Disclosure on the Internet accompanying
the Notice of Convocation of the 163rd Ordinary General Meeting of Shareholders

Company's Systems and Policies

Consolidated Statement of Changes in Net Assets
Notes to Consolidated Financial Statements
Non-consolidated Statement of Changes in Net Assets
Notes to Non-consolidated Financial Statements

(from April 1, 2021 to March 31, 2022)

Denka Co., Ltd.
(Securities Code: 4061)

The content of this document is posted on the website of Denka Co., Ltd. ("the Company") (https://www.denka.co.jp/eng/), pursuant to laws and regulations and Article 16 of the Articles of Incorporation of the Company.

Company’s Systems and Policies

(1) Systems to Ensure the Appropriateness of Operations

The Company is enacting the (Denka Mission) which represents our uppermost mission statement, and action guidelines (Denka Principles) which make the corporate philosophy “The Denka Value.” Under this corporate philosophy, the Company has determined the following by the resolution of the Board of Directors as a system to ensure the appropriate execution of duties.

1) Systems to ensure that Directors’ and employees’ execution of duties complies with laws and regulations and the Articles of Incorporation

The Board of Directors of the Company performs important decision-making concerning business execution in accordance with laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations and oversees Directors’ and Executive Officers’ execution of duties.

Executive Directors and Executive Officers execute their duties under supervision by the President and oversee employees’ execution of duties at divisions for which they are responsible.

The Audit & Supervisory Committee performs investigations of matters including the development and implementation status of internal control systems by attending corporate and other important meetings, receiving briefings from Directors, reviewing important documents, and other means, and audits the execution of duties by Directors from an independent standpoint.

The Company establishes the Denka Group Ethics Policy as a set of action guidelines for all the officers and employees of the Company and its subsidiaries concerning compliance, and corporate rules and regulations are established to ensure compliance with specific laws and regulations and the Articles of Incorporation.

In accordance with the provisions of the Denka Group Ethics Policy, the Company maintains a resolute attitude against antisocial forces and does not provide any payoff. Based on this policy, the Company establishes an internal system.

Regarding internal audits, the Company establishes the Internal Control Department as a dedicated department that conducts comprehensive internal auditing. In addition, regarding specialized or specific fields, business units and various committees provide education on compliance with rules and regulations and audit compliance statuses according to functions and report to the responsible officers, as necessary.

The Internal Control Department also performs assessment of statuses of design and operation of internal controls for the purpose of preparing a “report of internal control over financial reporting” specified by the Financial Instruments and Exchange Act and reports the result to the responsible officer.

The Company establishes the Compliance Hotline System to supplement internal audits by the departments described above to swiftly identify and address any violations.

2) Systems for storage and management of information related to Directors’ execution of duties

The Company records information related to Directors’ execution of duties in accordance with the Board of Directors Regulations, job descriptions, and other internal rules and regulations, and stores and manages such information based on the document retention regulations.

3) Rules and other systems for management of risk of loss

The Company formulates the Risk Management Guidelines to provide policies for responding to incidents that may greatly affect corporate activities.

Regarding such items as the environment, health and safety, and quality control, cross-organizational committees are established to comprehensively manage risks. Regarding items unique to departments, the relevant departments are responsible for managing associated risks.

4) Systems to ensure that Directors’ execution of duties is efficient

The Company adopts the executive officer system to optimize the management decision-making function of the Board of Directors and to strengthen each function of business execution and oversight by separating them.

Apart from the Board of Directors as the decision-making body, the Company establishes the Management Committee consisting of Directors (including Directors who are Audit & Supervisory Committee Members) and some Executive Officers. Depending on the agenda, relevant executive officers also participate in the meeting of the Management Committee to streamline and accelerate deliberation on important managerial matters.

For such important matters as budget formulation and capital investment, the Company sets up deliberative councils or special committees by function.

The job descriptions specify basic duties and decision-making authority of Directors, Executive Officers, and employees to enhance efficiency of execution of duties.

5) Systems to ensure the appropriateness of operations of the Group

Regarding management of subsidiaries, the Company specifies organizations responsible for each subsidiary. These supervisory organizations take responsibility for supervising. In addition, they provide guidance, administration, and oversight in accordance with the situation of each subsidiary.

Regarding ordinary operations of subsidiaries, the Company respects the autonomy and independence of each affiliated company. Regarding compliance with laws and regulations and social norms, the Company applies the Denka Group Ethics Policy and other relevant rules and regulations to affiliated companies and provides education and oversight.

i) Systems for reporting of matters relating to execution of duties by subsidiaries' directors etc. to the parent company

The Company dispatches directors, etc. to subsidiaries from the organization that is responsible for the subsidiaries and information about important matters for the subsidiaries is exchanged and discussed at meetings of the Company's Board of Directors, etc.

Regarding execution of duties, taking into account the degree of impact on the Group as a whole, subsidiaries report matters of greater importance to the parent company, that is the Company, via their supervisory organizations, in accordance with the Job Descriptions for Management of Affiliated Companies.

ii) Subsidiaries' rules and other systems for management of risk of loss

The Company responds to incidents that may greatly affect subsidiaries' corporate activities in accordance with the Risk Management Guidelines.

Regarding such items as the environment, health and safety, and quality control at a subsidiary, directors, etc. dispatched to the subsidiary from the supervisory organization responsible for the subsidiary provide advice and guidance through discussion with specific organizations responsible for each such item.

iii) Systems to ensure that execution of duties by subsidiaries' directors, etc. is efficient

The Company dispatches directors, etc. to subsidiaries from the supervisory organizations responsible for the subsidiaries to facilitate information sharing between the Company and subsidiaries and to execute business systematically and efficiently by the Group as a whole.

Depending on the degree of importance of subsidiaries, the Company has subsidiaries introduce the shared accounting system and provides resources of administrative organizations to enhance efficiency of execution of duties of subsidiaries.

iv) Systems to ensure that execution of duties by subsidiaries' directors, etc. and employees complies with laws and regulations and the Articles of Incorporation

The Company establishes the Denka Group Ethics Policy applicable to the Group, including to subsidiaries, and encourages all the officers and employees of subsidiaries to ensure compliance with laws and regulations. At the same time, the Company manages subsidiaries in accordance with the Job Descriptions for Management of Affiliated Companies.

The Company's Internal Control Department is principally responsible for internal audits of subsidiaries and conducts internal auditing, in a timely manner, receiving support of the Company's Legal Department, as necessary.

The Company establishes a whistleblower system for early detection and correction of non-compliant conduct at subsidiaries.

6) Systems concerning employees who provide assistance to the Audit & Supervisory Committee, matters concerning securing effectiveness of instructions to the employees and matters concerning independence of such staff from Directors (excluding Directors who are Audit & Supervisory Committee Members)

The Company sets up the Audit Committee Office as an organization that provides assistance to the Audit & Supervisory Committee and assigns at least one exclusively assigned employee to the Audit Committee Office based on consultation with the Audit & Supervisory Committee in advance. The

Audit Committee Office serves as the secretariat for the Audit & Supervisory Committee and is directly commanded by the Audit & Supervisory Committee.

The Audit & Supervisory Committee are consulted in advance about performance evaluation of employees who belong to the Audit Committee Office and determination of any other personnel matters.

7) Systems concerning reporting to the Audit & Supervisory Committee by the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members of the Company) and employees and by those of subsidiaries, other systems concerning reporting to the Audit & Supervisory Committee, and systems to ensure that they do not receive unfavorable treatment because of their reporting to the Audit & Supervisory Committee

Directors (excluding Directors who are Audit & Supervisory Committee Members of the Company), Executive Officers, and employees of the Company and those of subsidiaries report on their duties, by organization or by subsidiary, periodically or as necessary, in accordance with the instructions and/or requests of the Audit & Supervisory Committee. In addition, if they discover matters that will or may cause significant harm to the Group, they will immediately report them to the Audit & Supervisory Committee either directly or indirectly via the appropriate lines of command or Compliance Hotline System.

The Internal Control Department reports the results of internal audits of the Company and subsidiaries periodically to the Audit & Supervisory Committee.

The Company establishes a whistleblower system as a system available for all the officers and employees of the Company and subsidiaries for reporting non-compliant conduct, designating the Audit Committee Office as one of the contacts of the whistleblower system. If the Audit Committee Office, etc. receives a report, the content of the report is reported to the Audit & Supervisory Committee.

It is specified in the Denka Group Ethics Policy that no person who reports on non-compliant conduct using the whistleblower system, etc. receives unfavorable treatment because of his/her reporting.

8) Policy for treatment of expenses, etc. incurred by Audit & Supervisory Committee Members' execution of duties and other systems to ensure that the Audit & Supervisory Committee effectively perform auditing

Directors secure the necessary budget in order not to impede execution of duties by Audit & Supervisory Committee Members. At the same time, when an Audit & Supervisory Committee Member makes a claim in accordance with Article 399-2, Paragraph 4 of the Companies Act, the expenses and liabilities relevant to the claim will be paid without delay, unless it is deemed that they are unnecessary for execution of duties of the said Audit & Supervisory Committee Member.

The Internal Control Department and other internal auditing organizations collaborate with the Audit & Supervisory Committee and coordinate with its auditing so that both internal auditing organizations and the Audit & Supervisory Committee can perform their duties efficiently.

(2) Operational Status of Systems to Ensure the Appropriateness of Operations

1) Compliance structure

Based on the Denka Group Ethics Policy, which defines the fundamentals of compliance, and the Whistleblowing Policy, the Company continued to implement awareness activities, including training, during the fiscal year under review.

2) Business execution of Directors

The Board of Directors of the Company is composed of nine members, including four Outside Directors, and meetings of the Board of Directors were held 13 times during the fiscal year under review. Based on laws and regulations, the Articles of Incorporation, and the Board of Directors Regulations, decision-making was conducted regarding important business execution, reports were received from Directors and Executive Officers regarding required business execution conditions, and appropriate supervision was provided.

Additionally, with the intent of deliberation and consideration for important management issues, the Management Committee, composed of Directors (including Directors who are Audit & Supervisory Committee Members), and a portion of Executive Officers, was held once a month, with the intent of increasing efficiency of consideration of important management issues and accelerating decision-making.

3) Business execution of the Audit & Supervisory Committee

The Audit & Supervisory Committee of the Company is composed of four members, including three Outside Directors, and meetings of the Audit & Supervisory Committee were held 14 times during the fiscal year under review. Additionally, the Audit & Supervisory Committee worked closely with the Internal Control Department and other departments to perform efficient and effective audits of the Company's divisions and departments, business sites, and subsidiaries, in addition to receiving briefings on the status of business execution, etc. at periodic divisional report meetings. They held necessary discussions concerning these and other activities at meetings of the Audit & Supervisory Committee.

Furthermore, to assist the duties of the Audit & Supervisory Committee, the Audit Committee Office was established and exclusive employees were assigned.

4) Risk management structure

To respond appropriately to events that may greatly affect the corporate activities of the Company, the Risk Management Guidelines were defined, containing categories of specific types of risk that may occur, and a controlling division and emergency contact structure are maintained. During the fiscal year under review, the Risk Management Guidelines were revised in order to speed up the response in the event of a crisis and to strengthen supervisory functions. Meetings of the Risk Management Committee as defined by the above guidelines and various other meetings related to risks are held periodically and as required, and report to the Board of Directors.

5) Implementation of internal audits

Based on the internal auditing plan, the internal auditing organizations of the Company implement internal audits of the Company and Group companies, and while reporting the results to the Board of Directors and the Audit & Supervisory Committee, cooperate closely with the Audit & Supervisory Committee, working together to conduct operations that are mutually efficient.

(3) Basic Policies regarding the Control of the Company

The following matters were decided at a meeting of the Board of Directors of the Company

Under the Company's corporate philosophy, the Denka Value, the Company strives to strengthen its business foundation by improving its earning power and expanding the scope of operations, while making every effort to continue being a company that can win the trust and sympathy of society, and in so doing working to improve the Company's corporate value and the common interests of the shareholders from a medium- to long-term perspective.

Also, under this basic policy, the management plan "Denka Value up" (five years from fiscal 2018), has been formulated, to strive for the realization of continuous and sound growth.

The Company has not established so-called takeover defense countermeasures, but for certain large scale purchases that may damage corporate value and large scale purchases where sufficient information or time may not be provided to shareholders in order to consider whether it should accept or reject such a purchase attempt, within the scope permitted by laws and regulations, regulations of financial instruments exchanges etc., appropriate interactions are taken in order to prevent damage to the Company's corporate value and the common interests of its shareholders.

Consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	**36,998**	**49,397**	**168,878**	**(7,677)**	**247,596**
Cumulative effects of changes in accounting policies			22		22
Restated balance	36,998	49,397	168,900	(7,677)	247,618
Changes of items during the fiscal year					
Dividends from surplus			(11,647)		(11,647)
Profit attributable to owners of parent			26,012		26,012
Purchase of treasury stock				(9)	(9)
Disposal of treasury stock		0		41	41
Reversal of revaluation reserve for land			(136)		(136)
Net changes of items other than shareholders' equity					–
Total changes of items during the fiscal year	–	**0**	**14,228**	**32**	**14,260**
Balance at end of the fiscal year	**36,998**	**49,397**	**183,128**	**(7,645)**	**261,879**

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at beginning of the fiscal year	**16,143**	**(442)**	**10,245**	**(3,004)**	**(3,090)**	**19,852**	**2,588**	**270,036**
Cumulative effects of changes in accounting policies						–		22
Restated balance	16,143	(442)	10,245	(3,004)	(3,090)	19,852	2,588	270,059
Changes of items during the fiscal year								
Dividends from surplus						–		(11,647)
Profit attributable to owners of parent						–		26,012
Purchase of treasury stock						–		(9)
Disposal of treasury stock						–		41
Reversal of revaluation reserve for land						–		(136)
Net changes of items other than shareholders' equity	740	93	132	5,415	358	6,740	1,033	7,774
Total changes of items during the fiscal year	**740**	**93**	**132**	**5,415**	**358**	**6,740**	**1,033**	**22,034**
Balance at end of the fiscal year	**16,883**	**(348)**	**10,377**	**2,410**	**(2,731)**	**26,592**	**3,621**	**292,094**

(Note) Amounts are rounded down to the nearest million yen.

Notes to Consolidated Financial Statements

(Significant Matters, etc. Providing the Basis for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries

Number of consolidated subsidiaries: 47

Names of principal consolidated subsidiaries:

Denka Singapore Pte., Ltd.

Denka Advantech Pte., Ltd.

Denka Performance Elastomer LLC

DENKA Polymer Co., Ltd.

Hinode Kagaku Kogyo

Akros Trading Co., Ltd.

(2) Principal non-consolidated subsidiaries

Names of principal non-consolidated subsidiaries:

KAMBARA NAMAKON K.K.

SANSHIN BUSSAN K.K.

DS POVAL K.K.

Reason for exclusion from the scope of consolidation:

The non-consolidated subsidiaries are excluded from the scope of consolidation because they are both small in scale and the aggregate amounts of their total assets, net sales, net income or loss (amount prorated to the ownership), and retained earnings (amount prorated to the ownership), etc. have no material impact on the consolidated financial statements.

2. Application of the equity method

(1) Non-consolidated subsidiaries and affiliates to which the equity method is applied

Number of non-consolidated subsidiaries and affiliates to which the equity method is applied: 14

Names of principal non-consolidated subsidiaries to which the equity method is applied:

KAMBARA NAMAKON K.K.

SANSHIN BUSSAN K.K.

Names of principal affiliates to which the equity method is applied:

TOYO STYRENE Co., Ltd.

JUZEN Chemical Corporation

Denak Co., Ltd.,

Kurobegawa Electric Power Company

(2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied

Name of the principal non-consolidated subsidiary to which the equity method is not applied:

DS POVAL K.K.

Name of the principal affiliate to which the equity method is not applied:

Shogawa Nama Concrete Kogyo K.K.

Reason for not applying the equity method:

The non-consolidated subsidiary and affiliate not subject to the equity method are excluded from application of the equity method because their individual impacts on consolidated net income or loss, retained earnings, etc., are negligible, and their overall impact on the consolidated financial statements is immaterial.

3. Accounting periods of consolidated subsidiaries

Among the consolidated subsidiaries, Denka Singapore Pte., Ltd. and 33 other subsidiaries have a year-end balance sheet date of December 31.

Necessary adjustments are made in preparing the consolidated financial statements to reflect any significant transactions that took place between that date and the consolidated balance sheet date.

4. Accounting policies

(1) Standards and methods for valuation of principal assets

Securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price

Stated at market value

(Valuation difference is reported as a separate component of net assets. The cost of sales is calculated principally using the moving-average method.)

Shares, etc. that do not have a market price

Stated principally at cost using the moving-average method

Derivatives

Stated at market value

Inventories

Stated principally at cost using the weighted-average method

(Balance sheet amounts are calculated by writing down their net realizable value when there is evidence of deterioration in value.)

(2) Depreciation method for principal depreciable assets

Property, plant and equipment

Principally, the straight-line method is applied.

Intangible assets

Principally, the straight-line method is applied. (However, software for internal use is amortized by the straight-line method over the estimated internal useful life (principally five years).)

Lease assets

For finance leases that do not transfer the ownership of the lease assets to the lessee, the straight-line method with no residual value is applied, regarding the lease term as the useful life.

Furthermore, for consolidated subsidiaries overseas preparing their financial statements in accordance with International Financial Reporting Standards, International Financial Reporting Standard 16 *Leases* (“IFRS 16”) is applied. Under IFRS 16, lessees record all leases as assets and liabilities on the balance sheet, in principle, and the straight-line method is used as the depreciation method for right-of-use assets recorded as assets.

(3) Standards of accounting for principal allowances and provisions

• Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover possible losses on receivables. The Company records an estimated irrecoverable amount based on the historical write-off rate for ordinary receivables and based on assessment of recoverability of individual receivables for specific doubtful accounts.

• Provision for bonuses

The Company provides reserve for payment of bonuses to employees based on the amount of estimated employees' bonuses.

• Provision for stock benefits

In order to provide benefit from the Company's shares, the amount of projected equity benefit at the end of the consolidated fiscal year is recorded, based on officer stock delivery regulations for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors).

(4) Other significant matters providing the basis for preparation of consolidated financial statements

• Method of amortization of goodwill and amortization period

Goodwill is amortized within twenty years over a reasonable period, and amortized using the straight-line method.

• Method of hedge accounting

The Company adopts the deferral method of hedge accounting. Interest rate swaps that satisfy the criteria for application of the special method are accounted for by the special method provided by the accounting standards. Forward exchange contracts that satisfy the criteria for application of the appropriation method are accounted for by the appropriation method.

• Method of accounting for retirement benefits

In order to prepare for payment of employees' retirement benefits, based on the projected amounts at the fiscal year-end, the amount of retirement benefit obligation from which the amount of plan assets is deducted is recorded as net defined liability.

In calculating retirement benefit obligations, the benefit formula basis is adopted for attributing expected benefits to periods.

Prior service cost is principally recorded by the straight-line method over certain periods (principally 10 years) within the average remaining service period of employees expected to receive benefits.

Actuarial gains and losses are principally recorded by the straight-line method over certain periods (principally 10 years) within the average remaining service period of employees expected to receive benefits, commencing with the following fiscal year.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded, after adjustment for tax effects, as remeasurements of defined benefit plans in accumulated other comprehensive income in the net assets section.

• Revenue and expense recognition standards

The details of the main performance obligations in the major businesses related to revenue from contracts with the Group's customers and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.

(1) Revenue recognition related to product sales

Revenue is recognized when control of a product is transferred to a customer.

(2) Revenue recognition related to transactions that include variable consideration

Regarding the consideration paid to customers, such as some sales rebates in product sales, revenue is recognized by deducting from the transaction price.

(3) Revenue recognition related to agent transactions

Regarding purchase and sale transactions of goods and services mainly in the trading company business, as a result of determining the role (principal or agent) in providing goods and services to customers, the Group recognizes revenue as a net amount for agent transactions.

(4) Revenue recognition related to construction contracts

Regarding construction contracts, revenue is recognized over time as performance obligations are satisfied. Progress toward satisfaction of performance obligations is measured based on construction costs incurred by the end of each reporting period relative to the ratio of total forecasted construction costs. For construction contracts with a very short period from the transaction start date to the time when it is expected that the performance obligations will be fully satisfied, and for small construction contracts, revenue is not recognized over time, but recognized when performance obligations are fully satisfied.

(Notes to Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes due to application of the Revenue Recognition Standard and other standards are as follows.

(1) Revenue recognition related to product sales

Regarding product sales at the Company and domestic subsidiaries, revenue was recognized at the time of product shipment in the past, however the Company changed to a method of recognizing revenue when control of the product is transferred to the customer.

(2) Revenue recognition related to transactions that include variable consideration

Consideration paid to customers, such as some sales rebates in product sales, was treated as selling, general and administrative expenses in the past, however the Company changed to a method of recognizing revenue by deducting from the transaction price.

(3) Revenue recognition related to agent transactions

Regarding purchase and sale transactions of goods and services mainly in the trading company business, revenue was recognized as a total amount in the past, however the Company changed to a method of recognizing revenue as a net amount as a result of determining the role (principal or agent) in providing goods and services to customers.

(4) Revenue recognition related to construction contracts

Regarding construction contracts, in the past, when the certainty of results was recognized for the progress part of construction, the construction progress standard was applied, and for other construction work, the construction completion standard was applied. However, the Company changed to a method of recognizing revenue over time as performance obligations are satisfied. Progress toward satisfaction of performance obligations is measured based on construction costs incurred by the end of each reporting period relative to the ratio of total forecasted construction costs. For construction contracts with a very short period from the transaction start date to the time when it is expected that the performance obligations will be fully satisfied, and for small construction contracts, revenue is not recognized over time, but recognized when performance obligations are fully satisfied.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year under review in accordance with the previous treatment.

As a result, balance at the beginning of the fiscal year for retained earnings in the consolidated statement of changes in net assets increased by 22 million yen. In addition, for the fiscal year under review, net sales decreased by 31,278 million yen, and operating income, ordinary income and income before income taxes decreased by 285 million yen, respectively.

Due to the Company's application of the Revenue Recognition Standard, "notes and accounts receivable-trade," which was presented under "current assets" in the consolidated balance sheet of the previous fiscal year, has been included under "notes and accounts receivable-trade, and contract assets" for the fiscal year under review.

(Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on gains or losses for the fiscal year under review.

(Notes to Accounting Estimates)

Valuation of goodwill

(1) Stated amount on the consolidated financial statements for the fiscal year under review

Goodwill	5,989 million yen
Impairment loss	968 million yen

(2) Other information to help understanding the details of estimates

1) Calculation method

When there is an indication of impairment in any of the asset groups including goodwill, the Group estimates the undiscounted future cash flows to be generated from such asset group. If the carrying amount of the asset group exceeds the total amount of undiscounted future cash flows, an impairment loss will be recognized, the carrying amount being written down to the recoverable amount.

Additionally, when the annual impairment test is needed, the Group measures the fair value of each asset group including goodwill. If the carrying amount of the asset group exceeds its fair value, the carrying amount will be written down to the fair value and treated as loss for the fiscal year under review.

Goodwill of the Group is principally related to Life Innovation business.

In the fiscal year under review, for goodwill related to Life Innovation business, no impairment loss has been recognized as the total amount of undiscounted future cash flows to be generated from the asset group including the goodwill exceeded the carrying amount of the asset group.

2) Principal assumptions

Undiscounted future cash flows to be generated from the asset group including goodwill related to Life Innovation business are calculated on the basis of the business plans that are prepared, reflecting past experiences and external and internal information, and approved by the Board of Directors. Principal assumptions are the time of completion of developing new products, etc. and the sales forecasts after their launch.

3) Impacts on the consolidated financial statements for the next fiscal year

All the principal assumptions included in the business plans are based on information available to the Group as of the balance sheet date and certain premises deemed to be reasonable. When drastic changes in business environment occur or due to other factors, impairment loss may be recognized in the next fiscal year.

(Notes to the Consolidated Balance Sheet)

1. Assets pledged as collateral

Investment securities:	226 million yen
Liabilities corresponding to pledged assets	
Notes and accounts payable-trade and other liabilities:	174 million yen

2. Accumulated depreciation of property, plant and equipment: 476,094 million yen

3. Guarantee obligations, etc.

Guarantee for loans from financial institutions: 9,439 million yen

(Notes to the Consolidated Statement of Changes in Net Assets)

1. Type and total number of shares issued and type and number of shares of treasury stock

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
Shares issued				
Common stock	88,555,840	―	―	88,555,840
Total	88,555,840	―	―	88,555,840
Treasury stock				
Common stock (Notes 1 and 2)	2,335,451	2,443	13,205	2,324,689
Total	2,335,451	2,443	13,205	2,324,689

Notes: 1. The 2,443 increase in the number of shares of common stock of treasury stock was due to the purchase of shares constituting less than one unit.

2. The 13,205 decrease in the number of shares of common stock of treasury stock was due to the decrease by sale of 305 shares constituting less than one unit and the distribution of 12,900 shares of the Company under the employee stock ownership plan.

2. Dividends

(1) Payment of dividends

• Dividends for common stock

Resolution	Types of shares	Dividends paid (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2021	Common stock	5,608	65.00	March 31, 2021	June 23, 2021
Meeting of the Board of Directors held on November 8, 2021	Common stock	6,039	70.00	September 30, 2021	December 2, 2021

(2) Dividends whose record date falls during fiscal 2021 but whose effective date is in the next fiscal year

• Dividends for common stock

The following resolutions are expected to be made.

Resolution	Types of shares	Dividends paid (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 22, 2022	Common stock	6,470	Retained earnings	75.00	March 31, 2022	June 23, 2022

(Financial Instruments)

1. Financial instruments

The Group is not engaged in fund investment. The Group's policy is to procure funds through bank borrowings and issuance of bonds and/or commercial paper in combination, as necessary.

Notes and accounts receivable-trade, and contract assets are exposed to customer credit risk. For such risk, management of due dates is implemented in accordance with the credit management rules. Investment securities mainly consist of stocks, and the market values of listed stocks are determined on a quarterly basis.

Loans payable, bonds payable, and commercial paper are used for working capital (mainly short term) and for capital investment. Certain long-term loans payable are exposed to the risk of interest rate fluctuations. For such risk, interest rate swaps are employed to fix the amount of interest expenses. Certain business transactions denominated in foreign currencies are exposed to the risk of foreign exchange fluctuations, and for such risk, forward exchange contracts are employed.
Derivative transactions are entered into only in the scope of practical purposes in accordance with the internal control rules and not for speculative purposes.

2. Fair values of financial instruments

Carrying amounts and market values of the financial instruments and the differences between carrying amounts and market values as of March 31, 2022 (consolidated balance sheet date of fiscal 2021) are as follows. Shares, etc. that do not have a market price (carrying amount of 23,462 million yen) are not included in available-for-sale securities. In addition, the note for cash is omitted and the note for deposits is omitted because deposits comprise short-term instruments whose carrying amount approximates their fair value.

(Millions of yen)

	Carrying amount (*)	Market value (*)	Difference
(1) Notes and accounts receivable-trade, and contract assets	101,026	101,026	－
(2) Investment securities			
Available-for-sale securities	34,204	34,204	－
Stocks of subsidiaries and affiliates	2,885	2,207	(678)
Total assets	138,117	137,438	(678)
(3) Notes and accounts payable-trade	50,032	50,032	－
(4) Short-term loans payable	40,545	40,545	－
(5) Commercial paper	8,000	8,000	－
(6) Long-term loans payable (*1)	51,487	51,608	120
(7) Bonds payable	37,000	36,817	(183)
Total liabilities	187,065	187,003	(62)
(8) Derivatives (*2)	－	－	－

(*1) Long-term loans payable includes loans to be repaid within one year.

(*2) The amount represents a net amount of credits and debts arising from derivative transactions and the figures in parentheses are recorded as liabilities on the consolidated balance sheet.

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the consideration for the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

(1) Financial assets and financial liabilities measured at fair value

(Millions of yen)

Section	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	34,204	－	－	34,204

(2) Financial assets and financial liabilities not measured at fair value

(Millions of yen)

Section	Fair value			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable-trade, and contract assets	–	101,026	–	101,026
Investment securities				
Stocks of subsidiaries and affiliates	2,207	–	–	2,207
Notes and accounts payable-trade	–	50,032	–	50,032
Short-term loans payable	–	40,545	–	40,545
Commercial paper	–	8,000	–	8,000
Long-term loans payable	–	51,608	–	51,608
Bonds payable	–	36,817	–	36,817

Note: A description of the valuation technique and inputs used in the fair value measurements

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

Derivatives

The fair value is calculated based on the prices provided by the financial institutions. However, interest rate swaps that qualify for the special method are accounted for as part of hedged long-term loans payables, and therefore, the fair value of such interest rate swaps is included in the fair value of the corresponding long-term loans payables (Refer to “long-term loans payable” below.). Forward exchange contracts that qualify for the appropriation method are accounted for as part of hedged accounts receivable and accounts payable, excluding those associated with forecasted transactions, and therefore, the fair value of such forward exchange contracts is included in the mark (Refer to “accounts receivable-trade” and “accounts payable-trade” below).

Notes and accounts receivable-trade, and contract assets

The fair value of these items is measured using the discounted cash flow method based on the amount of receivables, period to maturity and an interest rate reflecting credit risk, for each receivable categorized by a specified period, and is classified as Level 2.

Notes and accounts payable-trade, short-term loans payable and commercial paper

The fair value of these items is measured using the discounted cash flow method based on future cash flows, period to repayment and an interest rate reflecting credit risk, for each liability categorized by a specified period, and is classified as Level 2.

Long-term loans payable

The fair value of these items is measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and is classified as Level 2.

Bonds payable

The fair value of these items is measured based on market prices. While market prices are available, their fair value is classified as Level 2 because they are not traded in an active market.

(Real Estate for Rent)

Disclosure is omitted because the Group does not own real estate for the purpose of gaining rental revenues or capital gains and the total amount of real estate for rent is immaterial.

(Notes to Revenue Recognition)

(1) Disaggregation of revenue from contracts with customers

The relationship between disaggregated revenue and the Group's reportable segments is as follows.

(Millions of yen)

	Reportable segment					Other businesses (Note 1)	Total
	Electronics & Innovative Products	Life Innovation	Elastomers & Infrastructure Solutions	Polymer Solutions	Total		
Japan	39,359	34,666	55,110	78,931	208,068	11,935	220,003
China	19,222	2,745	3,133	24,677	49,778	1,363	51,141
Other countries in Asia	15,123	504	20,356	13,420	49,405	1,051	50,456
Other countries	16,446	8,060	28,279	9,548	62,335	790	63,126
Revenue from contracts with customers	90,152	45,976	106,879	126,578	369,587	15,140	384,728
Other revenue	–	121	–	–	121	–	121
Sales to external customers	90,152	46,098	106,879	126,578	369,709	15,140	384,849

Notes 1. The "other businesses" category is a business segment that is not included in the reportable segments, and it includes the plant engineering business, trading company business, etc.

2. The Group's revenue is categorized by country or region based on the location of customers.

(2) Useful information in understanding revenue

Useful information in understanding revenue is as presented in "(Significant Matters, etc. Providing the Basis for Preparation of Consolidated Financial Statements), 4. Accounting Policies, Revenue and expense recognition standards."

(3) Information in understanding the amount of revenue for the current period and following periods

• Balances of contract assets and contract liabilities

The balances at the end of the period for trade receivables, contract assets and contract liabilities recorded from contracts with customers of the Company and its consolidated subsidiaries during the fiscal year under review are as follows. On the consolidated balance sheet, trade receivables and contract assets are included in "notes and accounts receivable-trade, and contract assets," and contract liabilities is included in "other current liabilities."

(Millions of yen)

	Balance at beginning of the fiscal year	Balance at end of the fiscal year
Trade receivables	92,335	100,566
Contract assets	480	460
Contract liabilities	331	103

• Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount of revenue are as follows.

(Millions of yen)

	Fiscal year under review
Within one year	432
Over one year	1,607
Total	2,039

(Notes to Per Share Information)

1. Net assets per share: 3,345.34 yen
2. Profit attributable to owners of parent per share: 301.67 yen

Note: In the calculation of consolidated net assets per share, shares of the Company owned by the employee stock ownership plan are included in the deduction of treasury stock from the total number of shares issued at the end of the fiscal year.
In addition, in the calculation of profit attributable to owners of parent per share, those shares are included in the deduction of treasury stock for calculating the average number of shares in the period.

(Other Notes)

1. Accounting estimates with the spread of the COVID-19 coronavirus infections

It is difficult to accurately predict when the impact of the spread of the COVID-19 coronavirus infections will be contained, etc. However, the Group has made accounting estimates based on the assumption that certain effects will continue in the next fiscal year, reflecting such estimates in the valuation of noncurrent assets, the recoverability of deferred tax assets, etc.

2. Other

Figures shown in millions of yen have been rounded down to the nearest million.

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
					Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced deprecia-tion of noncur-rent assets	Retained earnings brought forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance at beginning of the fiscal year	**36,998**	**49,284**	**0**	**49,284**	**3,767**	**115,506**	**119,274**	**(7,677)**	**197,880**
Changes of items during the fiscal year									
Reversal of reserve for advanced depreciation of noncurrent assets				–	(18)	18	–		–
Dividends from surplus				–		(11,647)	(11,647)		(11,647)
Net income				–		15,953	15,953		15,953
Purchase of treasury stock				–			–	(9)	(9)
Disposal of treasury stock			0	0			–	41	41
Decrease by corporate division				–		(1,767)	(1,767)		(1,767)
Reversal of revaluation reserve for land				–		(136)	(136)		(136)
Net changes of items other than shareholders' equity				–			–		–
Total changes of items during the fiscal year	–	–	**0**	**0**	**(18)**	**2,420**	**2,402**	**32**	**2,434**
Balance at end of the fiscal year	**36,998**	**49,284**	**0**	**49,284**	**3,749**	**117,927**	**121,676**	**(7,645)**	**200,314**

(Millions of yen)

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of the fiscal year	**14,485**	**10,245**	**24,730**	**222,610**
Changes of items during the fiscal year				
Reversal of reserve for advanced depreciation of noncurrent assets			–	–
Dividends from surplus			–	(11,647)
Net income			–	15,953
Purchase of treasury stock			–	(9)
Disposal of treasury stock			–	41
Decrease by corporate division			–	(1,767)
Reversal of revaluation reserve for land			–	(136)
Net changes of items other than shareholders' equity	614	132	747	747
Total changes of items during the fiscal year	**614**	**132**	**747**	**3,181**
Balance at end of the fiscal year	**15,099**	**10,377**	**25,477**	**225,792**

(Note) Amounts are rounded down to the nearest million yen.

Notes to Non-consolidated Financial Statements

(Matters Related to Significant Accounting Policies)

1. Standards and methods for valuation of assets

(1) Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method

Available-for-sale securities

Securities other than shares, etc. that do not have a market price

Stated at market value

(Valuation difference is reported as a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Shares, etc. that do not have a market price

Stated at cost using the moving-average method

(2) Inventories

Stated at cost using the weighted-average method

(Balance sheet amounts are calculated by writing down their net realizable value when there is evidence of deterioration in value.)

2. Depreciation method for noncurrent assets

Property, plant and equipment

The straight-line method is applied.

Intangible assets

The straight-line method is applied. However, software for internal use is amortized by the straight-line method over the estimated internal useful life (five years).

Lease assets

Finance leases that do not transfer the ownership of the lease assets to the lessee

The straight-line method with no residual value is applied, regarding the lease term as the useful life.

3. Standards of accounting for allowances and provisions

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover possible losses on notes and accounts receivable. The Company records an estimated irrecoverable amount based on the historical write-off rate for ordinary receivables and based on assessment of recoverability of individual receivables for specific doubtful accounts.

(2) Provision for bonuses

The Company provides reserve for payment of bonuses to employees based on the amount of estimated employees' bonuses at the fiscal year-end.

(3) Provision for retirement benefits

The Company provides reserve for employees' retirement benefits based on the projected benefit obligation and plan assets at fair value at the fiscal year-end. Furthermore, if plan assets to be recognized at the end of the fiscal year under review exceed the amount of retirement benefit obligations minus unrecognized actuarial gains and losses, etc., the excess is recorded as prepaid pension cost under investments and other assets.

In calculating retirement benefit obligations, the benefit formula basis is adopted for attributing expected benefits to periods.

Prior service cost is recorded by the straight-line method over certain periods (10 years) within the average remaining service period of employees expected to receive benefits, commencing with the following fiscal year.

Actuarial gains and losses are recorded by the straight-line method over certain periods (principally 10 years) within the average remaining service period of employees expected to receive benefits, commencing with the following fiscal year.

(4) Provision for stock benefits

In order to provide benefit from the Company's shares, the amount of projected equity benefit at the end of the fiscal year is recorded, based on officer stock delivery regulations for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors).

4. Revenue and expense recognition standards

The details of the main performance obligations in the major businesses related to revenue from contracts with customers and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.

(1) Revenue recognition related to product sales

Revenue is recognized when control of a product is transferred to a customer.

(2) Revenue recognition related to transactions that include variable consideration

Regarding the consideration paid to customers, such as some sales rebates in product sales, revenue is recognized by deducting from the transaction price.

(Notes to Changes in Accounting Policies)

1. Application of the Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes due to the application of the Revenue Recognition Standard and other standards are as follows.

(1) Revenue recognition related to product sales

Regarding product sales, revenue was recognized at the time of product shipment in the past, however the Company changed to a method of recognizing revenue when control of the product is transferred to the customer.

(2) Revenue recognition related to transactions that include variable consideration

Consideration paid to customers, such as some sales rebates in product sales, was treated as selling, general and administrative expenses in the past, however the Company changed to a method of recognizing revenue by deducting from the transaction price.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year under review in accordance with the previous treatment.

As a result, there was no change in the balance at beginning of the fiscal year for retained earnings brought forward on the non-consolidated statement of changes in net assets. During the fiscal year under review, net sales decreased by 5,206 million yen, and operating income, ordinary income and income before income taxes decreased by 508 million yen, respectively.

2. Application of the Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on gains or losses for the fiscal year under review.

(Notes to Accounting Estimates)

Valuation of stocks of subsidiaries and affiliates

(1) Stated amount on the non-consolidated financial statements for the fiscal year under review

Stocks of subsidiaries and affiliates	34,807 million yen
Loss on valuation of shares of subsidiaries and affiliates	5,165 million yen

(2) Other information to help understanding the details of estimates

1) Calculation method

Stocks of subsidiaries and affiliates are stated at the acquisition cost on the balance sheet. In case of a significant decline in the real value of any of those stocks, the carrying amount of the stock is written down by the equivalent amount and the valuation difference is treated as a loss for the fiscal year under review.

For some of the stocks of subsidiaries and affiliates, which were acquired with an expectation of the excess earning power, etc., no impairment loss has been recognized in the fiscal year under review as the real value including the excess earning power, etc. exceeded the acquisition cost.

2) Principal assumptions

Some of the stocks of subsidiaries and affiliates, which were acquired with an expectation of the excess earning power, etc. are valued based on the business plans that are prepared, reflecting past experiences and external and internal information, and approved by the Board of Directors. Principal assumptions are the time of completion of developing new products, etc. and the sales forecasts after their launch.

3) Impacts on the non-consolidated financial statements for the next fiscal year

All the principal assumptions included in the business plans are based on information available to the Company as of the balance sheet date and certain premises deemed to be reasonable. When drastic changes in business environment occur or due to other factors, the recognition of impairment loss may be necessary in the next fiscal year.

(Notes to the Non-consolidated Balance Sheet)

1. **Assets pledged as collateral:** None
2. **Accumulated depreciation of property, plant and equipment:** 408,992 million yen
3. **Guarantee obligations**

   Guarantee for loans from financial institutions: 19,624 million yen
4. **Monetary receivables from and monetary obligations to subsidiaries and affiliates**

   Short-term monetary receivables: 36,122 million yen

   Short-term monetary obligations: 26,384 million yen

   Long-term monetary receivables: 129 million yen

(Notes to the Non-consolidated Statement of Income)

Amount of transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates: 90,517 million yen

Purchase from subsidiaries and affiliates: 29,757 million yen

Transactions with subsidiaries and affiliates other than business transactions: 3,787 million yen

(Notes to the Non-consolidated Statement of Changes in Net Assets)

Type and number of shares of treasury stock

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
Common stock	2,335,451	2,443	13,205	2,324,689

Notes: 1. The 2,443 increase in the number of shares of common stock of treasury stock was due to the purchase of shares constituting less than one unit.

2. The 13,205 decrease in the number of shares of common stock of treasury stock was due to the decrease by sale of 305 shares constituting less than one unit and the distribution of 12,900 shares of the Company under the employee stock ownership plan.

(Notes to Deferred Tax Accounting)

Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

	As of March 31, 2022
Deferred tax assets	
Provision for bonuses	695
Loss on liquidation of business	313
Loss on valuation of investment securities	454
Loss on valuation of shares of subsidiaries and affiliates	1,819
Loss on valuation of golf club membership	393
Impairment loss	849
Enterprise tax payable	314
Other	1,486
Subtotal of deferred tax assets	6,323
Valuation allowance	(3,591)
Total deferred tax assets	2,732
Deferred tax liabilities	
Prepaid pension cost	328
Valuation difference on available-for-sale securities	6,419
Reserve for advanced depreciation of non-current assets	1,642
Total deferred tax liabilities	8,389
Net deferred tax assets (liabilities)	(5,657)

(Notes concerning Related Party Transactions)

Subsidiaries

Type	Company name	Location	Capital or equity	Business	Ownership of voting rights	Relationship		Transactions	Transaction amount (Millions of yen)	Account	Balance at the end of the year (Millions of yen)
						Concurrent positions, etc. of directors	Business relationship				
Subsidiary	Akros Trading Co., Ltd.	Minato-ku, Tokyo	1,200 million yen	Sales of pulp, paper, organic/inorganic industrial products, etc.	76.8% directly owned by the Company	1 director with a concurrent position at the Company	The Company sells synthetic rubber products, synthetic resin products, civil engineering and construction materials, etc. to it.	Sales of the Company’s products	42,122	Accounts receivable-trade	14,427
Subsidiary	Denka Chemicals Holdings Asia Pacific Pte., Ltd.	Singapore	68.70 million US dollars	Regional headquarters for Southeast and South Asia	100% directly owned by the Company	1 director with a concurrent position at the Company	Regional headquarters of the Company	Holding of funds Payment of interest	14,620 88	Deposits received	12,368
Affiliate	TOYO STYRENE Co., Ltd	Minato-ku, Tokyo	5,000 million yen	Manufacturing, processing, and sales of polystyrene resin	50% directly owned by the Company	-	The Company supplies its products as raw materials and purchases certain finished products from it.	Sales of the Company’s products	16,843	Accounts receivable-trade	6,416

Notes:
1. Transaction amounts do not include consumption taxes, etc. Balance at the end of the year includes consumption taxes, etc.
2. Sales of the Company’s products, etc. are determined in the same manner as for terms of transactions with unrelated parties.
3. Terms for the lending of funds to subsidiaries and the holding of funds from subsidiaries are determined taking market interest rates into account.
4. The average balance during the period is shown for deposits received.

(Notes to Revenue Recognition)

Useful information in understanding revenue is as presented in “(Matters Related to Significant Accounting Policies) 4. Accounting policies, Revenue and expense recognition standards.”

(Notes to Per Share Information)

1. Net assets per share: 2,618.45 yen
2. Net income per share: 185.2 yen

Note: In the calculation of net assets per share, shares of the Company owned by the employee stock ownership plan are included in the deduction of treasury stock from the total number of shares issued at the end of the fiscal year.

In addition, in the calculation of net income per share, those shares are included in the deduction of treasury stock for calculating the average number of shares in the period.

(Other Notes)

1. Notes to business combination

Company split

Effective April 1, 2021, the Company conducted a company split (simplified absorption-type split), in which Nakagawa Techno Industrial Co., Ltd., a wholly owned subsidiary of the Company, succeeded the housing equipment-related business of the Company.

(1) Overview of the transaction

1) Details of the business succeeded

Housing equipment-related business of the Company, including plastic rain gutters

2) Date of the company split

April 1, 2021

3) Legal format of the company split

Absorption-type split (simplified absorption-type split) with the Company as the splitting company and Nakagawa Techno Industrial Co., Ltd. as the succeeding company

4) Name of company after the company split

As of April 1, 2021, Nakagawa Techno Industrial Co., Ltd. changed its trade name to Denka Astec Co., Ltd. as a result of succeeding the housing equipment business of the Company.

5) Other matters related to the overview of the transaction

In the "Denka Value-Up" management plan, which was started in April 2018, specialization of core businesses has been set as one of the growth strategies, and we have been advancing the expansion of the ratio of the specialty grade that is less susceptible to the external environment, as well as a shift to the solution business.

In this company split as part of our initiatives to achieve such specialization, we merge the housing equipment-related business of the Company, including plastic rain gutters, with Nakagawa Techno Industrial Co., Ltd., a wholly owned subsidiary that manufactures and sells metal rain gutters.

a. Objective of the company split

- Reinforce marketing capabilities through fusion of human resources in the housing equipment-related business
- Launch new businesses and develop new products by utilizing various materials in the housing equipment-related market

b. Details of allocation related to the company split

As this company split is conducted between a parent company and its wholly owned subsidiary, there will be neither the share allocation nor the delivery of other consideration in this company split.

(2) Overview of accounting treatment

The Company treats the transaction as a transaction between entities under common control, pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

2. Accounting estimates with the spread of the COVID-19 coronavirus infections

It is difficult to accurately predict when the impact of the spread of the COVID-19 coronavirus infections will be contained, etc. However, the Company has made accounting estimates based on the assumption that certain effects will continue in the next fiscal year, reflecting such estimates in the valuation of noncurrent assets, etc.

3. Other

Figures shown in millions of yen have been rounded down to the nearest million.