (bullet train) goes into operation '70 14 bills related to the pollution prevention are passed '73 The first oil shock
1975	<ul style="list-style-type: none"> '75 Launched the industrial refresher "AIR CHEM" '78 Acquired capital in Chin Yee Chemical Industries Co., Ltd. '80 Launched the water-reducing agent for concrete "SELFLOW" '82 Established Dai-ichi Clean Chemical Inc. 	<ul style="list-style-type: none"> '75 Introduced a five-day-week system '83 Introduced chemical fire trucks in our Ohgata Plant '84 Published "SUGAR ESTER Story" 	<ul style="list-style-type: none"> '78 The New Tokyo International Airport opens '79 The "Ordinance relating to the Prevention of Eutrophication in Lake Biwa" is passed in the Shiga prefectural assembly, The United States and China renew diplomatic relations '82 The Tohoku Shinkansen and Joetsu Shinkansen go into operation '85 The world science exposition opens '86 The Equal Employment Opportunity Law is enacted '89 The consumption tax (3%) is introduced The Tokyo stock exchange price reaches the highest (38,915 yen 87 sen)
1985	<ul style="list-style-type: none"> '86 Established Kyoto Elex Co., Ltd. '87 Established K&D Fine Chemical Corporation '88 Established Dai-ichi Ceramo Co., Ltd. '89 Established Dai-ichi Kenkou Co., Ltd. '92 Established Tianjin Dai-ichi Fine Chemicals Co., Ltd. 	<ul style="list-style-type: none"> '89 Introduced the special incentive leave system '94 Established "PL (Product Liability) Prevention Management Rules" 	<ul style="list-style-type: none"> '95 The Great Hanshin-Awaji Earthquake (M7.3) occurs The Product Liability Act (PL Act) is enacted '97 The Kyoto Protocol is adopted in COP3 '98 The Financial Services Agency is launched '99 The Europe's unified currency "Euro" is introduced (among 11 countries)
1995	<ul style="list-style-type: none"> '96 Established PT. Dai-ichi Kimia Raya 	<ul style="list-style-type: none"> '96 Awarded the Ozone Protection Award by the U.S. Environmental Protection Agency '98 Joined the Japan Responsible Care (RC) Council (JRCC) 	<ul style="list-style-type: none"> '01 Government ministries and agencies is reorganized into one office and twelve ministries and agencies The 9.11 terrorist attacks occur in the United States '03 The Tokyo stock exchange price reaches its previous post-bubble low (7,606 yen 88 sen)
2005	<ul style="list-style-type: none"> '01 Merged Dai-ichi Kagaku Kogyo Co., Ltd. and renamed Shiga Plant '02 Established Elexcel Corporation Ltd. and Chin Yee Chemical Technologies Co., Ltd. (Wuxi) '04 Established DKS (Shanghai) International Trading Co., Ltd. 	<ul style="list-style-type: none"> '01 Established "Environmental Protection and Occupational Safety Rules" '02 Acquired ISO14001 authentication in all plants '03 Acquired ISO9001 authentication in all plants '03 Published the 1st Environment & Safety Report '04 Established Code of Corporate Ethics '04 Introduced the cogeneration and solar power generation systems in the Ohgata Branch 	<ul style="list-style-type: none"> '04 The Niigata Chuetsu earthquake occurs (M6.8)
2005	<ul style="list-style-type: none"> '05 Established Shuang YiLi (Tianjin) New Energy Co., Ltd. '06 Constructed a new laboratory in Kisshoin and moved '09 Commemorated the 100th anniversary of the foundation 	<ul style="list-style-type: none"> '05 Established "Declaration of Action for Executives and Employees" '06 Set up the internal audit department '07 Introduced the cogeneration system in the Shiga Branch '08 Achieved no accident record for 3000 days in the Ohgata Branch 	<ul style="list-style-type: none"> '05 The full deposit guarantee is removed, the Private Information Protection Law is enacted '06 The Companies Act and amended Industrial Safety and Health Act are enacted '07 The Niigata Chuetsu earthquake occurs (M6.8) '09 Influenza A (H1N1) breaks out and spreads The Minister of Consumer Affairs is launched
2010	<ul style="list-style-type: none"> '11 Acquired the ownership of Yokkaichi Chemical Company Issue of 100 year anniversary Company History Book 	<ul style="list-style-type: none"> '10 Started approach of lecture delivery '11 Established the Senbon Training Institute 	<ul style="list-style-type: none"> '10 The Shanghai International Expo opens '11 The Great East Japan Earthquake occurs (M9.0) The U.S. dollar currency exchange rate reaches its highest value (75.54 yen)

Main External Commendation and Evaluation (since 2005)

Month, Year	Description for Commendation and Certificate of Appreciation	Awardees	Organizers
05.05	The 29th Japan Chemical Industry Association (JCIA) Wins the "Safety Efforts Award" by the Japan Responsible Care (RC) Council (JRCC)	K&D Fine Chemical Corporation*	Japan Chemical Industry Association (JCIA) Japan Responsible Care (RC) Council (JRCC)
06.02	Wins the "Highest Award" for the 37th oil and fat industry article -The bio-plant concept towards the resource competition period-	TONEGAWA Akimitsu TAKAMURA Naohiro SUGINO Shingo	Oil & Fat Industry Kaikan
07.05	Wins the industrial technology award for the 57th Osaka Industrial Research Association -Establishment and Industrialization of Compound Technology for Powder Injection Molding-	Dai-ichi Ceramo Co., Ltd.*	Osaka Industrial Research Association
07.05	Wins the "Award of the Association for Safety of Hazardous Materials in Kanto Koshinetsu District" in 2007	Ohgata Branch	Kanto Koshinetsu District Association for Safety of Hazardous Materials
07.06	Wins the "Commendation by the Commissioner of the Fire and Disaster Management Agency for a Company with Excellence Related to Hazardous Materials" in 2007	Ohgata Branch	Fire and Disaster Management Agency
07.12	Wins the "Highest Award" for the article competition commemorating the 50th anniversary of establishment of Kyoto Industrial Association (2 articles)	SYOUSU Takeshi NODA Toshiki	Kyoto Industrial Association
08.02	Wins the "Special Award by the Review Board" for the 39th oil and fat industry article -The Green Tourism Business Proposed by the Oil and Fat Industry-	KITAGAWA Takashi ARAI Takamitsu	Oil & Fat Industry Kaikan
09.03	Wins the "Article Special Awards" as group for the 26th Beacon Users' Symposium research presentation	YAMAMOTO Daigo	Beacon Users' Group
11.03	Receives a certificate of appreciation for participation in the "Environmental Study Business for Elementary School Students"	Dai-ichi Kogyo Seiyaku	Kyoto City
11.08	Receives a certificate of appreciation for contribution to development of the Red Cross business	Yokkaichi Branch	Japanese Red Cross Society

* Affiliates



Getting Ahead of the Times of Chemistry

The medium-term management plan "Change 100 Plan" started in the year of the 100th anniversary of the company's foundation. We devote our efforts to converting the corporate culture, and proceeding towards expansion of our business while maintaining our business quality.



Medium-term management plan "Change 100 Plan" Stage II –Expansion Accompanied by Earnings–

Introduction

We ended Stage I of the medium-term management plan "Change 100 Plan" which started in 2009, the year of the 100th anniversary of the company foundation. Not all the assignments of the three-year plan, with the aim of converting the corporate culture, were completed, but we almost accomplished our desired purpose. We issued the 100 year anniversary's company history book,

which made us confident as the 21st century is the time of chemistry. The mission of chemistry is to utilize the limited global resources and develop alternative materials. We think we have entered the period when the true value will be directed to the leading chemical manufacturer that offers industrial chemicals.

Review of Stage I (from April 2009 to March 2012)

During the three years of Stage I, we put our focus on conversion of corporate culture. We increased the awareness of earnings and changed conventional sales attitudes. The introduction of the integrated business division approach served as a base for promoting conversion of corporate culture. We confirmed some changes in promotion of our "Cost-Eco Activities," activities of "visualization" in production departments, and sales profit management in sales departments. Our

intended "change" was finally starting to take shape. Conversion of the corporate culture is producing favorable results, but it has not been completed. There still remain some parts in which conversion has not been settled, and tasks that require more approaches. We will be more aware of and move forward with such themes as "Improvement of management ability and human resource development" and "Development of globalization" during the period of Stage II.

Evaluation of the Change Matrix Measures

FY 2011 (the 3rd year)

- (△) **Development of globalization**
Full-scale expansion in Stage II
- (△) **Review of Human Resource Evaluation System**
Starts training in 2011
- (○) **Reconstruction of the Information System**
Starts operation in 2012
- * **Acquisition of the ownership of Yokkaichi Chemical Co., Ltd.**

FY 2010 (the 2nd year)

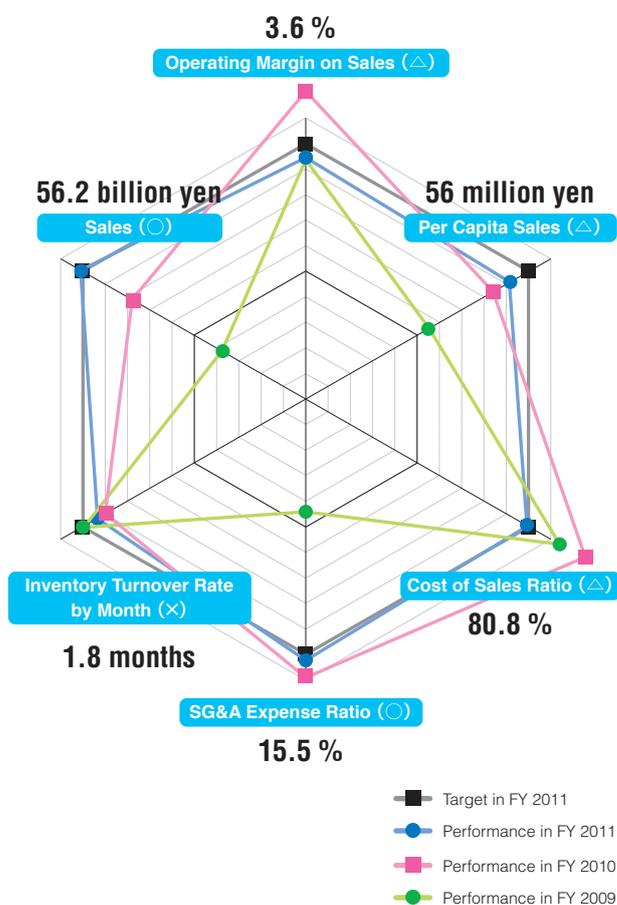
- (○) **Compression of Fixed Cost**
Promotion of cost-eco activities
- (○) **Arrangement of Appropriate Manpower**
Selection and concentration based on the business division
- (△) **Enhancement of Supply Chain Management**
Construction in the information system reconstruction PT
- * **Implementation of public stock offerings**
- * **Introduction of the stock option system**

FY 2009 (the first year)

- (○) **Complete Enforcement of the Integrated Business Division Approach**
Launches completely in 2009
- (○) **Renovation of Personnel Affairs**
Implements renovation of personnel affairs on a company-wide basis
- (○) **Securement of Necessary Funds**
Implements in the tough financial market
- * **Adoption of labor-management joint declaration**

Implementation status of measures initially set for each fiscal year, and Implementation status of management measures to increase the company value (*)

Management Index



Stage II (from April 2012 to March 2015)

1) Management Vision

We "get ahead of the times as a leading chemical manufacturer that offers industrial chemicals," and realize the company motto "Contributing to the nation and society through industry." We take responsibility in product innovation and progress through the age of globalization.

We interpret global trends, and walk the way of continuation and progress according to our company credo of "Quality First, Cost Reduction, R&D Efforts."

In the mature society of advanced countries, we set our sights on purification maintenance of global environment,

and conversion fields to recyclable or natural energy. Looking over the developing society of emerging countries, we pursue our business opportunities under similar geographical conditions as those in China, India, and ASEAN countries that represent the said countries. Based on the solutions of our own development ability and technology, we implement the approach to "chemistry to respond to people's needs," and realize a company image generating from Kyoto, to the world, and to the future.

2) Management Policies

We maintain the quality of business contents we have secured in Stage I, and move forward on expansion of our business.

(1) Expanding into the peripheral fields

We enhance increase of sales by horizontal development and deep digging to expand the peripheral fields of "current products, technology, and customers."

(2) Replenishing and revitalizing the production bases in Japan

We devote our efforts on the securing of and the replenishing of new production bases and build the foundation of expansion and growth.

(3) Speeding up creation of new businesses

We create new business and invest facilities for our future business portfolio.

(4) Pursuing cost minimization

We promote activities on improvement of thorough productivity and new cost minimization.

(5) Enhancing management and fostering human resources

We foster human resources through the DKS Productive Maintenance, and put our efforts on enhancement of management ability in Japan and overseas.

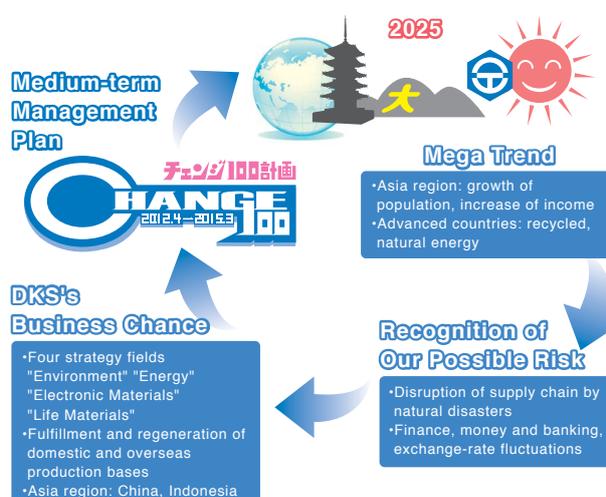
(6) Strengthening overseas operations

We strengthen development and management in China and Asian regions, and have started to new expansion of business.

3) Numerical Targets

	Performance in FY 2011	Target in FY 2014
Consolidated Net Sales	56.2 billion yen	75 billion yen
Consolidated Operating Margin on Sales	3.6 %	8.0 %
Per Capita Sales	56 million yen	70 million yen
Cost of Sales Ratio	80.8 %	78.0 %
SG&A Expense Ratio	15.5 %	14.0 %
Inventory Turnover Rate	1.8 months	1.6 months

Expansion Accompanied by Earnings



We approach the company's progression with the viewpoints of "5W1H plus 1." We execute the points of Why (management vision), What (management policies), When (periodical index), Where (each department), Who (a person in charge), How, and How Much, and make efforts to accomplish our targets.

For the overview of the "Change 100 Plan," please see our company's website (<http://www.dks-web.co.jp>).



Utilized in Various Fields

Our products will aid us in daily life as useful materials and through the members of various products. This section introduces some examples from scenes in everyday society and the environment.

Our Products Useful in Daily Life

1 Surfactant Business

Surfactants, which have played a pivotal role from the starting point of our company, are used in a wide variety of industrial fields, such as rubbers, plastics, colorants, machines/metals, cosmetics/human-life related industries, paper/pulp, fiber, agrochemicals/agricultural materials, civil engineering, and energy-related industries.

- Non-ionic surfactant
- Anionic surfactant
- Cationic surfactant
- Amphoteric surfactant

2 Amenity Material Business

Our amenity material business has been supplying not only various materials used to improve the amenities within our living environment, such as sucrose fatty acid esters, sodium carboxymethyl cellulose, and polyvinylpyrrolidone, but also the peripheral applied technologies. They are widely used in many fields surrounding our daily life including foods, pharmaceuticals and cosmetics, and fishery/livestock industries.

- Sucrose fatty acid ester
- Cellulose type polymer
- Vinyl type polymer
- Acrylic acid type polymer

Silicon wafer detergent
● DK BE-CLEAR CW

Conductive paste for solar cells
● DD-1200C

Rigid polyurethane foam for insulator material
● DK POLYOL

Bed, cushion (Soft or semi-rigid polyurethane foam)
● HIFLEX
● DK FLEX

Primer for optical films (Radcure resins)
● NEW FRONTIER

Flame retardants for plastics
● PYROGUARD

Semiconductor sealant materials
● Allyl glycidyl ethers

Seal material for electric insulation (Gas water heater control units)
● EIMFLEX

Materials for cosmetics (Shampoo, rinse, hair gel)
● NEO-HITENOL
● CATIOGEN ● CREEJUS
● Phenoxyethanol

Food additives
● DK ESTER
● DK FOAMER ● CELLOGEN

Coating material for building material and furniture (Radcure resins)
● NEW FRONTIER



Paint resin for cars
● SUPERFLEX

Epidermis material for car interior
● SUPERFLEX

Hybrid vehicle electric components (Resistant polyurethane resins)
● EIMFLEX

Tire rubber (Emulsion polymerization emulsifier)
● LAVELIN

Car seatbelts
● ELASTRON

3 Polyurethane Business

Because they change themselves from a liquid to a solid state via an appropriate reaction process or process technique, polyurethane resins are used in many industrial materials, such as urethane foam, elastomer, paints, adhesives, artificial leather, civil engineering and building materials, and electrical insulating materials. Our company's polyurethane resins can serve as the raw material for many urethane products.

- Polyether polyol ■ Urethane prepolymer
- Urethane system

4 Functional Material Business

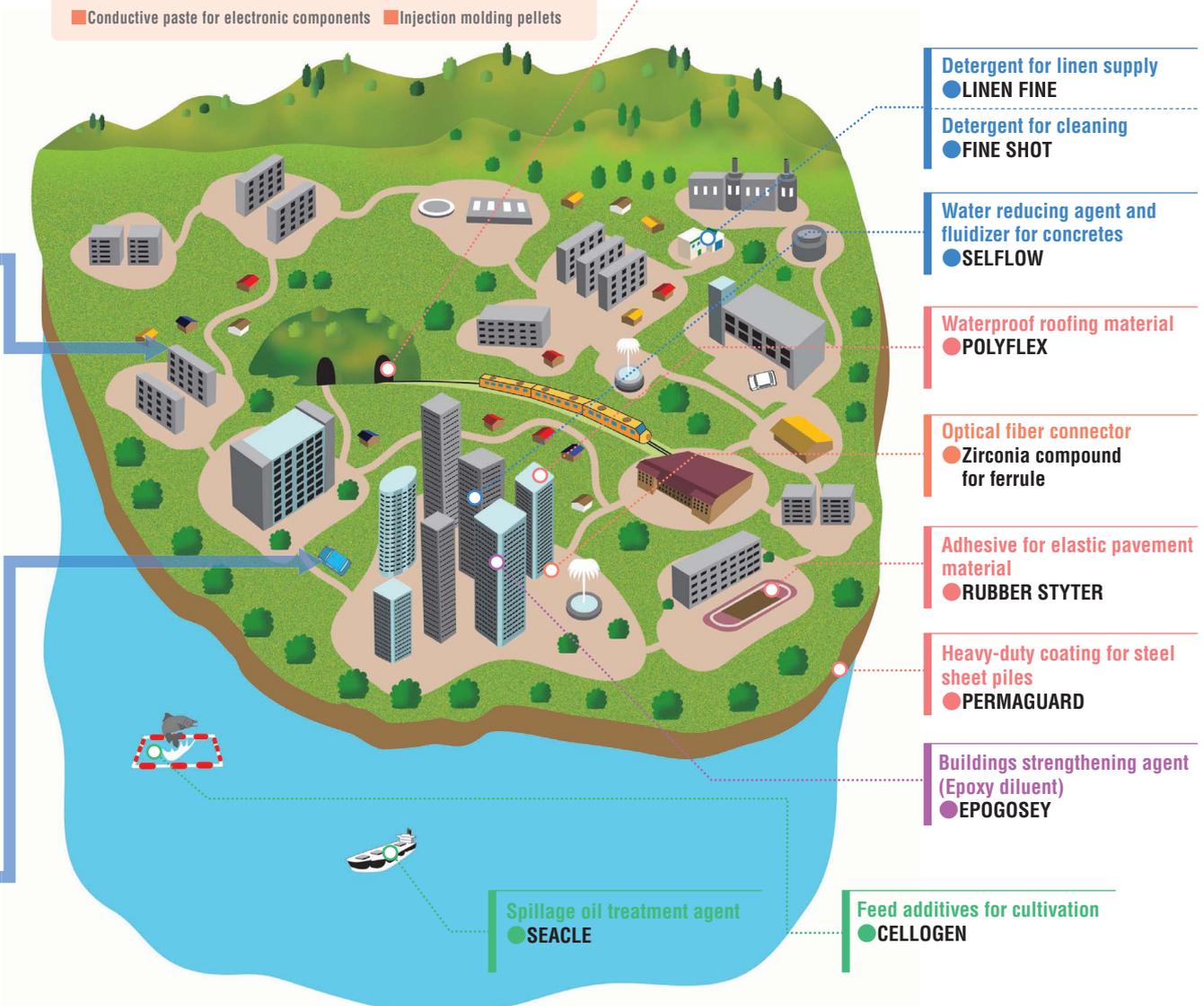
The usage of synthetic resins covers home electronic appliances, residential materials, and other commodities of daily life. Our functional material business has been supplying radcure resins, polyurethane resin water dispersions, flame retardants, and plastic additives, for which the intention is to enhance the performance and added value of synthetic resins and to facilitate environmental improvement.

- Materials used for radcure resin ■ Water-borne urethane resin
- Flame retardants ■ Amide-type lubricant, plastic additives

5 Electronic Device Material Business

Technological innovation in the IT-related field, as symbolized by the popularization of computers and cellular phones, has been constantly spurred on public demand. By drawing on our unique technologies, we have been devoted to developing various types of electronic products, including conductive pastes, ceramic materials, ionic liquids, and lithium cells, and providing support for technological innovation in the field of electronic devices.

- Conductive paste for electronic components ■ Injection molding pellets



- Collapse prevention material for tunnel construction
● GANBAN
- Injection water-stop material
● POLYGROUT

- Detergent for linen supply
● LINEN FINE
- Detergent for cleaning
● FINE SHOT

- Water reducing agent and fluidizer for concretes
● SELFLOW

- Waterproof roofing material
● POLYFLEX

- Optical fiber connector
● Zirconia compound for ferrule

- Adhesive for elastic pavement material
● RUBBER STYTER

- Heavy-duty coating for steel sheet piles
● PERMAGUARD

- Buildings strengthening agent (Epoxy diluent)
● EPOGOSEY

- Spillage oil treatment agent
● SEACLE

- Feed additives for cultivation
● CELLOGEN



Environmentally Friendly Products & Technology

We believe that developing environmentally friendly materials is the mission of an industrial chemical manufacturer. We develop a great number of products using chemical technology know-how accumulated over many years.

Environmentally Friendly Products & Technological Development

Our Products and Technology Development

Responding to environmental requirements including global warming prevention, energy and resource saving, environmental protection, and the prevention of environmental pollution, we are devoted to supplying environmentally friendly and compliant products and developing related technologies.

Environmental Requirements	Functions & Features	Our Product Line & Technology/Application	
Global Warming Prevention	Clean Energy	Development of DSC (dye-sensitized solar cell)	
		Lithium cell	
	Halogen-free type	DD-1200C Series	Conductive paste for solar cells (lead-free)
		DK BE-CLEAR Series	Water-borne detergents
Energy & Resource Saving	Energy Efficiency	DK POLYOL 3000 Series	Materials/insulators for non-CFCs (water-blown type) polyurethane foam
		COLOURSOL CT-171D	Accelerating/leveling agents for polyester
		NEW FRONTIER Series	Solvent-free UV/EB-curable monomers/adhesives, coating agents
	Effective Resource Utilization Extension of Life Span	DK SYSTEM NF Series	Non-CFC rigid urethane foam for insulators
		Anti-solidification agents for slag	
		ELEXCEL IL Series	Ionic liquids/energy device materials
Environmental Protection and Prevention of Environmental Pollution	Environmentally Responsive	EIMFLEX Series	Polyurethane resins for electrical insulation
		NOIGEN TDS Series, NOIGEN XL Series	Nonionic surfactants/emulsifiers, cleaning agents
	VOC* Reduction	SUPERFLEX Series	Polyurethane water dispersions/paints, coating, binders
		ELASTRON/ELASTRON BN Series	Thermal-reactive polyurethane water dispersions, binders, adhesives
		COLORCOAT Series	Solvent-free urethane paints
	Reduction of Environmental Impacts	NEW FRONTIER Series	Solvent-free UV/EB-curable monomers/adhesives, coating agents
	Removal of Contaminants	AQUALON KH Series	Polymerizable surfactants/emulsifiers for emulsion polymerization
SEACLE N-800		Spillage oil treatment agents	
	DEOPELLET Series	Foul odor gas absorbents for absorption towers	

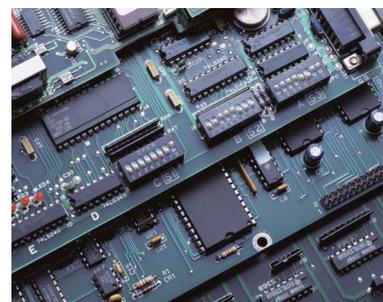
* VOC: Volatile Organic Compounds

Products Meeting Environmental Requirements

Thin-film Coating Protects Electronic Components, Such as Wiring Substrates, and Sensors

Environmentally Responsive Water-borne - Liquid Polyurethane Resins/EIMFLEX WF Series

EIMFLEX WF Series provides polyurethane resin water dispersion suitable for the electrical insulation coating by brushing, immersing, and spraying. Because it is water-borne and does not include organic solvents, it is not subject to restrictions of the Fire Defense Law. The film provides favorable adherence properties to flux, strength, humidity resistance, resistance to solvents and medical agents, and insulation properties, and in particular shows the excellent embrittlement properties in the low-temperature range. This Series is suitable for creating moisture-proof insulation seals and waterproofing with various electronic components, such as capacitors, hybrid ICs, sensors, print wiring substrates and transformers.



Succeeded in lead free manufacturing for the first time in the world

Conductive paste for solar cells/DD-1200 Series

We finally succeeded in lead free manufacturing of conductive silver pastes for solar cells, which has been thought to be impossible. Owing to this performance, we lead the world by contributing to manufacture lead-free solar cells, which have been adopted not only in Japan, but in countries around the world.

DD-1200 Series can be converted to solar electric energy more effectively than lead-containing conductive silver pastes for solar cells, as well as responding to the thin line printing (that enables to print 40 microns of thin lines). As a result, it becomes possible to make wirings to transfer electricity generated on the surface of solar cells thinner, and to expand the reception area of solar light, which allows more electric energy to be acquired from solar cells.



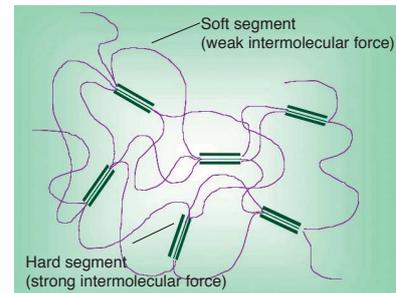
Selected Products

Numerous product lines developed using chemical technology know-how accumulated for long years. We support many types of industries behind the scenes as a industrial chemical manufacturer that offers chemicals and intermediate materials used in industrial processes, and deliver "Products & Technology Friendly to the Environment and People."

Environmentally Friendly Water-borne Polyurethane Resin Dispersion SUPERFLEX Series and ELASTRON Series

Features of Polyurethane Resins

Polyurethane resin is created by the reaction between polyisocyanate and polyol, basically composed of soft and hard segments. The soft segments are the non-crystalline parts, composed mainly of polyol, which provide properties that are less subject to change even if changes occur in flexibility, bend performance, and/or temperature. The hard segments are the crystalline parts mainly composed of polyurethane binding and urea binding, which provide excellent adhesion, toughness, solvent resistance, and heat resistance to base materials. Balancing and blending those opposite properties into polyurethane resins will produce excellent properties that combine flexibility and toughness.



Basic Structure of Polyurethane

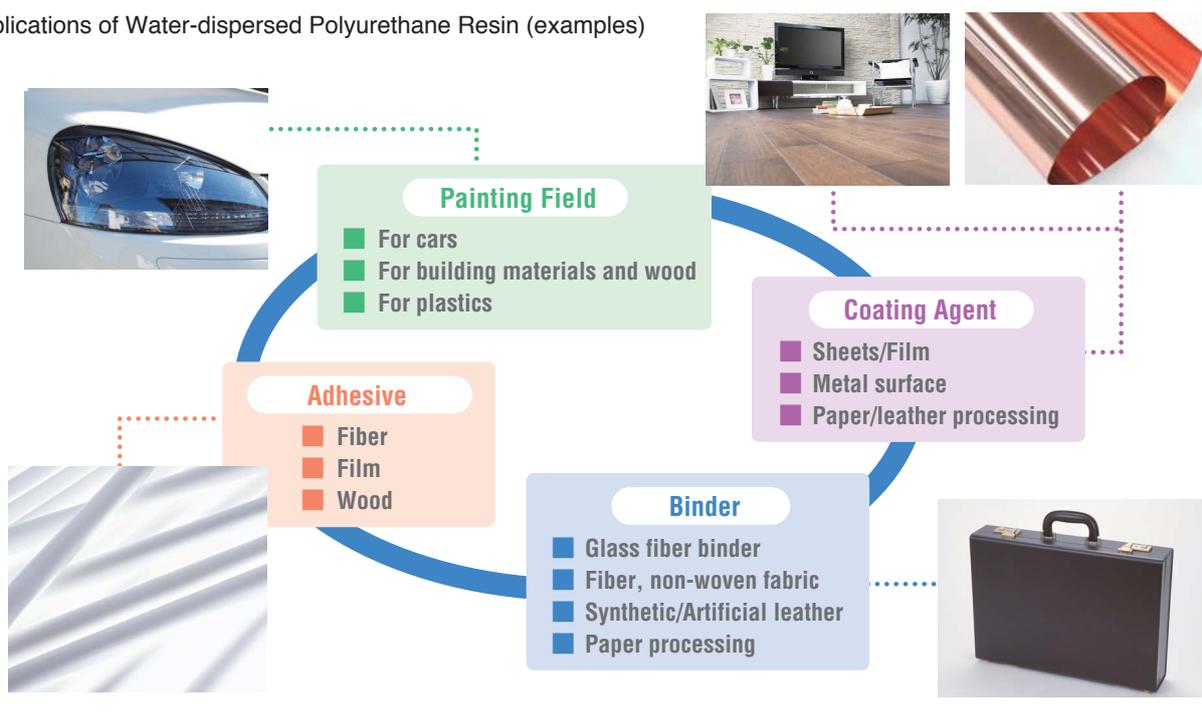
About Water-dispersed Polyurethane Resin

Polyurethane resins are used in many fields, such as for paints, adhesives, a variety of coating agents, as well as binders. Organic solvents, such as toluene and xylene, have been used to dilute polyurethane resin in the past. We make use of our accumulated know-how about the technologies of polyurethane and surface chemistry, and develop products with polyurethane resin particles dispersed in water (**SUPERFLEX** Series and **ELASTRON** Series) in consideration of impacts of organic solvents (VOC*) on the global environment. Water-borne polyurethane resins draw attention as environmentally friendly materials in various applications. We continue to make efforts on technology development to attach advanced functions to them.

* VOC: Volatile Organic Compounds



Applications of Water-dispersed Polyurethane Resin (examples)





Aiming to be a Trusted Company

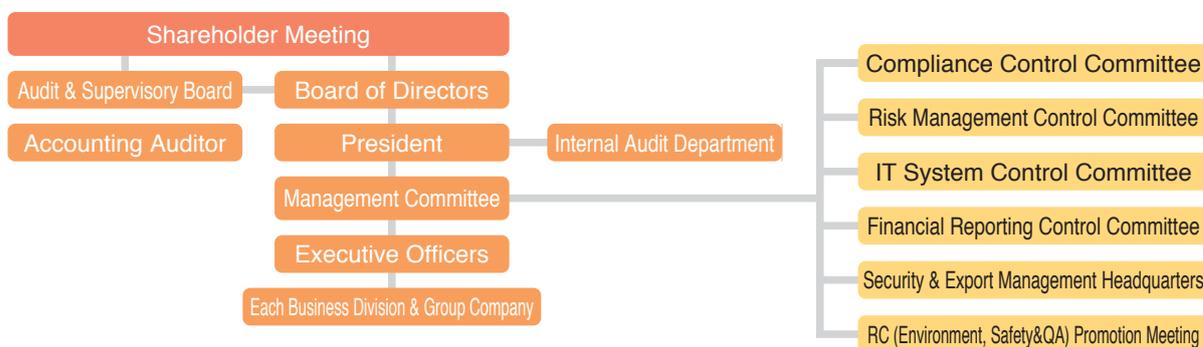
We continue to maintain the corporate governance system in order to attain a level of high confidence from society. We also operate our control systems appropriately so that the company organization is properly managed.

Corporate Governance

The purpose of our corporate governance is to establish a management base that invariably obtains the confidence of society. Our company motto is “contributing to the nation and society through industry.” We believe the key to accomplishing this goal is to practice fair and transparent corporate activities based on corporate social responsibility (CSR) and to gain a high degree of confidence from all

stakeholders including our customers and society. In order to accomplish this commitment, we have constructed and maintained the corporate governance system. We will continue to operate our control systems in an appropriate manner so that our company can create a transparent business structure and can be run in an appropriate manner.

Corporate Governance System (in force as of June 26, 2012)



*Reports on our corporate governance are available on the Tokyo Stock Exchange's website:
<http://www.tse.or.jp/disc/44610/140120120608051758.pdf> (Japanese only)

Compliance

Our company established a Compliance Control Committee in 2004. This committee has been engaged in establishing our own compliance system and performing multiple activities to instill compliance practices within our company. We will continue to enhance further compliance practices.

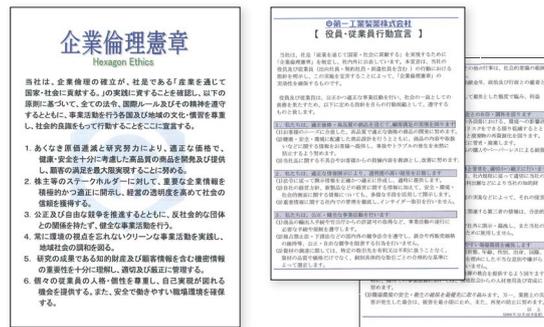
Basic Policy

- Our “Code of Corporate Ethics” was set up in July 2004. This clarified the ethical goal of our company.
- Our “Declaration of Action for Executives and Employees” was set up in December 2005. We specified the code of conduct for executives and employees to substantiate our “Code of Corporate Ethics” and to secure the effectiveness of the code. This “Declaration of Action for Executives and Employees” is also available in card form. The card has been already handed out to all of our board members and employees.

Activities to Instill and Implement Compliance Practices

- The Whistleblower Hotline was set up in 2006. This hotline is a contact point for any employee who has information about (alleged) violations of law and/or wants to report an actual violation of law. Whatever access mode is used (phone, e-mail, postal mail), the Whistleblower Hotline is directly connected to our Compliance Control Committee.
- In order to improve our compliance practices, compliance assessment has been undertaken on a sectoral basis.

- Since 2004, we have been conducting a “Research Questionnaire on Compliance Awareness” once a year, in order to check to what extent the compliance-based management philosophy is instilled in our employees.
- The compliance database has been built using our existing in-house database. It provides knowledge on compliance information and on the related laws. To allow anyone to acquire such knowledge, we have also established an information service database that can offer various kinds of information through quiz-type games.
- We hold periodic in-house seminars and workshops on compliance to improve our employees’ awareness.
- In 2010 we designated every October as the corporate ethics campaign month, and since then have conducted various events and educational activities with the aim of improving our awareness of compliance.



For more information on the “Code of Corporate Ethics” and the “Declaration of Action for Executives and Employees,” please visit our company’s website.

Internal Control

We acknowledge that any enterprise must comply with laws and regulations, fulfill its obligations as a member of society through proper business activities to ensure stakeholders' interests are served, and make a positive contribution to society while gaining the confidence of said society.

In May 2006, the board of directors passed a resolution on "Systems for Ensuring the Proper Operation of the Dai-ichi Kogyo Seiyaku Group." We have been engaged not only in internal control in compliance with Japanese Corporate Law but also in performing periodic reviews of our internal control systems and their maintenance and operation, in order to ensure the credibility of financial reports in accordance with the Financial Instruments and Exchange Law. In addition to having

set up appropriate internal control committees, we have established our Information Security Rules.

Serving as the foundation of our economy and society, IT controls currently play a larger role than they used to. Thus, in order to reduce information system risks such as information leaks, we have developed information security policies and standards for risk measures and have defined procedures for information security practices to ensure the information security of our company.

In recognition of the importance of internal control systems, our Financial Reporting Control Committee and Internal Audit Department play a central role in various internal control matters.

PDCA Cycle of Internal Control Processes for Financial Reporting



Risk Management

The risks companies face have become diversified and complicated, which may result in increased adverse impacts on shareholders. Our company places risk management as an important business challenge. In management meetings, we check and supervise the cross-sectional risk management system throughout the company. We also set up the Risk Management Control Committee consisting of representatives in each branch and department. To address potential and/or evident risks to our business activities, we prepare our Risk Management Procedures, Internal Audit Rules, Product Liability (PL) Prevention & Management Procedures, Information Security

Rules, and Personal Information Management Rules, as well as their corresponding criteria and manuals, which support supervisory departments to promote risk management.

In FY 2011, we reviewed the risk management system, risk management procedures, and the manuals on earthquake countermeasures in each branch. In addition, we prepared the Business Continuity Plan (BCP) concerning earthquake countermeasures in production branches. We will prepare the above plan in the head office and other branches from now. We have created a company-wide version of the "New Influenza Pandemic Business Continuity Plan (BCP).



Aiming for a Society that can Develop in a Sustained Manner

We make efforts to conserve global environment through Responsible Care (RC) activities with the aim of protecting the environment, safety, and health, as well as to establish a circulating society.



Basic Philosophy, Basic Policies, and Corporate Principles for Environmental and Safety Practices

Basic Philosophy

We have adopted the following business philosophy for all our business activities: "By providing quality products to ensure customer satisfaction, we not only strive to be a prosperous company while moving forward with our employees and serving local communities, but also contribute to creating an affluent society." Based on this philosophy, we adopt the following statement as our basic philosophy for environmental and safety practices: "Throughout the entire life cycle of our products, from development to disposal, we pay special attention to both human safety and health and environmental preservation, as well as contributing to sustainable development and the realization of our goal for an affluent society."

Basic Policies

- (1) Throughout the entire life of our products, from development to disposal, we evaluate and reduce each product's load on the environment and do our best to ensure the protection of the environment.
- (2) We maintain no-accident and no-disaster operations to ensure safety for the employees and the residents of the surrounding areas.
- (3) We ensure the safety of raw materials and interim and final products, and prevent any health disorders of everyone concerned, such as employees, carriers, customers, and general consumers.
- (4) We not only obey relevant laws and regulations, but also actively and constantly examine and improve the environment and safety through self-management.

Corporate Principles

- (1) We evaluate the effects of our business activities on the environment and human safety and, further, set and periodically review our environmental targets/goals and safety targets to ensure continuing improvement of both our environmental protection activities and occupational safety and health activities.
- (2) We obey any laws, regulations, and agreements related to both the environment and occupational safety and health issues to ensure coexistence with our local communities.
- (3) To reduce environmental impacts, we are devoted to performing all of our business activities in such a manner as to achieve resource and energy conservation, promotion of waste reduction and recycling, and improvement of occupational safety and protection of health.
- (4) When developing our products and technologies, we are devoted to providing safe products while paying special attention to environmental and safety matters, and fully understanding the extent to which the product will impact the environment.
- (5) We make our best efforts to help all of our employees to fully understand the environmental and safety policies and to improve their environmental and safety awareness by implementing environmental and safety training and workplace communication activities. For this purpose, we ask our affiliate companies for their continued understanding and support.

What Does It Mean?

Responsible Care (RC) Activities

Responsible Care (RC) activities refer to activities voluntarily conducted by the respective companies handling chemical substances to ensure environment, safety, and health improvements. We also promote dialog and communication with the public by making the results of such activities publicly available throughout the entire process, from the development of a chemical substance to manufacturing, distribution, use, final consumption, and disposal/recycling.

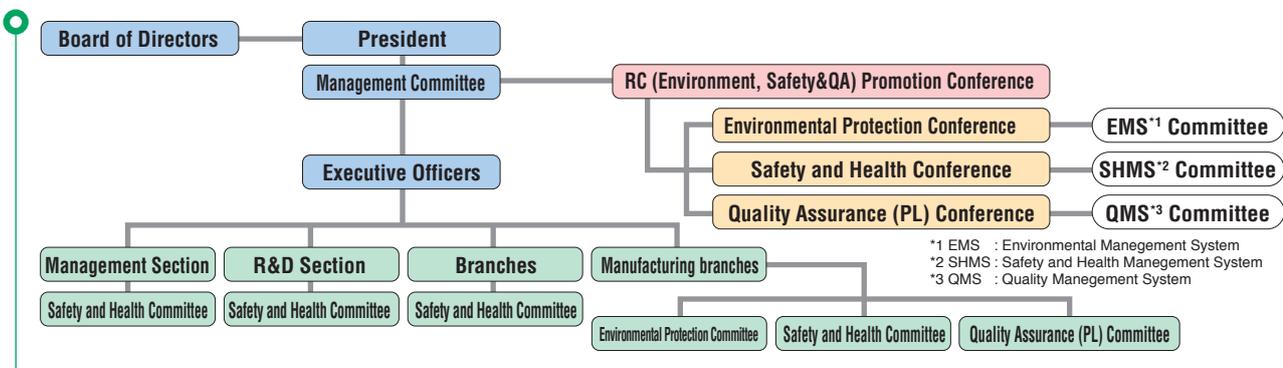


Responsible Care

RC Promotion System

We have established an RC (Environment, Safety & Quality Assurance) Promotion Conference with our president as its chairman. At the conference, we deliberate on and decide agenda items based on our Basic Philosophy, Basic Policies, and Corporate Principles for Environmental and Safety Practices. In order to effectively promote our RC activities, we have established three different conferences – the Environmental Protection Conference, Safety and Health Conference, and QA (PL) Conference – composed of branch managers and the heads of relevant departments and sections, and chaired by the person in charge of Environment, Safety & QA. At these conferences, our company-wide targets and implementation plans and their results are deliberated on. We have also established, as a sub-organization of our

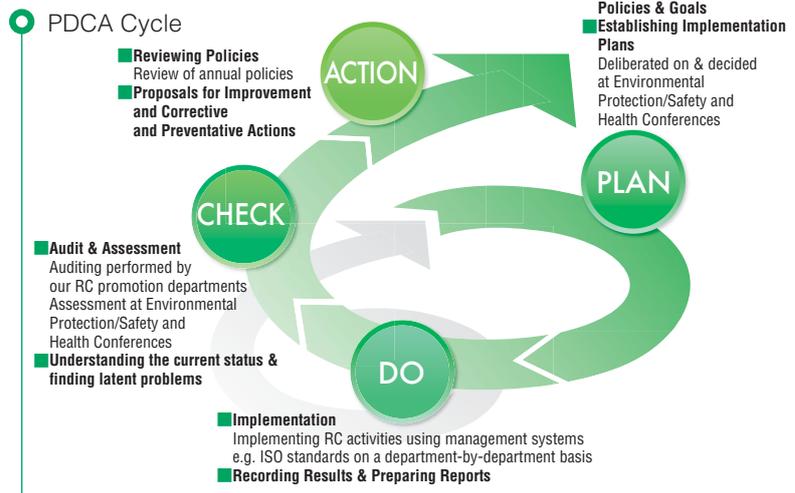
conferences, three company-wide committees – the EMS Committee, SHMS Committee, and QMS Committee – as well as three committees in each of our manufacturing branches – the Environmental Protection Committee, Safety and Health Committee, and QA (PL) Committee. The conferences have been held periodically to formulate implementation plans for RC targets (related to energy saving, waste reduction, and proper control of chemical substances), to manage the progress of these plans, and to summarize obtained results. In addition to establishing Safety and Health Committees in our manufacturing branches, we have provided them in other branches and departments as well. These committees are chaired by the heads of the related departments and sections to promote positive safety and health practices.



Management System

Promotion and management of our company's RC activities, which are based on the company's Environmental Protection and Safety and Health Management Regulations, have been implemented to achieve continuing improvement of our RC practices by executing a PDCA cycle.

In addition, as part of their RC activities, all manufacturing branches of our company are ISO 14001 and ISO 9001 accredited, both of which are international environment and quality management system standards. By utilizing ISO standards as a tool, we are committed to not only enhancing performance based on environmental impact but also to improving the safety of our products.



ISO 14001 & ISO 9001 Accreditation Status

Our Departments	ISO 14001 ^{*1}		ISO 9001 ^{*2}	
	Date of Accreditation	Registration Number	Date of Accreditation	Registration Number
Yokkaichi Branch	June 2002	JCQA-E-0391	January 2000	JCQA-0619
Ohgata Branch	July 2002	JCQA-E-0397		
Shiga Branch	March 2002	JCQA-E-0354		
Production Control Div.				
Business Administration Div.				
Research Depts.				

^{*1} After passing the third renewal audit, our plants (Yokkaichi, Ohgata, and Shiga) completed the second maintenance audit during the period from March to July 2012.

^{*2} All of our departments completed the fourth renewal audit in November 2011.

ISO14001 Certificates





Improving Activities Towards the Targets

We set up the specified activity targets each fiscal year, and conduct the Responsible Care (RC) activities as such. We also continue to launch investment in environmental-related systems and improve activities in this fiscal year.



Executive Officer/Division Manager of the Production Control Division (in charge of Environment, Safety & QA)
MURAKAMI Osamu

The Responsible Care (RC) activities are promoted by the global chemical industry under voluntary management. Responsible Care commits companies to conduct environmental and safety measurements over the entire life cycle, from the development of chemical substances to their disposal, through processes of manufacture, distribution, usage, and final consumption, as well as to improve their performance.

We joined the Japan Responsible Care Committee (at that time) in 1998, and since then have strongly promoted RC activities which focus on environmental protection, process safety and disaster prevention, occupational safety and health, distribution safety, chemicals and product safety, and Dialogue with society for improving the level of our activities.

As major approaches to environmental protection in FY 2011, we reduced carbon dioxide emissions through energy conversion to natural gas from heavy oil for the boiler fuel at the Yokkaichi Branch. In addition, we introduced the heat recovery system, reviewed the operating hours of devices, and installed boiler steam pressure regulators to implement energy

efficiency, and promoted recycling of waste.

Related to process safety and disaster prevention, we organized periodical emergency and evacuation drills to prepare for accidents, introduced the safety confirmation system for the company in general, and created the BCP concerning earthquake countermeasures. As for approaches to occupational safety and health, we extracted and corrected unsafe places and operations based on safety patrols with the goal of zero accidents resulting in absence from work. In addition, we conducted risk assessment activities, experience-based safety education, and safety countermeasures through correction and verification of the events that occurred in the past. Also, as for approaches to health management, we held mental health seminars, and made efforts to realize the complete implementation of regular health checks and reexamination.

We intend to improve our performance continuously through these RC activities and achieve our corporate social responsibilities (CSR) to gain the social confidence.

Targets and Performance (Dai-ichi Kogyo Seiyaku Group)

Targets and Performance in FY 2011

Evaluation ◎: Significant results, ○: Results according to targets, △: Targets remain unachieved

Target Items	Management Items	Targets in RC Activities	Performance in FY 2011	Evaluation
Promoting energy saving	Energy consumption per unit	1% reduction compared to FY 2010	2.6% worse compared to FY 2010	△
Reducing GHG emissions	CO ₂ ^{*1}	23% reduction compared to FY 2005 on average from FY 2008 to FY 2012	22.9% reduction compared to FY 2005 on average from FY 2008 to FY 2011	○
Reducing industrial waste	Waste generation per unit	1% improvement compared to FY 2010	1.3% improved compared to FY 2010	○
	Recycling rate	Promoting recycling	11.2% improved compared to the previous year in recycling rate	○
	Final disposal amount	80% reduction of final disposal amount in FY 2015 compared to FY 2000 1% or less of the final disposal amount to waste amount in FY 2015	67.4% reduced compared to FY 2000 in the final disposal amount 2.8% of the final disposal amount to waste amount	△
Reducing emissions of environmental impact substances	SO _x emissions	Emission/discharge control of environmental pollutants in the air	50% reduced compared to FY 2010	◎
	NO _x emissions		11% increased compared to FY 2010	△
	Dust	Emission/discharge control of environmental pollutants in water	38% increased compared to FY 2010	△
	COD		0.6% reduced compared to FY 2010	○
	Water discharge	8.5% reduced compared to FY 2010	◎	
Proper management of chemical substances	PRTR Law-designated substances	Emission reduction of PRTR Law-designated substances	2.9% reduced compared to FY 2010	○
Promoting green procurement		Promoting green procurement ratio of office supplies	2% reduced compared to the previous year in the green procurement ratio	△
Eliminating disasters/accidents		No occupational accidents (days away from work)	Two cases occurred	△
		Eliminating severe accidents associated with production facilities	No accidents occurred	○
Environmental management system		Promoting environmental management system	Maintained	○

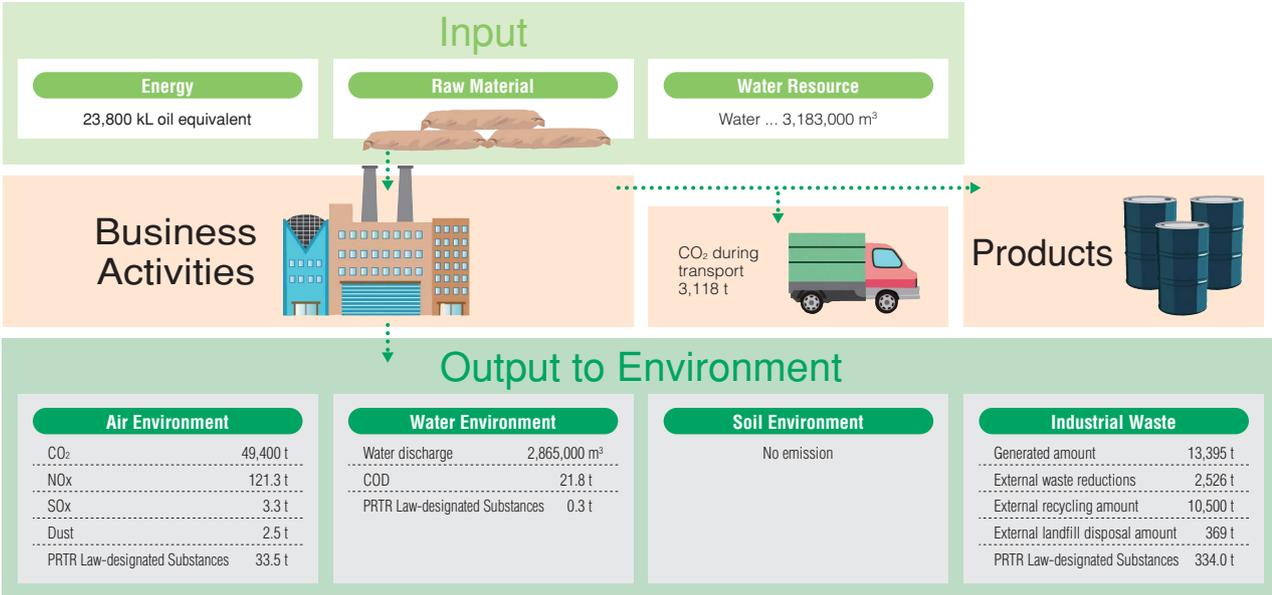
*1 Derived from energy in production and management sectors.

Targets and Performance in FY 2012

Target Items	Management Items	Targets and Performance in FY 2012
Promoting energy saving	Energy consumption per unit	1% reduction compared to FY 2011
Reducing GHG emissions	CO ₂ ^{*1}	23% reduction compared to FY 2005 on average from FY 2008 to FY 2012
Reducing industrial waste	Waste generation per unit	1% improvement compared to FY 2011
	Recycling rate	Promoting recycling
	Final disposal amount	80% reduction compared to FY 2000 in FY 2015, and 1% or less of the final disposal amount to waste amount
Reducing emissions of environmental impact substances	SO _x emissions	Emission/discharge control of environmental pollutants in the air
	NO _x emissions	
	Dust	Emission/discharge control of environmental pollutants in water
	COD	
	Water discharge	
Proper management of chemical substances	PRTR Law-designated substances	Emission reduction of PRTR Law-designated substances
Promoting green procurement		Promoting green procurement ratio of office supplies
Eliminating disasters/accidents		No occupational accidents (days away from work)
		Eliminating severe accidents associated with production facilities
Environmental management system		Promoting environmental management system

*1 Derived from energy in production and management sectors.

Environmental Impact Accompanied with Business Activities



Environmental Accounting (Dai-ichi Kogyo Seiyaku Group)

In FY 2011, investment for environmental-related systems was spent mainly for pollution control, promotion of energy conservation, and recycling of wastes. Environmental-related costs increased in the fields of energy efficiency and waste

recycling. The economic benefits herein include profits on the actual sales of valuable resources and the amount of cost savings and are not based on estimated economic benefits.

Investment and Costs of Environmental Protection Activities

Environmental Protection Cost (yen in millions)			
Category	Main Activity	Investment	Costs
Costs within the plant premises	Pollution control Air pollution control, water pollution control	100.4	319.1
	Global environment protection Energy saving	34.0	162.1
	Resource recycling Resource saving, waste treatment/disposal	16.8	320.7
Upstream/downstream cost	Lowering environmental impact in containers/packaging	0.7	7.9
Management activity cost	ISO acquisition/completing surveillance audit, greening each plant	3.8	47.8
R&D cost	Environmentally-conscious R&D	0.0	465.8
Social activity cost	Providing support grants for environmental protection to environmental protection groups or local communities	0.2	3.4
Environmental damage cost		0.0	0.0
Total		155.9	1326.8

Economic Effects Generated by Environmental Protection Measures

Items	Economic Effects (yen in millions)	Remarks
Profit on sale of valuable resources	2.2	Profit on sale of metal scrap, waste oil, and waste alkali, etc.
Amount of cost savings through energy conservation	50.7	Amount of cost savings in electric power and fuels
Amount of cost savings through resource saving	2.7	Amount of cost savings through reduction of water use /waste
Total	55.6	



Promoting to Reduce Environmental Impact

We promote energy conservation towards global warming prevention.

We will also control emissions of pollutants and continue to make efforts to reduce them.

Global Warming Prevention (Energy Conservation)

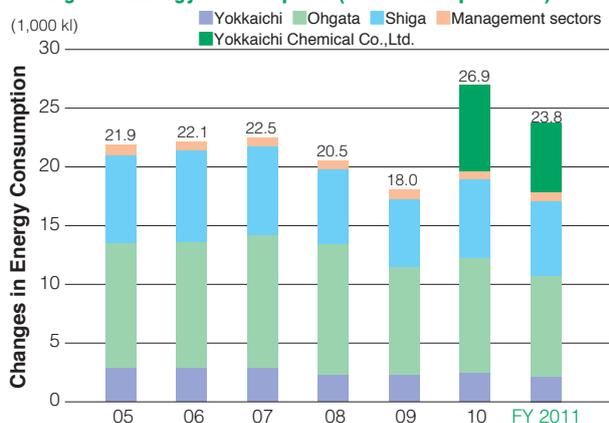
Environmental performance data in FY 2010 and 2011 is described based on the calculation with the Dai-ichi Kogyo Seiyaku Group (total values in all related companies in Japan, including Dai-ichi Kogyo Seiyaku and Yokkaichi Chemical Company) because we acquired 100% of Yokkaichi Chemical Company in April, 2011.

Changes in Energy Consumption and CO₂ Emissions

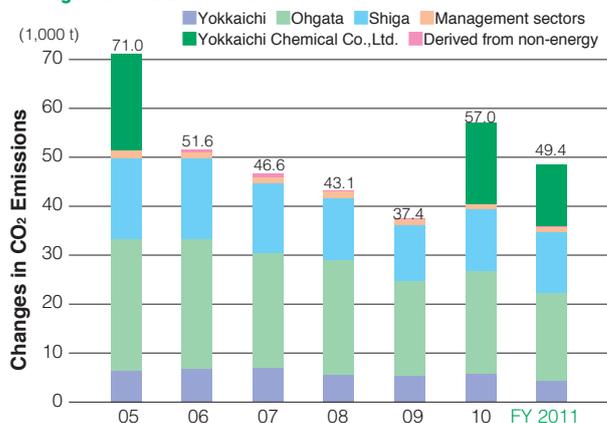
In FY 2011, the Dai-ichi Kogyo Seiyaku Group recorded 23,800 kl of energy consumption, which was reduced 11.5% compared to FY 2010. The energy consumption per unit, however, resulted in a 2.6% increase to our target of 1% reduction compared to FY 2010 due to a decrease in production amounts. The CO₂ emissions were 49,400 tons, which was reduced by 13.4% compared to FY 2010 because energy conversion to natural gas for the boiler fuel

at the Yokkaichi Branch, as well as other factors. As a result, the average CO₂ emissions from FY 2008 to 2012 should have been reduced by 23% compared to FY 2005 according to our target, but the final result of the average CO₂ emissions from FY 2008 to 2011 was equivalent to a 22.9% reduction. We continue to devote our efforts to reducing the CO₂ emissions towards our goal through activities to improve energy efficiency.

Changes in Energy Consumption (Crude oil equivalent)



Changes in CO₂ Emissions



*1: Carbon dioxide emissions derived from non-energy are described from FY 2006.

*2: Carbon dioxide emissions in management sectors include fuels for company cars.

Efforts in Logistic Sectors

We outsource our logistic business for our products to external freight companies. We transport products by truck, rail, and ship, but the truck transport is most frequently used because it can instantly respond to the customers' desired delivery date. Related to environmental impact activities, we have been fulfilling our role as a specified consigner under the Energy Conservation Law to tackle the challenges of reducing impacts on the environment. The freight volume decreased by 5.4% in FY 2011, but we achieved a 6.4% reduction of energy consumption and a 6.5% reduction of GHG emissions by promoting modal shifting. Furthermore, we achieved a 1.1% improvement in energy consumption per unit. Environmental impact reduction in logistic sectors plays an important role not

only in the aspect of global warming countermeasures, but also in effects on air pollution and/or waste generation. In the future, we will continue to move forward with our activities by promoting further modal shifting, and by making efforts to achieve a 1% improvement in the energy consumption per unit compared to the previous fiscal year, which is specified in the goals of the Energy Conservation Law, through increase of loading ratio for reserved services, and reduction of transporting of returned products.

In addition, we share environmental impact activities with our logistics partners and continue to pursue better results year by year while implementing these activities by executing the PDCA cycle.

Environmental Impact to be Reported as a Specified Consigner

Items	FY 2011	Comparison to the Previous Year
Freight Volume	31,398,000 ton·km	-5.4%
Energy Consumption Amount	46,073 GJ	-6.4%
Energy Consumption per Unit	1,467,000 GJ/ton·km	-1.1%
CO ₂ Emissions	3,118t-CO ₂	-6.5%

Calculated using the Improved Ton-Kilometer method, excluding the Yokkaichi Chemical Co.,Ltd.

Efforts to Power Saving

In FY 2011, since we needed to take measures against power shortages at the peak of summer and winter (under the jurisdiction of Kansai Electric Power Co., Inc.) due to the influences of the Great East Japan Earthquake and the subsequent operation stoppage of the nuclear power plants, we made efforts on power saving in addition to the conventional activities.

In the Ohgata Branch, where limitations on the use of electricity were issued in summer, we adjusted the operation schedule on product facilities and shifted production to weekends and

holidays, which resulted in a 30% or more reduction from the peak electricity consumption in FY 2010.

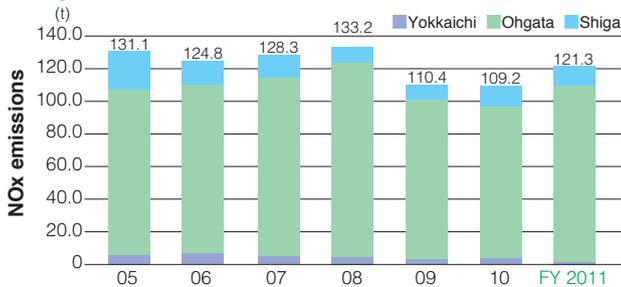
As for approaches for the entire company in general, we extended the "Cool Biz" campaign period, suppressing the set temperature of air-conditioning equipment, reduced elevator service, and carried out thorough energy saving modes in office automation equipment, as well as improved operating hours of production and research devices with the aim of reducing peak-hour electricity consumption. We continue to address power saving in FY 2012.

Efforts to Reduce Emissions of Chemical Substances

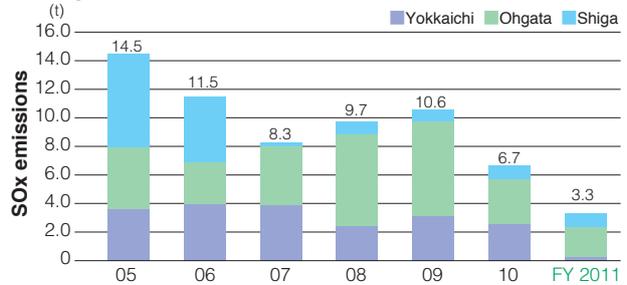
Air Pollution Control

In FY 2011, Related to reduction of air-pollutant emissions, we achieved a 50.1% reduction of SOx emissions through energy conversion to natural gas from heavy oil for the boiler fuel at the Yokkaichi Branch, but NOx emissions increased by 11.1% and dust emissions also increased by 37.9%. We will continue to pursue more energy efficient operation techniques compared to FY 2010. Note that the Yokkaichi Chemical Company does not have any facilities related to SOx, NOx, and dust generation.

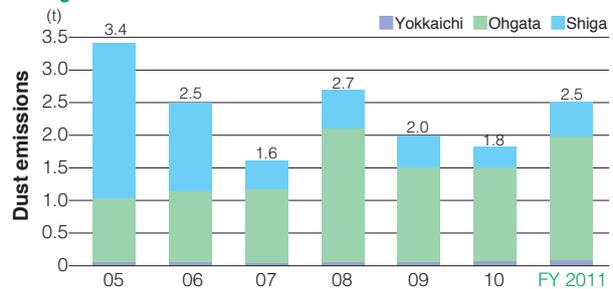
Changes in NOx Emissions



Changes in SOx Emissions



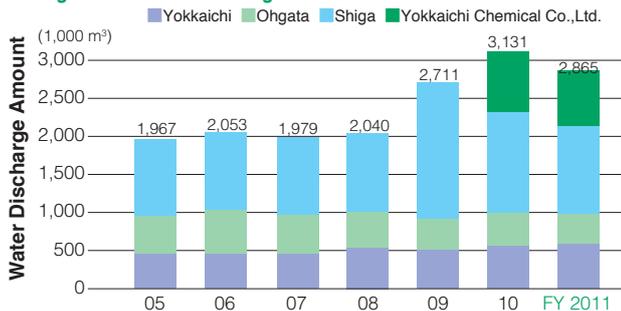
Changes in Dust Emissions



Water Pollution Control

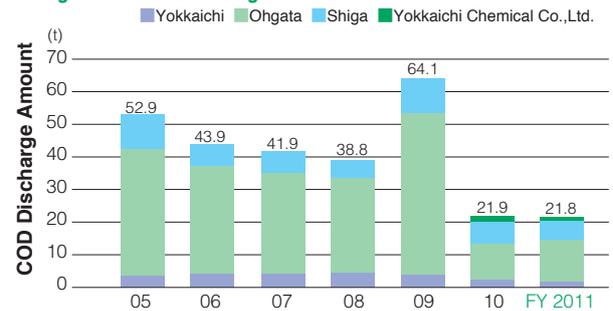
In FY 2011, the Dai-ichi Kogyo Seiyaku Group recorded 2,865,000 m³ in the amount of water discharge, which was a 8.5% reduction compared to the previous year. The COD discharge amount was 21.8 tons, which was a 0.6% reduction compared to the previous year. We will continue to

Changes in Water Discharge Amount



make efforts to reduce the COD discharge amount by improving our production processes and effluent treatment facilities, as well as reviewing the cleaning methods of production facilities.

Changes in COD Discharge Amount



Cost Reduction Promotion Department
FUJITA Masahiro

Voice from the Person in Charge

Efforts to Energy Conservation

The Cost Reduction Promotion Department reviews the production process in cooperation with each branch with the aim of saving energy and reducing environmental impact including the VOC emission reduction. The Ohgata Branch now devotes effort to approximately as many as 20 item challenges that focus on the reduction of electricity and steam consumption. At present, we are entering the stage of verifying and implementing our proposed plan and the number of challenges we have already accomplished is increasing. We recognize our energy conservation activities in the Ohgata Branch would have a large influence on the goal of achieving energy conservation throughout the entire corporation, and promote these efforts.



Reduction of Waste and Chemical Substances

We have been devoted to the reduction of waste and chemical substances.

We promote our activities based on the rules to regulate proper management of chemical substances.

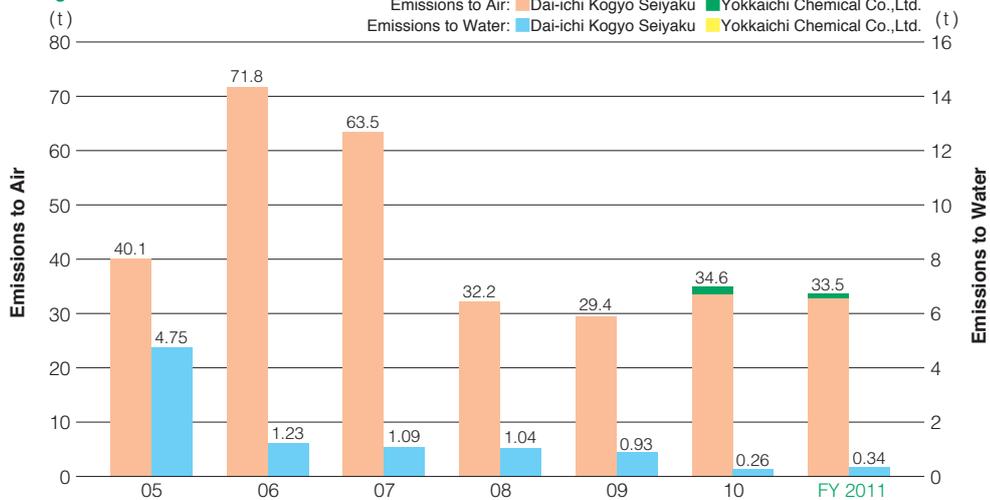
Efforts to Reduce Emissions of Chemical Substances

Emissions of PRTR Law-designated Substances

The Dai-ichi Kogyo Seiyaku Group had a total of 60 notification substances under the PRTR Law in FY 2011. The total amount of emissions was 33.8 tons, which resulted in only a 1.0 ton reduction compared to FY 2010. The breakdown was 33.5 tons to air, 0.34 tons to water, and none to land. The amount of waste transfer recorded was 334.0 tons, a 82.7 ton reduction

compared to the previous year (20% less) owing to the use of recycled Toluene, as well as other factors. Through changes in production techniques, improvement of production processes and the introduction of recovery equipment, we will continue making efforts to reduce the emissions/discharge of PRTR substances into the environment.

Changes in Emissions



The results in FY 2010 and FY 2011 show the total amount for the Dai-ichi Kogyo Seiyaku Group and the Yokkaichi Chemical Co., Ltd..

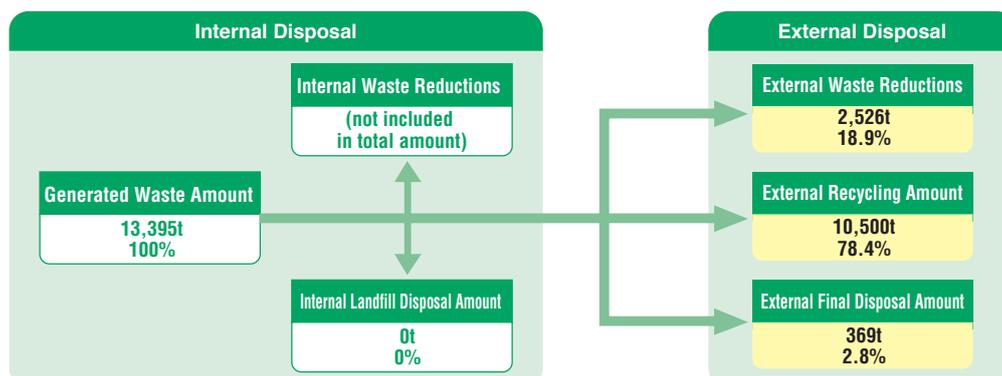
For the emission amount of notification substances under the PRTR Law in FY 2011 (among all notification coverage substances, those of which the emission or transfer amount was 0.01 tons or more), please visit our webpage.

<http://www.dks-web.jp/english/download/rc.html>

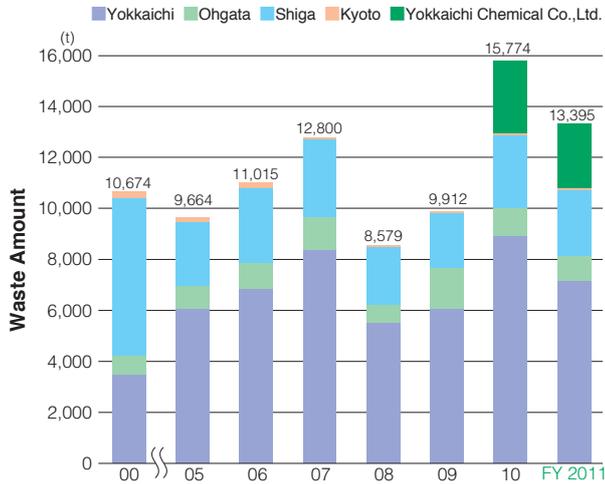
Efforts to Reduce Waste

We continue to make efforts towards reduction, recycling, and reuse of waste with the aim of effective use of resources. The amount of waste generation in FY 2011 recorded was 13,395 tons for the Group, which was a 2,380 ton reduction compared to FY 2010 (15.1% less). The waste generation per unit in production amounts (target: 1% improvement compared to the previous year) was improved by 1.3% compared to the previous year by reviewing the cleaning methods of production facilities. The external recycling rate was 78.4%, an improvement of 11.2% compared to FY 2010. The final disposal amount

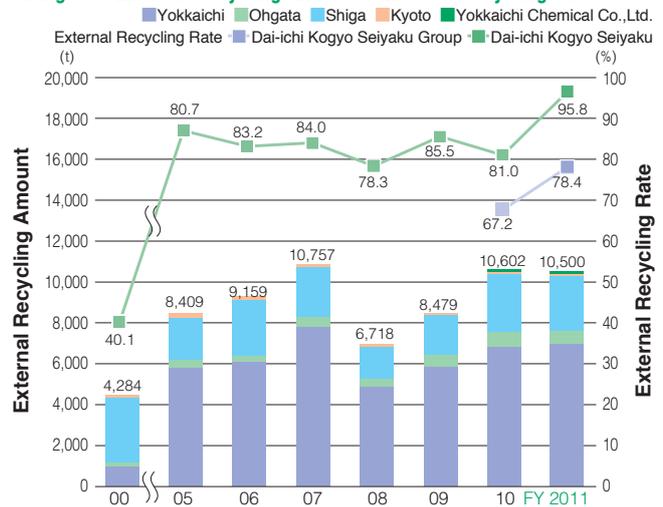
recorded was 369 tons (target: 80% reduction compared to FY 2000 in FY 2015), equivalent to a 67.4% reduction compared to FY 2000. In addition, the final disposal rate to the amount of waste generation was 2.8%. To achieve the target of the final disposal rate of 1% or less as in FY 2015, not only the Ohgata Branch, with a large amount of disposal, but each branch is examining measures to reduce the final disposal amount. Furthermore, we continue to push forward the 3R (Reduce, Recycle, Reuse) activities by improving our production processes and reviewing our treatment measures.



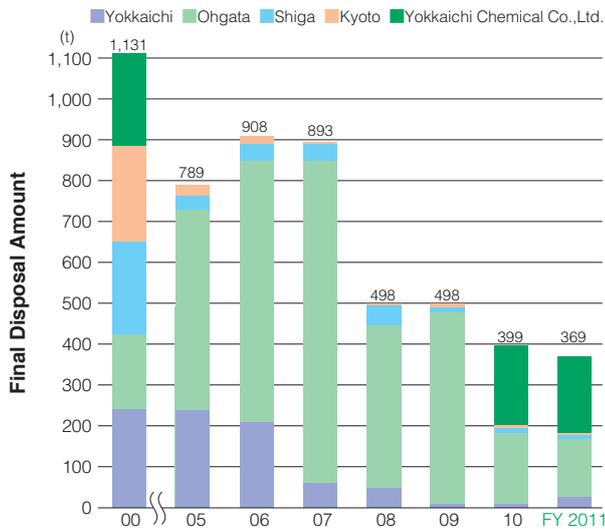
Changes in Waste Amount



Changes in External Recycling Amount & External Recycling Rate



Changes in Final Disposal Amount



Environment-related Complaints

During FY 2011, we received four environment-related complaints: three for odor, and the other for noise problems. We took emergency measures and recurrence-prevention measures in each case.

Chemical Substance Management

We set forth the "Chemical Substance Management Regulation" with the aim of global environment protection, accident prevention, occupational safety, health assurance, as well as product safety. Based on this regulation, we promote "proper management of chemical substances over the product life cycle." We have been making management regulations related to the understanding of chemical substances in use as well as

their amount, substitute/reduction of harmful chemical substances, improvement of ambient environments, and management of chemical substances contained in products (Green procurement). We categorize our chemical substances into three classes based on domestic and international laws, global agreements, and requests from customers, and we define the control descriptions for each class.

Class and Description Related to Chemical Substances Management

Class	Description
Class A	Substances to be prohibited
Class B	Substances to be reduced
Class C	Substances to be controlled



Ensuring Safety, Process Safety and Disaster Prevention

We strive to secure a safe and comfortable working environment.
We also engage in conducting emergency drills just in case of emergency events.

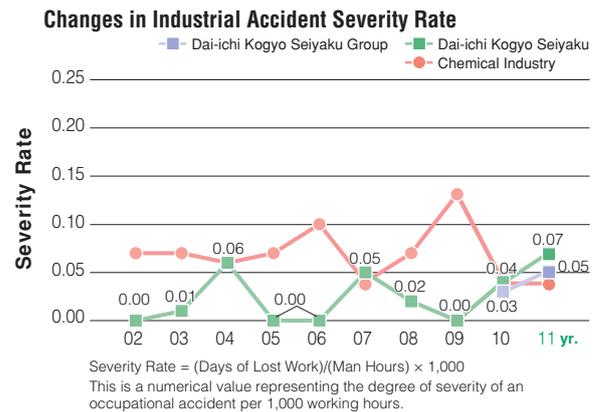
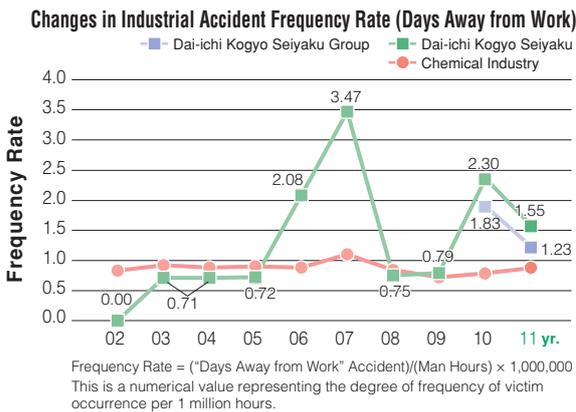
Efforts to Occupational Safety

We recognize that ensuring security is the foundation for effective management and plays a fundamental role in any business activity. Taking safety first and the respect of human life and dignity as our basis, we have been making efforts to eradicate the potential for and occurrence of occupational accidents. Furthermore, in order to ensure a safe and comfortable working environment, we have been promoting the "5S" activities (Seiri, Seiton, Seiso, Seiketsu, and Shitsuke in Japanese). Regrettably, in FY 2011, we had two "days away from work" cases and, therefore, failed to continue our company No Accident Record streak. For the case studies of

accidents, after analyzing the cause of the accident, we try to laterally disseminate the findings and solutions throughout all sectors and departments to prevent a similar case from occurring again. In addition, we have been placing significant emphasis on periodic implementation of preventative measures and safety patrols by the managers concerned in order to locate unsafe working conditions and operations that may exist. Moreover, we continue to conduct activities related to risk prediction, pointing and calling, risk assessment, and experience-based safety education, and we aim for the actualization of zero accidents.

Industrial Accident Frequency Rate (AFR) & Industrial Accident Severity Rate (ASR) (From January 1 to December 31, 2011)

Compared to FY 2010, the Dai-ichi Kogyo Seiyaku Group was able to improve the industrial accident frequency rate (days away from work) in FY 2011. However, we had two "days away from work" cases in FY 2011 and could not achieve our target of making the industrial accident frequency rate to zero. We continue to further enhance our conventional safety activities in order to achieve the industrial accident frequency rate of zero in 2012.



Experience-based Safety Education

To prevent occupational accidents, there is an education method to develop workers' sensitivity and consciousness through an experience-based safety education that allows people to experience pseudo risk. According to the above method, we introduced pseudo experience devices to generate solvent and dust explosions in FY 2010, and started

to adopt the experience-based safety education. In FY 2011, we introduced pseudo experience devices to generate the incident of getting caught in rotary valves, and conducted safety education in each branch. We also have a plan to introduce new pseudo experience devices in FY 2012, and continue to promote such experience-based safety education.



Ohgata Branch
SHIMIZU Shinji

Voice from the Person in Charge

Efforts in Occupational Safety

The Ohgata Branch is making enhanced efforts both on physical facilities and human aspects and activities to put a brake on occupational accidents. As an example of efforts on human aspects and activities, we conduct collective safety education for all employees by utilizing the period of periodical maintenance and operation stoppage since last October. We conducted several educational activities related to awareness of the risk of ingredients we handle, prevention of weathering/enduring a recurrence of past disasters, and enhancement of the five senses through risk experience education using demonstration devices. We will make continuous efforts to implement those activities in order to eliminate accidents and/or disasters, and aim for the goal of zero occupational accidents.

Efforts to Process Safety and Disaster Prevention

Preparation for Emergency

Just in case emergency events such as a fire/explosion, earthquake, leak, and/or power outage occur, we have established a Process safety and disaster prevention system for each branch, and conduct emergency drills according to the annual program. We also collaborate with local

communities and organize joint emergency drills, such as with local fire departments. In order to be able to take an initial response immediately should a disaster occur, we have introduced a safety confirmation system using text messaging for all employees, and conduct drills utilizing this system.



Kyoto Branch



Yokkaichi Branch



Ohgata Branch

Yokkaichi Branch	Comprehensive drill with the local association of independent disaster prevention organizations Comprehensive emergency drill Joint emergency drill with the fire department Safety confirmation drill	September 2011/March 2012 November 2011/February 2012 December 2011 March 2012
Ohgata Branch	Earthquake and tsunami warning evacuation drill Comprehensive emergency drill Safety confirmation drill	May/October 2011 June/October 2011 May 2011/March 2012
Shiga Branch	Comprehensive emergency drill Earthquake evacuation drill Safety confirmation drill	April/December 2011, March 2012 April/August 2011 October 2011/March 2012
Head Office/ Laboratory	Joint emergency drill with the fire department Safety confirmation drill	January 2012 July 2011/March 2012
Osaka Branch	Comprehensive emergency drill Safety confirmation drill	June/November 2011 March 2012
Tokyo Branch	Comprehensive emergency drill Safety confirmation drill	November 2011 March 2012
Yokkaichi Chemical Co.,Ltd.	Comprehensive emergency drill Joint emergency drill with the fire department	September 2011 March 2012

Funding for Process Safety and Disaster Prevention Measures

The FY 2011 funding for our process safety and disaster prevention measures was 113.2 million yen. This funding was mainly allocated to explosion, fire, and leak prevention measures; mitigation measures for aging facilities; and occupational safety and working environment improvement measures.

Efforts to Distribution Safety

We outsource our transport business to external freight companies. Aiming to practice environmentally friendly transportation and eliminate transportation accidents including damage to or deformation of transport containers during transportation, we periodically hold conferences with our logistics partners. We use the following documents as useful tools to provide not only all available information but also proper education and instruction for our logistics partners: "Safe Driving and Maintenance of Traffic Order," "Revised Laws and Regulations," "Safety and Environmental Standards for Delivery Services," "For Professional Drivers," and "Transport Specifications." We also maintain our emergency network system during transportation.

We provide Yellow Cards for all relevant products and instruct tanker truck drivers to always keep the Yellow Card(s) with them during transportation. In addition, we have been working on developing a label-type Container Yellow Card system, which facilitates the sharing of safety information of a chemical substance by indicating the Emergency Response Guidebook (ERG) number and UN number on the Container Yellow Card label.

Yellow Card



Activities Open to Local Communities

To show our efforts to the public, we transmit information via various media, make presentations in exhibitions, as well as actively engage in local activities based in each branch.

Information Transmission Tools

Transmission Information

For the purpose of providing our stakeholders with accurate and useful information on our company, we publish brochures such as our company's prospectus and our newsletter titled "Takuto." Our web page also offers not only this information but information such as that of our technologies, products, and employment. In addition, to record our environmental and social activities, we have published a series of our Social Activities Reports as "Environmental and Social Activities Report" (this document) since FY 2008.



[Brochures]



FY 2011 Exhibition Presentations

During FY 2011, we made presentations at the following exhibitions.

May 2011	ifia/HFE JAPAN 2011 at Tokyo Big Sight Introduced the food emulsifier formulation "DK FOAMER"
October 2011	Leading Industry Exhibition Mie 2011 at Yokkaichi Dome Introduced a new thickener consisting of cellulose single nano-fiber
February 2012	neo functional material 2012 at Tokyo Big Sight Introduced nano-zirconia dispersion, UV/EB cured resin with restoring force, and dye-sensitized solar cell member
June 2012	JPCA Show 2012 at Tokyo Big Sight Introduced products in the electronic/electric fields, and the EIMFLEX/DK BE-CLEAR Series

ifia/HFE JAPAN 2011

We made a presentation in the "ifia/HFE JAPAN 2011" cafe trial held at Tokyo Big Sight.

We offered cookies made by a professional pastry chef to visitors for tasting that contained DK FOAMER B-120. We asked them to compare our cookies with those not

containing emulsifier and see if the texture in cookies with emulsifier was improved.

Based on the questionnaire after tasting, we have been advancing our product development to meet the requests of the customers.



Cafe Trial at ifia/HFE JAPAN 2011



Neo functional material 2012

Relations with Society & Local Communities

We are moving forward with contributions to society by making use of resources specific to our Group. We are devoted to various local activities including joint activities with industry groups, acceptance of plant visits,

neighborhood cleanup activities and social activities such as participation in community events. Each branch holds a consultative meeting with other companies in order to promote local communication.

Activities in Industry Groups

We mainly join the following industry groups and engage in various activities.

- Japan Chemical Industry Association (JCIA)
- Japan Soap and Detergent Association (JSDA)
- Japan Surfactant Industry Association (JSIA)
- Japan Food Additives Association (JFAA)
- International Pharmaceutical Excipients Council Japan (IPEC JAPAN)
- Oil & Fat Industry Kaikan
- Japan Oil Chemists' Society (JOCS)
- Osaka Industrial Research Association
- Kinki Chemical Society, Japan
- Kyoto Industrial Association
- Advanced Materials Innovation Center (AMIC)



The Second AMIC Seminar
October 4, 2011
We made a lecture about the application of cellulose single nano-fiber to thickener.

Plant Visit

In November 2011, a total 43 of industrial doctors and staff from the Niigata Medical Association visited our Ohgata Branch with the aim of obtaining qualification as certified industrial doctor as well as undertaking the practical training required to maintain the qualifications. After we explained the overview of our company and the branch, we showed our workplaces to them and exchanged opinions. In addition, in December 2011, 18 people from the Mie branch of the Japan Association of Safety and

Health Consultants visited our Yokkaichi Branch.

After the tour of the branch, we were given frank advice on safety and health from the expert consultants in each field of occupational safety and health. We also had a chance to exchange opinions. This visit brought us a meaningful opportunity for improvement of occupational safety and health activities. We arrange and coordinate the plant visit tour for organizations and students.



Ohgata Branch



Yokkaichi Branch



Yokkaichi Chemical Co.,Ltd.

Neighborhood Cleanup Activities and Participation in Community Events



Ohgata Branch:
Cleanup Activities near the Branch



Yokkaichi Branch: Yokkaichi Minato Festival



Shiga Branch:
Gokasho Ekiden Relay Race Tournament



Fulfilling Our Social Commitments

We develop our activities to bring up and support children, the leaders of tomorrow, through activities such as lecture delivery to elementary and junior high school students, and acceptance of students for internship. We build and operate the Quality Assurance system, as well as provide product information to customers.

Relations with Society & Local Communities

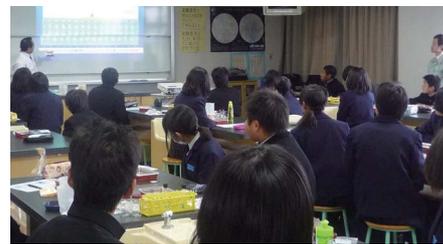
Lecture Delivery for Local School Students

For the purpose of offering opportunities to gain interest in the fun of chemistry and/or global environment problems, we give lecture delivery on the theme of "Experiments of Familiar Chemical Products in Daily Life" as part of our regional contribution activities. We encourage each student to make an interesting experiment using detergent and experience the fundamental effects of surfactants. We hope that they would understand why detergent can remove dirt and consider the importance of water through our lecture. In



Yotoku Elementary School (Kyoto City)

cooperation with the business promoted by the Kyoto City and Yokkaichi City Education Boards, we conducted lectures to the sixth grade students at Yotoku Elementary School (Kyoto City) in November 2011, and students of all grades at Hashikita Junior High School (Yokkaichi City) in February 2012. We implement lectures by making use of our know-how and experience obtained through business based on the responsibility for influences our corporate activities have on society.



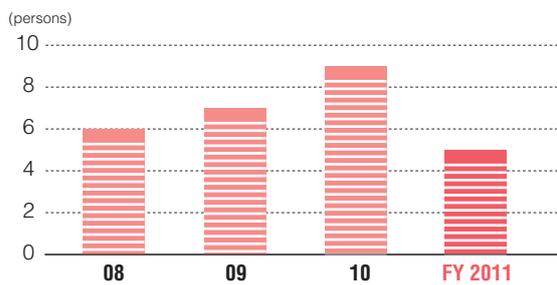
Kyohoku Junior High School (Yokkaichi City)

Internship & Learning through Work

We have accepted technical college students for internships for a long time. So far, many students have participated in our internship programs. During their summer holidays, participants take their own time to complete one or two-week internship program, during which they have a practical work experience in any of our workplaces (such as our laboratories, quality control section of each branch, etc.) so that they can understand our actual business operations and services. We are devoted to reviewing and improving each of our programs so that they can really feel "the meaning of work."

We believe that accepting students for internships will help them not only to expand their occupational awareness and improve their business ability, but also to promote their understanding of workplace relationships and effective information exchange while communicating with their schools. As a part of our CSR activities, we will continue to offer these internship programs. In addition, we accept requests from junior and senior high school students in regards to occupational interviews and experience learning at the workplace.

Acceptance of Technical College Students for Internship



Ohgata Branch: Occupational Interview at Ohgata-cho Junior High School (Joetsu City)



Laboratory: Internship



Shiga Branch: Workplace Experience at Gokasho Junior High School (Higashi-Omi City)

Relations with Our Customers & Business Partners

Quality Assurance (QA) System

We have acquired the ISO9001 certification through a third party and introduced the quality management system based on the required standards. Under this system, we build and operate the QA system. We establish the quality-related management standards in each department over the whole of the processes, from product planning to customer service via design/development, manufacturing, and sales. Keeping "Customer First," which is one of our management principles, in mind, we define our Quality Policy as follows:

(1) We will strive to design a product with high quality to meet customers' expectations and to supply a highly reliable and safe product before the due date requested by the customer,

Process for New Product Development

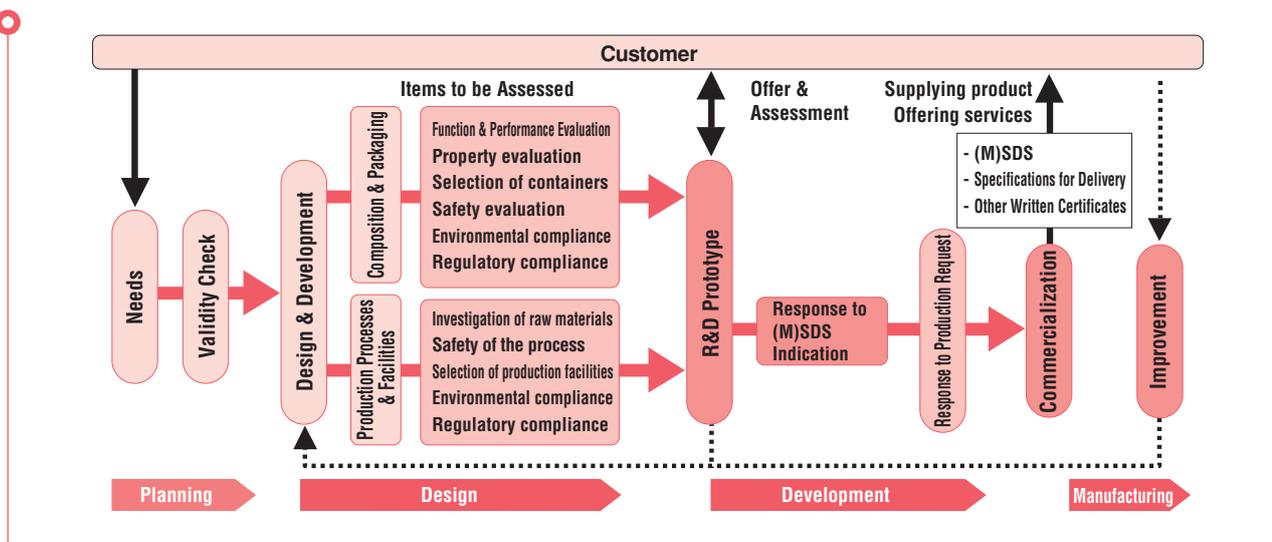
When trying to develop products, suppliers must take into account a variety of aspects of the customers' needs in an accurate manner. We perform QA activities by checking and assessing the progress from multiple viewpoints, so that

and at a reasonable cost.

(2) We will pursue higher quality in our products and continue to improve the effectiveness of our Quality Manual in order to maximize customer satisfaction.

We constantly strive to clarify the quality assurance process, as well as assigned roles, duty and authority in each QA department under our QA system in order to implement in-depth quality control (QC) and provide accurate product information while responding to product complaints in a quick and faithful manner. We have always been devoted to providing products that are safe for use.

regulatory requirements, environmental and security requirements, and production and distribution can be secured for all of the following processes: planning, designing, developing, and manufacturing.



Provision of the Product Information

We provide product information as an opportunity for (prospective) customers to better understand our products. In addition, we always respond to requests and inquiries from our customers quickly and adequately in good faith. For the purpose of providing product information, especially at the stage of introducing our existing products and/or developing new products, we strive to be in close communication with customers and business partners, not only through our everyday business negotiations, but also with our brochures and technical documents.

We have been providing material safety data sheets ((M)SDS) for chemical substances of all our products and answering inquiries about the latest information on environmental burden substances and/or the relevant laws and regulations. We have completed the procedures to update our (M)SDS and label indications, and to prepare the GHS-compliant (M)SDS according to the revisions of the Industrial Safety and Health Law and the Pollutant Release and Transfer Resister (PRTR) Law. In addition, we are currently updating SDS according to the revisions of the Japanese Industrial Standards (JIS) and GHS-compliant label indications sequentially.



Product Brochures



Aiming for Management that Responds to the Expectations of the People

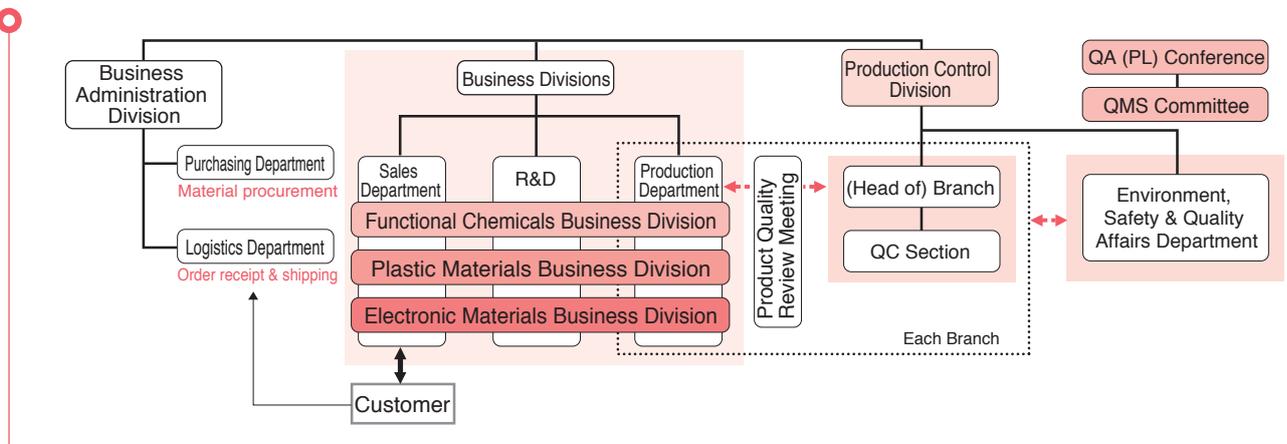
We conduct quality management, and respond to product complaints in a quick and faithful manner.
We regard the shareholder meeting as an important opportunity for meaningful communication.

Relations with Our Customers & Business Partners

Quality Management System

We operate our quality management activities in accordance with ISO9001. We accept all information related to quality, from customers through sales representatives, and/or directly in the QC section of each branch. Under this system, we unify management and promptly respond to quality-related information. Every month we implement quality management in the product quality review meeting

with our production departments. In the QMS Committee, we use our PDCA cycles in the management system to promote improvement and/or advancement measures. In the QA (PL) conference, we review and deliberate on continuing improvement and/or advancement measures of quality management and QA activities.



Response to Complaints and Quality Defects

Product quality complaint management is our top priority to assure stable product quality. Therefore, we have established our internal Procedures for Handling Product Complaints. We specify procedures to deliver information from the sales department which receives information from customers to the QC section and relative departments in each branch, and deal with quality-related complaints according to these procedures. Our policies for handling product complaints focus on the following practices: maintaining credibility by responding quickly and in good faith, thoroughly probing the cause of the complaint, and taking preventive measures and recurrence prevention

measures. We share quality defect and complaint information through the network, and conduct progress management while setting the goals to reduce the number of complaints and quality defects. When an abnormal event occurs, we clarify the root cause using our analyzing method ("Naze-naze analysis") and take recurrence prevention measures. This fiscal year we invited an external lecturer and held the lecture meeting on how to write and utilize the "Naze-naze sheet (root cause analysis sheet)" and tried to improve the level of our activities. In addition, each branch conducts a product quality inspection patrol on a monthly basis.

Product Liability (PL) Policy

We established our Product Liability (PL) Prevention & Management Procedures and PL Accidents Prevention System to ensure the safety of our products and to prevent product safety accidents from occurring. Our fundamental policy is to secure the maximized product safety over the

whole processes consisting of R&D, manufacturing, and consumption, and the final disposal, as well as to develop, manufacture, and sell products with higher safety and reliability, and to offer customer services for them.

Partnership with Our Sales Agents and Distributors

In order to offer products that respond to market trends and needs and to promote the sale of such products, our sales department has been devoted to developing new marketing practices in cooperation with our sales agents and distributors.

Our company has a group of sales agents and distributors known as "Zenkoku Ichi-Ko Kai," composed of our major sales agents and distributors. The general assembly is held annually, and FY 2011 was the 30th.

In the meeting, we explained our business performance trends and progress of our medium-term management plan "Change 100 Plan." At the convivial party, we exchanged information with our sales agents and distributors while promoting mutual friendship.



Zenkoku Ichi-Ko Kai (DKS National Sales Agents and Distributors Meeting)

Issue of 100 year's Company History Book

Our company commemorated the 100th anniversary of its foundation in April, 2009. We would like to make this important milestone to be the starting point of getting ahead of the times as a leading chemical manufacturer that offers industrial chemicals.



Relations with Our Shareholders & Investors

Shareholder Meeting

We regard the shareholder meeting as an important opportunity to foster communications between shareholders and management.

100 shareholders attended the annual shareholder meeting on June 26, 2012. Our President, Dr. Oyanagi, chaired the meeting and presented an annual business report and an explanation of each agenda item. We always try to provide a clear explanation of our report using narration and slide presentations, so that all of our shareholders can understand the points well.



Shareholder Meeting

During a question and answer session, there were four questions and opinions that came from one participant, which resulted in about 62 minutes of discussions.

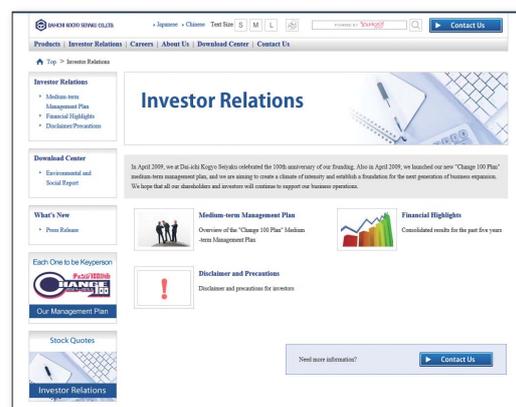
After the meeting, Vice President, Mr. Sakamoto, had the briefing session on a new medium-term management plan, followed by a shareholders get-together with top management. We had meaningful exchanges of opinions with our shareholders in a relaxed and friendly atmosphere.



Shareholders Get-Together

Information Disclosure

We disclose a variety of information, including our company overview and investor relations, on our web page. After official disclosure, we promptly post timely disclosure documents, shareholder letters (to our shareholders), an earnings summary, notice of calling of shareholder meetings, and news releases.



<http://www.dks-web.jp/english/ir/index.html>



Fostering Full-Fledged Employee/Corporate Member of Society

We organize our employment system in response to the demands of the times so that all employees can progress respectively, and launch enhanced programs related to human resource development and education.

Relations with Our Employees

Our company recognizes that our employees are our greatest asset and that the growth of each individual employee will support the growth of our company. To assist each of them in becoming a full-fledged employee/corporate member of society and gaining a sense of accomplishment and satisfaction from their work, we have been devoted to protecting the human rights of our employees and improving various human resource systems, human resource development and education, and working environment development.

Our Company's Human Resource Philosophy

Our fundamental human resource philosophy is rooted in the idea that our people are our greatest asset and must be nurtured and treasured. We believe that by putting our belief into practice the growth of each individual employee will support the growth of our company and will allow our employees to be active, to grow, and to realize their potential in each workplace. This will help them in not only achieving their self-actualization but also serving as a driving force for further developing of our company, as well as making the company's presence permanent.

Human Resource Development Policies

In order to foster people who can fully understand our company's management philosophy and the management policies based thereon and can contribute to the realization of such philosophy and policies, we require that our employees have the following basic skills and attitudes:

- 1. Profound expertise, technique, and broad vision
- 2. Energetic attitude and behavior
- 3. Flexibility in thinking
- 4. Fruitful in terms of creativity

General Business Owner Action Plans

Our company has established General Business Owner Action Plans, which are intended to help our employees balance their careers and child-rearing. These action plans have been shared with the public and within the organization.

General Business Owner Action Plans (summary) (From April 2010 to March 2015)

- Target 1:** Familiarizing our employees with our child-rearing support system and enlightening them
- Target 2:** Implementing measures to reduce overtime work
- Target 3:** Implementing measures to promote taking annual paid leave
- Target 4:** Performing community contribution activities related to children and child-rearing practices
- Target 5:** Expanding opportunities to obtain working experience including internship

Our Personnel System

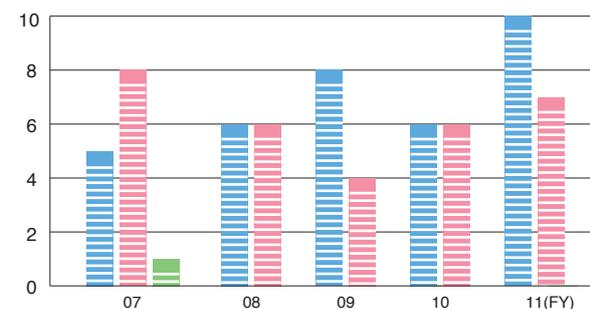
■ Employment System

In response to the declining birthrate and aging society, and in order to promote a healthy work/life balance, we have developed the following personnel systems, each of which takes into account employees' child-rearing and nursing care.

- Childcare Leave System
- Childcare Part-time Work System
- Nursing Care Leave System

Number of Employees Who Have Used the Personnel Systems During the Last Five Years

(persons) ■ Childcare Leave System ■ Childcare Part-time Work System ■ Nursing Care Leave System



■ Retiree Reemployment System

We have introduced a reemployment system for our company's retirees since FY 2006. By drawing on their many years of skills, techniques, and experience, they still remain active as "senior challenge staff."

■ In-house Achievement Award System

Through our employee incentive programs, we have been running not only a performance incentive system such as patent and personal achievement awards, (twice per year) but also Division Manager's and length of service awards.



FY 2011 First Half Achievement Award Winners

■ Efforts to Prevent Harassment

As for activities to prevent (sexual, power, and moral) harassment, we provide related education programs in hierarchical training courses, and take care of any (alleged) harassment incidents by established contact points.

We took harassment prevention as the main theme of our monthly industry ethics campaign in October, FY 2011. We utilized DVDs for each employee to give education problems and solutions, and established the Harassment Prevention Regulations in order to clarify our policy as a company.

Human Resource Development & Education

Our employee development and education programs focus on three pillars— in-house education, external education, and self development support. In addition, we have been dedicated to supporting voluntary capacity building of our employees by providing them with in-house lectures and briefing sessions. In FY 2011, we conducted human resource development and education programs based on the newly established education training system. We also renovated the building in Shichijo Sembon, Kyoto City, which was the place of our foundation, for it to become the Senbon Training Institute, and started training. While converting the educational programs in the quantitative as well as the qualitative sense, we organize learning environments and launch enhanced programs related to human resource development and education.

In-house Education Programs

Brother/Sister System

(New employee Training Sheet, Safety and Health Training Sheet)

External Education Programs

Hierarchical Training

- New employee Education/ Follow-up Training
- Mid-carrier Staff Training
- New manager training

Professional Education

- Engineer Training & Sales Rep Training
- ISO Quality Internal Auditor Training Program

Self-development support program

- Encouraging Employees to Sign Up for Correspondence Courses
- Qualification Acquisition Support System
- English Conversation Class Started
- Chinese Conversation Class Started
- Supporting Employees to Participate in External Seminars



Corporate Manager Development Training



Experiment of Design Training



English Conversation Class



Personnel Section
Personnel & General Affairs Department
MORI Yoshiyuki

Voice from the Person in Charge

Efforts on Human Resource Development

"Improving managerial skills and human resource development" is one of our management policies in the 'Change 100 Plan.' We reviewed the conventional human resource development system in FY 2010, and launched the new system in FY 2011. We improved the hierarchical education system throughout the entire corporation, and took a new approach in promoting department education. Establishing a new system requires a great deal of hard work, but we promote our efforts while looking forward to seeing those who bear our company's future growth.



Expanding Opportunities of Our Own Activities

We promote such employee-centered efforts as meeting for presentation of research results, and improvement activities with the participation of all employees. Furthermore, we conduct regular health checks and have mental health care programs to support our employees' health in both body and mind.

Relations with Our Employees

Meeting for Research Presentation

We hold meeting for research presentation twice every year, which provides company-wide technical forums for our researchers to present and discuss their latest findings in R&D and production technology developments. Meeting for Research Presentation are composed of three sections: a special seminar presented by a visiting lecturer, verbal presentations, and poster presentations. In FY 2011, we held the 74th and 75th meeting for research presentations in July and January, respectively. At a convivial meeting following the meeting for research presentation, participants vote on the best meeting for research presentation and a winner is awarded.



Workshop

DKPM Activities

The initials DK of DKPM Activities stands for Dai-ichi Kogyo Seiyaku, and PM for Productive Maintenance. They are based on improvement activities and are controlled according to the "5S" activities, which encourage not only supervisors to set the pace with their leadership, but also all employees to participate in. We launched the DKPM Activities as a company-wide approach with the aim of securing safety, improvement of quality, and increase of production efficiency, which constitute key elements for a manufacturer. In October, 2011, we started to conduct survey research on the "5S" activities among 10% of employees in each branch, and classroom lectures for managers twice. In addition, in a practical manner, we conducted hands-on training only for managers, as well as performed diagnosis by top management. In April, 2012, we held a kick-off meeting among all employees and started the improvement activities.



DKPM Diagnosis by Top Management

In-house Seminars and Briefings

Seminars (by a visiting lecturer)

Creation of Organic-Inorganic Hybrid and Development into Functional Materials
Microwave-based Chemical Process – Current State and Problems

Briefings

Export Control System of Safety Assurance.
Compliance
Anti-Monopoly Act, Catch-all Controls, Subcontract Law



Seminar

In-house Magazine

We publish the in-house magazine "DKSCOM" every other month to introduce various articles including messages from top management, regarding management policy, and covering our employees' performance.

Our editorial policy is as follows:

- (1) Convey management policies and information to each employee and share them.
- (2) Promote communication between managers and employees.



Healthcare & Occupational Safety and Health

Health Checkup

As a result of encouraging and motivating all our employees to get regular medical checkups, their checkup-participation rate in FY 2011 increased to 100 % of our goal.

We will also make further efforts to achieve 100 % participation in FY 2012. We also place importance on follow-up measures after checkups, especially in regards to any abnormal findings in the results. Since FY 2010 we have recommended reexamination and second checkup participation for employees who received results with abnormal findings in order to ensure that they do not fail to attend reexamination, and help them understand the clinical results. Consequently, the rate of reexamination and second checkup-participation was 75 % in FY 2010, and 83 % in FY 2011.

We will continue to promote this activity in order to prevent any current symptoms from leading to serious illness and/or keep any illness or other problems from increasing in severity. To achieve early detection of cancer and ensure the promotion of good health for our employees, in FY 2011 we conducted medical checkups including a fecal occult blood test, X-ray examination of the stomach, abdominal echocardiography, dental checkup, and PSA testing in all our branches.



Kyoto Branch

Mental Health Care

We held a total of 13 mental health seminars on a company-wide basis in FY 2011 with the aim of early detection and treatment of mental disabilities or problems in order to attempt to prevent patients from taking administrative leave. In addition, we introduce those who need to receive counseling treatment to external organizations.



Kyoto Branch

Blood Donation

The Kyoto Branch annually conducts a blood donation campaign upon the request of the Japanese Red Cross Society. With the cooperation of employees, the branch appeals to each person to donate 400 ml of blood. The number of blood donors was 13 this year. In the Yokkaichi Branch 26 employees cooperated with the twice-held campaign, and in the Ohgata Branch 20 became donors.



Yokkaichi Branch

AED Seminar

Along with increased placement of AEDs and the increased number of AED seminar participants across the nation, the number of lives saved and people rescued is increasing. Responding to this movement, we placed AEDs in all our branches, and through AED seminar devote our efforts to cultivating people who can provide emergency medical treatment. The Ohgata Branch started AED seminar in 2007, and all the employees have finished the course. At present, AED seminars are held for new and temporary employees.



Ohgata Branch



Yokkaichi Branch

Located in the coastal area of northern Mie Prefecture, our Yokkaichi Branch is blessed with natural surroundings that include the lush, green Suzuka Mountain Range, the water-filled Kiso Three Rivers, and Ise Bay. In order to protect this nature-rich region and its richly endowed environment, we strive to integrate environmental consciousness into all our business activities and continue to implement environmental protection practices.

We updated steam boilers in May 2011, and reduced CO₂ emission by switching the fuel for steam boilers from heavy oil to natural gas and improving the combustion efficiency.

We cooperated with the public fire department, and conducted joint emergency drills for complex disasters that of earthquakes, hazardous material leakage, and fires in December 2011.

We adopted our annual slogan "Yokkaichi Restoration" at our branch in 2012. We strive to conduct activities in a positive manner and with the aim of the reduction of environmental impacts while dealing with various changes surrounding our branch, and continue to work on improvement with relation to the environment.

Address: 7 Chitose-cho, Yokkaichi City, Mie Pref.

Area of the Site: 17,647 m²

Main Products:

Polyether polyol, urethane prepolymer, UV-curable monomers/oligomers, anionic surfactant, oiling/finishing agent, cationic surfactant



Branch Manager of Yokkaichi Branch
TANAKA Hiroshi



Panoramic View of Yokkaichi Branch

Environmental Impacts in FY 2011

Energy Consumption (Crude oil equivalent)	(kL)	2,131
CO ₂ Emissions	(t-CO ₂)	4,246
Generated Waste Amount	(t)	7,175
Final Disposal Amount	(t)	26.0
PRTR Emissions	(t)	32.38
Water Discharge Amount	(1,000 m ³)	597.9
COD Emissions	(t)	1.8

Efforts in Environmental Activities

In regards to the update period of our steam boilers, we switched their fuel from heavy oil to natural gas in May 2011, for the purpose of reducing CO₂ emissions.

Because this fuel conversion and other measures worked well, in FY 2011 our branch achieved a 28% reduction of CO₂ emissions compared to FY 2010.

We also put efforts on energy saving measures by effectively using the boiler heat emissions and introducing equipment to increase the boiler efficiency.



Gas Boiler

Efforts in Social Activities

As our branch located in the industrial complex, we have actively promoted dialogue with society through disaster prevention measures since last year's earthquake.

We cooperated with the local association of independent disaster prevention organizations, and joined disaster drills and meetings. In addition, in the discussion with the local government, we agreed to open our company housing's rooftop as an evacuation area if a tsunami occurs. In this way, we enhanced our communication and relationships people in the surrounding localities.



Plant Administration Section
FUJIWARA Atsushi

Overseas Affiliates → Chin Yee Chemical Industries Co., Ltd.

- Established: June 1975
- Address: Headquarters in Taipei City, Plant in Taoyuan County, Taiwan
- Business Outline: Manufacture and distribution of surfactants, lubricants for plastics, and chemicals for electronic materials
- ISO Accreditation: ISO9001 (2001), ISO14001 (2006)

RC Activities Status

The company is promoting the RC activities based on the ISO management system. With the aim of achieving more efficient control of impact on the environment, they are devoted to improving production processes to reduce and recycle wastes. They also make efforts to create various operating standards in order to promote pollution prevention measures, management of hazardous substances, and emergency countermeasures.



Ohgata Branch

Endowed with lush green natural surroundings, our Ohgata Branch is situated in Niigata Prefecture and faces the Sea of Japan. While enjoying the blessings of this region, we are devoted to the production of a wide range of products, including CMC, water-borne urethanes, various surfactants, and inorganic materials. "Throughout the entire life cycle of our products, from development to disposal, we will pay special attention to both human safety and health and environmental preservation and also contribute to sustainable development and the realization of an affluent society." We adopt the above statement as our basic philosophy for environmental and safety practices. In recent years, we have made efforts to promote greater use of energy conversion and implement waste reduction practices. The Ohgata Branch will continue to actively participate in environmental protection energy programs and energy-saving activities, while looking forward to the realization of a more livable planet and a spiritually affluent society.



Branch Manager of Ohgata Branch
TSUJI Hironobu



Panoramic View of Ohgata Branch

Address: 230 Saigata, Ohgata-ku, Joetsu City, Niigata Pref.

Area of the Site: 87,116 m²

Main Products:

CMC, water-borne urethanes, polyvinyl pyrrolidone, industrial detergents

Environmental Impacts in FY 2011

Energy Consumption (Crude oil equivalent)	(kL)	8,559
CO ₂ Emissions	(t-CO ₂)	18,120
Generated Waste Amount	(t)	956
Final Disposal Amount	(t)	142.0
PRTR Emissions	(t)	0.42
Water Discharge Amount	(1,000 m ³)	389.9
COD Emissions	(t)	12.7

Efforts in Environmental Activities

We set the environmental goals for our branch in the environment management system, and continue to make efforts to reduce environmental impacts and energy consumption. We are actively making efforts on the improvement of water quality in effluent treatment facilities, recycling of wastes, and energy saving activities.



Maintenance Section
TAKUMA Junya



Maintenance Section
HAO Shigeru

Efforts in Social Activities

Our branch, adjacent to streets of the old part of town, is creating better relationship with the region through active participation in local events and dialogue with local people. We enhanced communication with local people by joining local events, emergency drills with the fire department and association of disaster prevention, and meetings with local residents.



Plant Administration Section
KAWASE Ryuji



Plant Administration Section
MIZUSAWA Naoya

Tianjin Dai-ichi Fine Chemicals Co., Ltd.

- Established: February, 1992
- Address: Headquarters and Plant in Tianjin City, China
- Business Outline: Manufacture and distribution of industrial medical agents, mainly fiber processing agents
- ISO Accreditation: ISO9001 (2001), ISO14001 (2006)

RC Activities Status

Through constructive environmental-related investment activities, the company is devoted to changing to green materials, development of green products, energy conservation, and waste reduction. In FY 2011, we received a letter of appreciation from the Environmental Protection Administration of Tianjin Economic and Technical Development Zone, regarding the environmental information disclosure of our company.





Shiga Branch

Nestled beneath Mt. Kinugasa, our Shiga Branch lies in the green Higashi-Ohmi area, looking out over Japan's mother lake, Lake Biwa. We have been paying close attention to the environmental aspects of all our business activities and implementing environmental protection practices through continual improvement of our business activities. Our focus is placed on fostering dialogue with society so that our plant can peacefully coexist with them. So far, we have put our efforts to promote environmental protection practices, such as the introduction of a cogeneration system, air pollution reduction through fuel conversion, and renovation of our effluent treatment facilities. In recent years, we have engaged in promotions to maintain company owned forests as part of in-house volunteer activities by our employees. In addition, we succeeded in changing a part of the overall waste to valuables through complete segregation, thereby resulting in significant reduction in terms of final disposal. We are devoted to further improving the natural and social environments while emphasizing compliance with stringent attention towards environmental requirements.



Branch Manager of Shiga Branch
KAWAMOTO Wataru



Panoramic View of Shiga Branch

Address: 427 Gokasho Hiyoshi-cho, Higashi Ohmi City, Shiga Pref.

Area of the Site: 105,753 m²

Main Products:

Sucrose fatty acid esters, food additives, metal surface treatment agents, acrylic polymer, surfactants, water-soluble polyester polyol, solvent-substitute waterborne/non-waterborne detergents

Environmental Impacts in FY 2011

Energy Consumption (Crude oil equivalent)	(kL)	6,417
CO ₂ Emissions	(t-CO ₂)	12,345
Generated Waste Amount	(t)	2,581
Final Disposal Amount	(t)	10.6
PRTR Emissions	(t)	0.34
Water Discharge Amount	(1,000 m ³)	1,149.9
COD Emissions	(t)	5.7

Efforts in Environmental Activities

We disposed of plastics as "waste plastic" belonging to industrial waste, but succeeded in making a part of it recycle-based under the condition that contents are clean. We have started a pick up service using a plastic recycling company. This practice helped us to reduce approximately 45 tons of industrial waste. In addition, we were able to reduce the amount of "wastepaper" by approximately 29 tons owing to recycling. We achieved our environmental goal of "Reduction of the Industrial Waste Amount," as well as the final (landfill) disposal amount being reduced, and could contribute to the "zero emission" policy.



Plant Administration Section
KOBAYASHI Hideki

Plant Administration Section
TAKAHASHI Yuji

Efforts in Social Activities

Satoyama is the Japanese term for the border zone or area between mountain foothills and arable flat land. Our Shiga Branch, blessed with nature, constantly strives to live in harmony with nature. We recruited volunteers among our employees and launched the "Shiga Branch group for the protection of *Satoyama*" as one of our activities to maintain company owned forests. People of all ages join the group and promote activities as well as having the occasional convivial gathering. We continue to maintain the previously untouched and wild mountain setting behind the branch, and see it returning to grassy bamboo forests, though little by little.



Group for the protection of *Satoyama*

PT. Dai-ichi Kimia Raya

- Established: April 1996
- Address: Headquarters and Plant in Java, Indonesia
- Business Outline: Manufacture and distribution of fiber processing agents, resin additives, paper additives, and food additives
- ISO Accreditation: ISO9001 (2003)

RC Activities Status

The company is making efforts to promote energy conservation by reducing the energy consumption related to the production amount, and to improve more effective resource utilization by recycling cooling water. In addition, they are devoted to making active contributions to local communities through cooperation in providing a scholarship fund to local residents, making donations to religious events, and planting trees.



Yokkaichi Chemical Co., Ltd.

Yokkaichi Chemical Co., Ltd. was established in 1959 in Yokkaichi City, the first industrial complex in Japan, as a manufacturer of ethylene oxide derivatives centered on non-ionic surfactants.

The company has acquired certification for the environmental management system international standards in 1999 based on our corporate philosophy and safety, environmental, and quality policies. In 2002 we announced our implementation of the RC (Responsible Care) activities, and continue to develop approaches on conservation of the environment.

We strive to integrate environmental consciousness into all our business activities and continue to implement environmental protection practices through R&D that covers product life from development to disposal, thorough waste management, waste reduction, and more effective energy and resource utilization in production processes.

We are devoted to conducting fair and transparent business activities and fulfilling the social responsibilities while emphasizing compliance with stringent attention to environmental requirements, and enhancing thorough safety and coexistence with the global environment.



Yokkaichi Chemical Co., Ltd.
President
IZUMI Hiroyuki



Headquarters of Yokkaichi Chemical Co.,Ltd.

Address: Headquarters/Yokkaichi Plant:
2-1, Miyahigashi-cho, Yokkaichi City, Mie Pref.
Rokuromi Plant:
710, Rokuromi, Oaza, Yokkaichi City, Mie Pref.

Area of the Site: approx. 30,000 m² (Headquarters/Yokkaichi Plant),
approx. 26,000 m² (Rokuromi Plant)

Main Products: Alkylene oxide derivative, epichlorohydrin derivative, alkylphenol

Environmental Impacts in FY 2011

Energy Consumption (Crude oil equivalent)	(kL)	5,978
CO ₂ Emissions	(t-CO ₂)	13,421
Generated Waste Amount	(t)	2,615
Final Disposal Amount	(t)	185.0
PRTR Emissions	(t)	0.68
Water Discharge Amount	(1,000 m ³)	727.3
COD Emissions	(t)	1.5

Efforts in Environmental Activities

The company has acquired certification for the environmental management system international standards. We strive to improve on the continuous reduction of environmental impacts and energy conservation as a designated energy management factory. We are actively making efforts on the reduction of waste and water discharge through reexamination of process conditions, energy reduction, and a change to more energy-efficient lighting.



Engineering & Plant Maintenance Group
KAWAMOTO Kimihito

Production Group B
YADA Kenichi

Efforts in Social Activities

We enhanced communication with local people by joining local cleaning campaigns, seminars in local communities, and the local association of disaster prevention under the motto: "Acquire public understanding of our company by promoting community service, dialogue with local residents, and peaceful coexistence."



Shiohama District Zero Waste Campaign

Overseas Affiliates

Shuang YiLi (Tianjin) New Energy Co., Ltd.

- Established: March 2005
- Address: Headquarters and Plant in Tianjin City, China
- Business Outline: Manufacture and distribution of lithium-ion battery
- ISO Accreditation: ISO9001 (2007)

RC Activities Status

The company strives to save electricity by managing the usage of air conditioners and lights, as well as significantly reducing the amount of waste through promotion of recycling. They also periodically conduct emergency drills as process safety and disaster prevention activities, and perform safety production education for employees.



 **DAI-ICHI KOGYO SEIYAKU CO.,LTD.**

Cover: Kubiki Mountain Range

Our Ohgata Branch is located in the northeast of the Kubiki plain in western Niigata prefecture. Bordering the Sea of Japan, it is one of the most beautiful places in Japan with its white sand and green pines. The Ohgata Branch was established in 1960 as the fourth production base following Kyoto, Tokyo, and Yokkaichi. The whole base district of the Kubiki Mountain Range viewed southwest from our branch is one of the heavier snowfall areas in Japan. The Kubiki Plain expanding toward the Sea of Japan carries abundant melted snow water flowing out from the Kubiki Mountain Range. It is one of the most famous production areas of high quality rice and rice wine in Japan.

For inquiries about this document, please contact:

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