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DENKI KAGAKU KOGYO KABUSHIKI KAISHA  
(Securities Code: 4061)

**NOTICE OF CONVOCATION OF  
THE 156TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: Friday, June 19, 2015 at 10:00 a.m.

Place: Nihonbashi Mitsui Hall, COREDO Muromachi 1 (reception desk on the 4th floor)  
2-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

Proposals to be resolved:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Partial Amendment to the Articles of Incorporation
- Proposal No. 3: Election of Eight (8) Directors
- Proposal No. 4: Election of Four (4) Audit & Supervisory Board Members
- Proposal No. 5: Election of One (1) Substitute Audit & Supervisory Board Member
- Proposal No. 6: Revision of the Amount of Remuneration to Directors

Please exercise your voting rights in writing or via the Internet by  
5:00 p.m. on Thursday, June 18, 2015.

## **Message from the Management To Our Shareholders**

### **Inspired by the centenary and resolved to write a glorious new chapter in the history of DENKA, all of us will work together to attain the targets of the DENKA100 management plan**

Enclosed please find the Notice of Convocation of the 156th Ordinary General Meeting of Shareholders.

I would like to take this opportunity to express my gratitude to you for your continued support of DENKA and make some observations concerning the Company's results and current initiatives.

During the fiscal year ended March 31, 2015 (fiscal 2014), in the aftermath of the consumption tax increase, personal consumption and residential investment in Japan were generally sluggish. Although exports and production picked up somewhat in the second half of the fiscal year owing to weakening of the yen and declining oil prices, the economy did not fully recover.

In these circumstances, the DENKA Group strove to expand its businesses and secure profitability by working to increase sales in Japan and overseas, revising product prices and cutting costs. As a result, consolidated net sales for fiscal 2014 increased year on year thanks to an increase in sales volumes of products of the Electronics & Innovative Products Division. With respect to profit, both operating income and ordinary income increased year on year, reflecting depreciation of the yen and a decline in raw materials prices in addition to the impact of rising sales volumes. Net income was the highest ever, partly because a gain on sales of non-current assets in line with withdrawal from certain businesses was recorded as extraordinary income.

On May 1 this year, we celebrated DENKA's centenary. I would like to express my appreciation to our shareholders and indeed to all our stakeholders for their support.

DENKA was established in 1915 to manufacture and market calcium carbide and calcium cyanamide. Beginning with the commercialization of chloroprene rubber manufactured using proprietary DENKA technology, we continued to advance into new fields, including electronic materials and pharmaceuticals. In the course of its history, DENKA has faced several challenges and several critical junctures, but has been able to overcome each obstacle.

As the onward march of globalization rapidly transforms the business environment and the information era gains traction, those who fail to notice changes in market needs or economic structures will be left behind. In order to continue to grow in such an environment, as already reported we have implemented many concrete measures in accordance with the three new growth strategies of the DENKA100 management plan.

Reflecting our determination to return the profits yielded by these initiatives to our shareholders, we formulated the Policy on Shareholder Returns last year. At the same time, with the aim of achieving further growth, we set aside a budget for strategic investment, including M&A. While maintaining a sound balance sheet, we intend to maximize shareholder returns and strategic investment for the future, targeting an ROE of 10% or more as early as possible.

In order to build a more robust management structure better suited to pursuing the goals set forth in the DENKA100 management plan and to strengthen corporate governance, including enhancement of management transparency and soundness, we have reviewed the structure of the Board of Directors and propose for deliberation at this Ordinary General Meeting of Shareholders to increase the number of Outside Directors to three and reduce the number of Directors by two. These changes will enable us to bolster our management structure for both defensive and offensive purposes.

Taking the opportunity of the centenary, we launched a new corporate logo and the new "Possibility of chemistry" corporate slogan as well as action guidelines for employees. In addition, change of the Company's name to Denka Co., Ltd. effective from October 1, 2015 onward has been proposed for deliberation at this Ordinary General Meeting of Shareholders.

Inspired by the centenary and resolved to write a glorious new chapter in the history of DENKA, all of us will work together to attain the numerical targets of the DENKA100 management plan.

In these endeavors, we request your understanding and look forward to your continued support.

Shinsuke Yoshitaka  
President

**To Our Shareholders:**

Shinsuke Yoshitaka  
President  
DENKI KAGAKU KOGYO KABUSHIKI KAISHA  
1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

**NOTICE OF CONVOCATION OF  
THE 156TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 156th Ordinary General Meeting of Shareholders of DENKI KAGAKU KOGYO KABUSHIKI KAISHA (the “Company”) to be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing by submitting the Voting Rights Exercise Form by mail or via the Internet etc. as described in the “Guide for Exercise of Voting Rights” (Page 5). Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Thursday, June 18, 2015.

- 1. Date and Time:** Friday, June 19, 2015 at 10:00 a.m.
- 2. Place:** **Nihonbashi Mitsui Hall, COREDO Muromachi 1  
(reception desk on the 4th floor)**  
2-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
- 3. Meeting Agenda:**  
**Matters to be reported:**
  1. The Business Report, Consolidated Financial Statements for the Company’s 156th Term (from April 1, 2014 to March 31, 2015) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company’s 156th Term (from April 1, 2014 to March 31, 2015)

**Proposals to be resolved:**

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendment to the Articles of Incorporation
- Proposal No. 3:** Election of Eight (8) Directors
- Proposal No. 4:** Election of Four (4) Audit & Supervisory Board Members
- Proposal No. 5:** Election of One (1) Substitute Audit & Supervisory Board Member
- Proposal No. 6:** Revision of the Amount of Remuneration to Directors

- © The following are posted on the Company's website at <http://www.denka.co.jp/> in accordance with law and Article 16 of the Company's Articles of Incorporation and thus are not included in the documents attached to this notice of convocation.
- Basic Policies regarding the Control of the Company (full text) in the Business Report
  - Notes to Consolidated Financial Statements
  - Notes to Non-consolidated Financial Statements
- The Business Report, consolidated financial statements and the non-consolidated financial statements audited by the Audit & Supervisory Board Members and the Accounting Auditor include the Notes to Consolidated Financial Statements and the Notes to Non-consolidated Financial Statements, which are posted on the Company's website.
- © If any revisions are made to the Business Report, Consolidated Financial Statements, Non-consolidated Financial Statements, or Reference Documents for the General Meeting of Shareholders, they will be posted on the Company's website at <http://www.denka.co.jp/>.

## <Guide for Exercise of Voting Rights>

The following three methods are available for exercising voting rights pertaining to the Company's General Meeting of Shareholders.

### **(1) Exercise of Voting Rights by Attending the Meeting**

Please bring the enclosed Voting Rights Exercise Form with you to the meeting and submit it to the receptionist at the meeting venue.

- \* In the case of exercising voting rights by attending the meeting as a proxy, please submit a document evidencing the authority of proxy to the receptionist at the meeting venue together with the Voting Rights Exercise Form. Please note that such proxy must be one shareholder of the Company with voting rights in accordance with Article 18 of the Company's Articles of Incorporation.

### **(2) Exercise of Voting Rights in Writing by Mail (Voting Rights Exercise Form)**

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and send the completed form to us so that it is received by 5:00 p.m. on Thursday, June 18, 2015.

### **(3) Exercise of Voting Rights via the Internet etc.**

Please access the website for exercising voting rights designated by the Company (<http://www.web54.net>), use the "Voting Rights Exercise Code" and the "Password" indicated on the enclosed Voting Rights Exercise Form, and follow the on-screen guidance. Please vote for or against the proposals by 5:00 p.m. on Thursday, June 18, 2015.

(Inquiry about Exercise of Voting Rights via the Internet etc.)  
Sumitomo Mitsui Trust Bank Stock Transfer Web Support Dial  
Tel: 0120-652-031  
(office hours: 9:00 a.m. - 9:00 p.m.)

#### \*Handling of duplicated exercise of voting rights

If you exercise your voting rights both by Method (2) Exercise of Voting Rights in Writing by Mail (Voting Rights Exercise Form) and by Method (3) Exercise of Voting Rights via the Internet etc., the exercise of voting rights by Method (3) Exercise of Voting Rights via the Internet etc. shall prevail regardless of the time of arrival of the votes.

In addition, if you exercise your voting rights multiple times via the Internet, etc., the vote made last shall prevail.

# Reference Documents for the General Meeting of Shareholders

## Proposal No. 1: Appropriation of Surplus

It is proposed that the surplus be appropriated as follows:

### Matters concerning year-end dividends

The Company is implementing many concrete measures for the future in accordance with the new growth strategies of the DENKA100 management plan and is resolved to achieve good results at an early stage.

Reflecting our determination to return the profits yielded by these initiatives to shareholders, we formulated the Policy on Shareholder Returns in November 2014. At the same time, with the aim of achieving further growth, we set aside a budget for strategic investment, including M&A.

While maintaining a sound balance sheet, we intend to maximize shareholder returns and strategic investment for the future, targeting an ROE of 10% as early as possible.

#### 1. Policy on shareholder returns

Target total payout ratio\*: 50%

\* Total payout ratio = (Dividends paid + treasury stock purchased) / consolidated net income

#### 2. Methods for returning profits to shareholders

(1) Dividends: Maintain steady payment of cash dividends, with minimum payout ratio set at 30%

(2) Purchase of treasury stock: Flexibly purchase treasury stock in view of the stock price trend and the market environment

#### 3. Budget for forward-looking strategic investments

After returning profits to shareholders, the Company will appropriate funds from retained earnings as well as cash inflows to finance such investments. The total amount budgeted for is approximately ¥50.0 billion (for the four years from 2014 to 2017).

#### 4. Term

Four years to the end of fiscal 2017, the target year of the DENKA100 management plan

With respect to the year-end dividend for the 156th term, in accordance with the policy stated above, the Company proposes the following, which includes a commemorative dividend to mark the Company's centenary.

#### (1) Type of dividend property

Cash

#### (2) Allocation of dividend property and total amount thereof

¥7.50 per share of common stock of the Company (ordinary dividend of ¥5.50 and commemorative dividend of ¥2)

Total amount of dividends: ¥3,434,295,218

#### (3) Effective date of dividends from surplus

June 22, 2015

The amount of dividends for the full year will be ¥12.50 per share, including the interim dividend of ¥5 per share paid in December 2014.

## Proposal No. 2: Partial Amendment to the Articles of Incorporation

### 1. Reason for amendment

#### (1) New company name and the company name in English

DENKI KAGAKU KOGYO KABUSHIKI KAISHA was founded in 1915 to produce and market calcium carbide and calcium cyanamide, with the company name coined to reflect its distinctive strengths and field of focus, namely, denki kagaku, or electrochemistry. Historically, the Company's key operations have centered on an array of electrochemical products made using electrical furnaces. In the course of a century of business diversification, however, the Company has advanced into electronic materials, pharmaceuticals and other fields that go beyond the scope of electrochemistry. Moreover, with the Company's operations expanding globally, there is an urgent need for a company name that is more readily recognized and more easily pronounced.

Coinciding with the Company's centennial this year, the Company intends to amend Article 1 (Trade Name) of the current Articles of Incorporation to adopt the word Denka—based on its longstanding nickname—as the Company's trade name, as well as establish its English name. The new company name is expected to help secure greater recognition of the Company among stakeholders in Japan and overseas as the Company strives to become a more competitive global player with operations that extend well beyond the boundaries of electrochemical manufacturing.

The amendment will take effect as of October 1, 2015 and a supplementary provision shall be established, which will be deleted once the amendment takes effect.

#### (2) Change of the business purpose

With regard to Article 2 (Purpose) of the current Articles of Incorporation, the Company intends to arrange and change the business purpose in order to clarify the details of businesses in line with the current situation of the businesses of the Company and its subsidiaries and to respond to business development from now on through realignment attuned to the nature of the business.

#### (3) Change of the number of Directors

With regard to Article 19 (Number of Directors) of the current Articles of Incorporation, the Company intends to change the number of Directors from the current 12 to 10, in order to build a more robust management structure better suited to pursuing the goals set forth in the DENKA100 management plan and to strengthen corporate governance to enhance management transparency and soundness.

### 2. Details of amendment

The details of the amendment are as follows:

(Underlined portions are amended.)

Present Articles of Incorporation	Proposed Amendment
<p>Article 1. (Trade Name)</p> <p>The name of the Company shall be <u>DENKI KAGAKU KOGYO KABUSHIKI KAISHA</u>.</p>	<p>Article 1. (Trade Name)</p> <p>The name of the Company shall be <u>DENKA KABUSHIKI KAISHA</u> and shall be expressed in English as <u>Denka Company Limited (Denka Co., Ltd. in abbreviation)</u>.</p>
<p>Article 2. (Purpose)</p> <p>The purpose of the Company shall be to engage in the following businesses:</p> <ol style="list-style-type: none"> <li>1. <u>Manufacture and sale of</u> chemical fertilizers and agricultural chemicals;</li> <li>2. <u>Manufacture and sale of</u> electric furnace products and electrolysis products;</li> <li>3. <u>Manufacture, process and sale of</u> synthetic resins, synthetic rubbers, industrial chemicals, <u>pharmaceuticals</u> and other chemicals;</li> <li>4. <u>Manufacture and sale of</u> pharmaceuticals for animals, cosmetics and perfumery;</li> <li>5. <u>Manufacture, process and sale of</u> cement and other civil engineering and construction materials;</li> </ol>	<p>Article 2. (Purpose)</p> <p>The purpose of the Company shall be to engage in the following businesses:</p> <ol style="list-style-type: none"> <li>1. <u>Manufacture, processing and sale of the following products</u> <ol style="list-style-type: none"> <li>(1) Chemical fertilizers and agricultural chemicals;</li> <li>(2) Electric furnace products and electrolysis products;</li> <li>(3) Synthetic resins, synthetic rubbers, industrial chemicals and other chemicals;</li> <li>(4) <u>Pharmaceuticals, quasi-drugs, cosmetics, medical equipment, reagents</u> and perfumery;</li> <li>(5) Cement and other civil engineering and construction materials;</li> </ol> </li> </ol>

<p><u>6. Manufacture, process and sale of ceramics;</u>  <u>7. Manufacture, process and sale of heat-resistant materials, polishing and grinding materials, materials for electronic instruments and materials for atomic engineering;</u>  (Transfer of Paragraph 17)  <u>8. Mining, process and sale of limestone and other mineral products;</u>  <u>9. Management of a private-use electricity business;</u>  <u>10. Manufacture and sale of machines and tools for medical treatment;</u>  <u>11. Design, production, execution, sale, lease and technical guidance of manufacturing facilities in connection with each of the foregoing and industrial pollution prevention facilities, etc.;</u>  <u>12. Design, supervision and execution of civil engineering and construction works and electrical instrumentation work;</u>  <u>13. Analysis of water quality and the atmosphere, measurement of noise and other types of analysis, experiments and measurements on a contract basis;</u>    <u>14. Design, production, sale and lease of computers and related machines and instruments and data processing business by means thereof;</u>  <u>15. Disposal of industrial wastes;</u>    <u>16. Management and lease of leisure and lodging facilities such as tourist facilities, bowling alleys, etc. and travel agency business;</u>  <u>17. Manufacture and sale of food additives, feed and feed additives;</u>  <u>18. Cultivation, breeding, rearing, process and sale of agricultural products, forest products, aquatic products and livestock and management of pastures;</u>    <u>19. Horticulture and planting and gardening business;</u>  <u>20. Purchase, sale, lease, administration and brokerage of real estate;</u>  <u>21. Warehousing, transport and forwarding agency business;</u>  <u>22. Holding and management of securities; and</u>  (Newly established)    (Newly established)  (Newly established)      (Newly established)  <u>23. All businesses relating to each of the foregoing and investment therein.</u></p>	<p><u>(6) Ceramics;</u>  <u>(7) Heat-resistant materials, polishing and grinding materials, materials for electronic instruments, battery materials and materials for atomic engineering;</u>  <u>(8) Food additives, feed and feed additives;</u>  <u>2. Mining, processing and purchase and sale of limestone and other minerals;</u>  <u>3. Private-use electricity business and electricity supply business;</u>    (Deleted)    (Deleted)    <u>4. Design, supervision and execution of civil engineering and construction work, machinery installation work and electrical instrumentation work;</u>  <u>5. Chemical analysis and other types of analysis, experiments and tests, investigations related thereto on a contract basis and technical guidance;</u>  <u>6. Design, production, purchase and sale and lease of computers and related machines and instruments and data processing business by means thereof;</u>  <u>7. Collection, transportation, processing and recycling of industrial wastes and non-industrial wastes and purchase and sale of recycled items;</u>  <u>8. Management and lease of tourist facilities, leisure facilities such as sports facilities and lodging facilities and travel agency business;</u>  (Transfer to Paragraph 1)    <u>9. Cultivation, breeding, rearing, processing and purchase and sale of agricultural products, forest products, aquatic products and livestock and management of pastures;</u>  <u>10. Horticulture and planting and gardening business;</u>  <u>11. Purchase, sale, lease, administration and brokerage of real estate;</u>  <u>12. Warehousing, transport and forwarding agency business;</u>  <u>13. Holding and management of securities;</u>  <u>14. Non-life insurance agency business and business related to life insurance solicitation;</u>  <u>15. Worker dispatching business;</u>  <u>16. The following businesses relating to each of the foregoing</u>  <u>(1) Design, manufacture, installation, purchase and sale and lease of facilities, etc. and technical guidance;</u>  <u>(2) Research, development and investigations on a contract basis, provision of technologies and consulting;</u>  <u>17. Investment in business deemed necessary for corporate management; and</u>  <u>18. All businesses relating to each of the foregoing.</u></p>
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Article 19. (Number of Directors)

The Company shall have not more than twelve (12) directors.

(Newly established)

Article 19. (Number of Directors)

The Company shall have not more than ten (10) directors.

Supplementary Provision

The amendment to Article 1 shall take effect as of October 1, 2015. This supplementary provision shall be deleted when the amendment takes effect.

### Proposal No. 3: Election of Eight (8) Directors

The terms of office of all of the nine (9) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. In order to build a more robust management structure better suited to pursuing the new growth strategies set forth in the DENKA100 management plan and to strengthen corporate governance to enhance management transparency and soundness, it is proposed to increase the number of Outside Directors by one (1) (from two (2) to three (3)) and decrease the number of internal Directors by two (2) (from seven (7) to five (5)). Accordingly, the election of eight (8) Directors is proposed.

The candidates for Directors are as follows:

No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	Shinsuke Yoshitaka (February 1, 1951) [June 2008] (Reappointed)	<p>April 1974      Joined the Company</p> <p>January 2001    General Manager of Corporate Planning Dept. of the Company</p> <p>June 2006      Director of the Company, General Manager of Corporate Planning Dept. and Investor Relations &amp; Corporate Communications Dept.</p> <p>June 2007      Senior Executive Officer of the Company, General Manager of Investor Relations &amp; Corporate Communications Dept.</p> <p>April 2008      Senior Executive Officer of the Company, General Manager of Medical Sciences Div.</p> <p>June 2008      Director and Senior Executive Officer of the Company</p> <p>April 2010      Representative Director and Managing Executive Officer of the Company</p> <p>April 2011      Representative Director, President and Chief Executive Officer of the Company (present)</p> <p>June 2011      Director of Koatsu Gas Kogyo Co., Ltd. (present)</p>	107,000
2	Mitsukuni Ayabe (September 23, 1952) [June 2011] (Reappointed)	<p>April 1977      Joined the Company</p> <p>June 2004      General Manager of Research and Development Dept. of the Company</p> <p>June 2007      Executive Officer of the Company, Managing Director of Denka Singapore Pte., Ltd., Managing Director of Denka Advantech Pte., Ltd.</p> <p>June 2009      Executive Officer of the Company, Managing Director of Denka Chemicals Holdings Asia Pacific Pte., Ltd.</p> <p>April 2010      Senior Executive Officer of the Company, Director and Chairman of Denka Chemicals Holdings Asia Pacific Pte., Ltd.</p> <p>April 2011      Managing Executive Officer of the Company, General Manager of Medical Sciences Div.</p> <p>June 2011      Director and Managing Executive Officer of the Company</p> <p>April 2013      Director and Senior Managing Executive Officer of the Company</p> <p>April 2015      Representative Director and Senior Managing Executive Officer of the Company (present)</p>	36,000

No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
3	Tetsuro Maeda (July 12, 1951) [June 2004] (Reappointed)	<p>April 1977      Joined the Company</p> <p>June 2000      General Manager of Research and Development Dept. of the Company</p> <p>June 2004      Director of the Company, General Manager of Planning &amp; Promoting Dept. of Electronics Materials Business Group</p> <p>June 2006      Director of the Company, President of Electronics Materials Business Group</p> <p>April 2008      Director and Managing Executive Officer of the Company</p> <p>April 2010      Representative Director and Senior Managing Executive Officer of the Company, General Manager of Central Research Institute</p> <p>April 2011      Representative Director, Executive Vice President and Chief Operating Officer of the Company</p> <p>April 2013      Director of the Company (present) President and Representative Director of DENKA SEIKEN Co., Ltd. (present)</p>	75,000
4	Hideyuki Udagawa (November 1, 1952) [June 2013] (Reappointed)	<p>April 1976      Joined the Company</p> <p>June 2006      General Manager of Special Cement Additives Div. of the Company</p> <p>April 2008      Deputy General Manager of Cement and Special Cement Additives Div. and General Manager of Business Planning Dept. of the Company</p> <p>April 2009      Executive Officer of the Company, General Manager of Cement and Special Cement Additives Div.</p> <p>April 2011      Senior Executive Officer of the Company</p> <p>April 2013      Managing Executive Officer of the Company, Head of Infrastructure &amp; Inorganic Materials (present), President of Disaster Reconstruction Support Div. (present)</p> <p>June 2013      Director and Managing Executive Officer of the Company (present)</p>	25,000
5	Manabu Yamamoto (March 31, 1956) [June 2013] (Reappointed)	<p>April 1981      Joined the Company</p> <p>June 2004      General Manager of Functional Ceramics Div. of Electronics Materials Business Group of the Company</p> <p>June 2007      Vice President of Electronics Materials Business Group of the Company</p> <p>April 2008      General Manager of Electronics Materials Div. of Electronics Materials Business Group of the Company</p> <p>April 2009      Executive Officer of the Company</p> <p>April 2010      Executive Officer of the Company, General Manager of Electronics Materials Div.</p> <p>April 2011      Senior Executive Officer of the Company</p> <p>April 2013      Managing Executive Officer of the Company, Head of Electronics &amp; Innovative Products</p> <p>June 2013      Director and Managing Executive Officer of the Company (present)</p> <p>April 2015      General Manager of Corporate Planning Dept. (present)</p>	17,000

Candidates for Outside Director

No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
6	<p>Tadashi Hashimoto (January 6, 1949) [June 2011] (Reappointed)</p> <p>(Independent Director)</p>	<p>April 1972      Joined The Dai-ichi Kangyo Bank, Ltd.            April 1999      General Manager of Credit Planning Dept., The Dai-ichi Kangyo Bank, Ltd.            June 2001      Executive Officer of The Dai-ichi Kangyo Bank, Ltd. (until March 2002)            April 2002      Executive Officer, Mizuho Holdings, Inc. (until March 2003), General Manager of Credit Risk Management Dept., Mizuho Holdings, Inc. (until January 2003)            March 2003      Senior Managing Director of Nihon Chuo Jisho Co., Ltd.            December 2005      Director and President of Nihon Chuo Jisho Co., Ltd. (until March 2006)            June 2006      President and Representative Director of Mizuho Factors, Ltd. (until March 2011)            June 2011      Outside Director of the Company (present), Outside Auditor of DENKA SEIKEN Co., Ltd. (present)</p> <p>Mr. Tadashi Hashimoto attended 13 out of 13 meetings of the Board of Directors held in the fiscal year ended March 31, 2015.</p> <p>Reasons for selection as the candidate for Outside Director            Mr. Tadashi Hashimoto worked at financial institutions for many years and has sophisticated accounting knowledge. The Company proposes that Mr. Hashimoto be elected as an Outside Director in the expectation that he will utilize his knowledge in providing suggestions about the Company's management in general. Although he used to work at a financial institution that has transactions with the Company, the Company deems that his independence as an Outside Director is not questionable because 1) he is not a current or a recent operating officer of the said financial institution and a considerable number of years has passed since he left the said financial institution (12 years will have passed since he left the said financial institution as of the day of this Ordinary General Meeting of Shareholders); 2) the ratio of debts to the Company's total assets is low (approximately 30%) and the debt from the said financial institution accounts for less than 10% of the Company's total debts, and thus, the Company considers that no material interest exists between the said financial institution and Mr. Hashimoto, said financial institution has no special impact on the Company's decision-making by the Board of Directors etc.; and 3) the Company considers that there is no risk that conflict of interest with other general shareholders will arise.</p>	-

No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
7	<p data-bbox="207 504 391 616">Yasuo Sato (September 30, 1942) [New candidate]</p> <p data-bbox="223 952 391 1019">(Independent Director)</p>	<p data-bbox="430 280 1292 840"> April 1965    Joined TEIKOKU SANSO Co., Ltd. (present Air Liquide Japan Ltd.)  March 1987    Director and Vice President of Electronics Div. of Air Liquide Japan Ltd.  April 1992    Vice President of Worldwide Electronics Div. of L'Air Liquide S.A. (until March 1996)  March 1999    Representative Director and President of Air Liquide Japan Ltd. (until January 2003)  January 2003    Director and Chairman of Japan Air Gases Co., Ltd. (until March 2005)  March 2005    Director and Advisor (part-time) of Air Liquide Japan Ltd. (until September 2007)  June 2005    Outside Director of Denal Silane Co., Ltd. (until February 2008)  May 2006    President &amp; CEO of I.B. Associates Co., Ltd. (present)  June 2006    Outside Auditor of Santen Pharmaceutical Co., Ltd. (until June 2014)  February 2008    Auditor of Denal Silane Co., Ltd. (until June 2014) </p> <p data-bbox="422 862 1292 1131"> Reasons for selection as the candidate for Outside Director  Mr. Yasuo Sato has gained rich experience and great insight as a manager through his involvement in corporate management for many years. His career included serving as the President of Air Liquide Japan Ltd. He also has rich international experience, including serving as a vice president at global enterprises. The Company proposes that Mr. Sato be elected as an Outside Director in the expectation that he will utilize his knowledge in providing suggestions about the Company's overseas business expansion strategy and management in general. </p>	-

No.	Name (Date of birth) [Director since]	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
8	Akio Yamamoto (December 2, 1951) [New candidate]  (Independent Director)	<p>April 1974     Joined Mitsui &amp; Co., Ltd.  April 1999     President of Mitsui &amp; Co., Benelux S.A./N.V.  April 2004     Vice President of Synthetic Resin &amp; Inorganic Chemical  Products Business Unit of Mitsui &amp; Co., Ltd.  April 2007     Executive Officer of Mitsui &amp; Co., Ltd. (until March  2010), President of Mitsui &amp; Co. (Thailand) Ltd.  April 2009     Representative Director and President of Mitsui Bussan  Plastic Trade Co., Ltd. (present Mitsui &amp; Co. Plastics Ltd.)  (until June 2014)  June 2014     Counselor of Mitsui &amp; Co. Plastics Ltd. (present)  (scheduled to resign in June 2015)</p> <p>Reasons for selection as the candidate for Outside Director  Mr. Akio Yamamoto has rich experience and great insight as a manager in  Japan and overseas through his involvement in corporate management for  many years. His career included serving as an Executive Officer of Mitsui &amp;  Co., Ltd. and the Representative Director and President of Mitsui &amp; Co.  Plastics Ltd. He also has rich international experience, including serving as a  vice president at global enterprises. The Company proposes that Mr.  Yamamoto be elected as an Outside Director in the expectation that he will  utilize his knowledge in providing suggestions about the Company's overseas  business expansion strategy and management in general. Although he used to  work at a company that has transactions with the Company, the Company  deems that his independence as an Outside Director is not questionable  because 1) he is not a current or a recent operating officer of the said  company; 2) although the Company's sales to the said company account for  5.7% of the Company's total sales, substantial transactions between the  Company and the said company are payments of commission by the  Company to the said company for services offered by its trading company  function and the amount of commission paid is modest (under 2% of the said  company's sales); 3) no material interest exists between the said company  and Mr. Yamamoto as of the date of this Ordinary General Meeting of  Shareholders, and thus, the Company considers that the said company has no  special impact on the Company's decision-making by the Board of Directors  etc.; and 4) the Company considers that there is no risk that conflict of  interest with other general shareholders will arise.</p>	-

- Notes: 1. No material conflict of interest exists between the Company and any of the above candidates.  
2. Mr. Tadashi Hashimoto is a current Outside Auditor of a subsidiary of the Company.  
3. Mr. Yasuo Sato was an Outside Director of a subsidiary of the Company and an Auditor of a  
subsidiary of the Company until February 2008 and until June 2014, respectively.  
4. Mr. Akio Yamamoto was the Representative Director and President of a special related enterprise  
of the Company until June 2014.  
5. Mr. Tadashi Hashimoto is a current Outside Director of the Company. Mr. Hashimoto will have  
served as Outside Director for four years at the conclusion of this Ordinary General Meeting of  
Shareholders.

**Proposal No. 4: Election of Four (4) Audit & Supervisory Board Members**

The terms of office of all of the four (4) Audit & Supervisory Board Members will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of four (4) Audit & Supervisory Board Members is proposed.

The consent of the Audit & Supervisory Board has been obtained for the submission of this proposal. The candidates for Audit & Supervisory Board Members are as follows:

No.	Name (Date of birth) [Audit & Supervisory Board Member since]	Career summary, positions and significant concurrent positions	Number of shares of the Company held
1	Shohei Tamaki (June 18, 1952) [New candidate]	<p>April 1975    Joined the Company</p> <p>June 2005    Deputy General Manager of Omuta Plant</p> <p>June 2007    General Manager of Research and Development Dept.</p> <p>October 2008    General Manager of Environmental Impact Reduction Promotion Office</p> <p>April 2009    Executive Officer of the Company, General Manager of Omuta Plant</p> <p>April 2011    Senior Executive Officer of the Company</p> <p>April 2013    Managing Executive Officer of the Company, General Manager of Omi Plant</p> <p>April 2015    Councilor of the Company (present)</p>	26,000
2	Masanori Sakamoto (September 24, 1956) [New candidate]	<p>April 1980    Joined the Company</p> <p>December 2003    Manager of ERP Project Team of the Company</p> <p>June 2006    General Manager of Industrial Materials Dept. of Resin Process Div.</p> <p>April 2010    General Manager of Osaka Branch of the Company</p> <p>January 2012    General Manager of Information System Dept. and General Manager of Internal Auditing Dept.</p> <p>April 2015    Assistant to President of the Company (present)</p>	12,000

Candidates for Outside Audit & Supervisory Board Member

No.	Name (Date of birth) [Audit & Supervisory Board Member since]	Career summary, positions and significant concurrent positions	Number of shares of the Company held
3	<p>Tsunehiro Sasanami (January 28, 1952) [June 2011] (Reappointed)</p> <p>(Independent Auditor)</p>	<p>April 1979 Admitted to the bar in Japan (TOKYO BAR ASSOCIATION) Joined Eizo Goto Law Office (present Takushou Sogo Law Office)</p> <p>September 1985 Outside Auditor, C'BON COSMETICS Co., Ltd. (until June 2012)</p> <p>June 2003 Outside Corporate Auditor, Shinwa Bank, Ltd. (until June 2011)</p> <p>June 2011 Outside Audit &amp; Supervisory Board Member of the Company (present)</p> <p>Mr. Tsunehiro Sasanami attended 13 out of 13 meetings of the Board of Directors and 15 out of 15 meetings of the Audit &amp; Supervisory Board held in the fiscal year ended March 31, 2015.</p> <p>Reasons for selection as the candidate for Outside Audit &amp; Supervisory Board Member Mr. Tsunehiro Sasanami has long experience as a lawyer and abundant legal knowledge. The Company proposes that Mr. Sasanami be elected as an Outside Audit &amp; Supervisory Board Member in the expectation that he will utilize his knowledge for the benefit of the Company's auditing system. Although he has never been directly engaged in corporate management, the Company deems that Mr. Sasanami will duly execute his duties as an Outside Audit &amp; Supervisory Board Member because he is well versed in corporate legal affairs and has extensive insight into corporate governance.</p>	-



No.	Name (Date of birth) [Audit & Supervisory Board Member since]	Career summary, positions and significant concurrent positions	Number of shares of the Company held
4	<p>Toshio Kinoshita (April 12, 1949) [New candidate]</p> <p>(Independent Auditor)</p>	<p>July 1983 Registered as Certified Public Accountant</p> <p>July 1989 Partner, U.S. Coopers &amp; Lybrand L.L.P (current PricewaterhouseCoopers) (until June 1998)</p> <p>June 1994 Representative employee of Chuo Audit Corporation (current MISUZU Audit Corporation) (until July 2005)</p> <p>July 1998 Senior Managing Partner for North America, New York Head Office, U.S. PricewaterhouseCoopers L.L.P. (until June 2005)</p> <p>July 2005 Management Board Member for International Business of Tokyo Office of ChuoAoyama PricewaterhouseCoopers (current MISUZU Audit Corporation) (until June 2007)</p> <p>July 2007 Chief Executive of The Japanese Institute of Certified Public Accountants (JICPA) (until July 2013)</p> <p>July 2013 Council Member of JICPA (present) Established Kinoshita CPA Firm, Owner and Managing Partner (present)</p> <p>June 2014 Outside Audit &amp; Supervisory Board Member of Panasonic Corporation (present)</p> <p>August 2014 Outside Corporate Auditor of Weathernews Inc. (present)</p> <p>March 2015 Outside Director of Asatsu-DK Inc. (present)</p> <p>Reasons for selection as the candidate for Outside Audit &amp; Supervisory Board Member Mr. Toshio Kinoshita has experience and rich accounting knowledge gained as a certified public accountant who practiced in Japan and the U.S. for many years and is well versed in international accounting. The Company proposes that Mr. Kinoshita be elected as an Outside Audit &amp; Supervisory Board Member in the expectation that he will utilize his knowledge for the benefit of the Company's auditing systems in preparation for the Company's overseas business expansion. Although he has never been directly engaged in corporate management, the Company deems that Mr. Kinoshita will duly execute his duties as an Outside Audit &amp; Supervisory Board Member because he is well versed in business accounting and has great insight into corporate governance.</p>	-

- Notes: 1. No material conflict of interest exists between the Company and any of the above candidates.
2. Mr. Tsunehiro Sasanami is a current Outside Audit & Supervisory Board Member of the Company. Mr. Sasanami will have served as Outside Audit & Supervisory Board Member for four years at the conclusion of this Ordinary General Meeting of Shareholders.

**Proposal No. 5: Election of One (1) Substitute Audit & Supervisory Board Member**

In order to ensure that the number of incumbent Audit & Supervisory Board Members does not fall short of that required by laws and regulations or the Articles of Incorporation of the Company, the election of one (1) substitute Audit & Supervisory Board Member is proposed.

The consent of the Audit & Supervisory Board has been obtained for the submission of this proposal.

The candidate for substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary, positions and significant concurrent positions	Number of shares of the Company held
<p>Gotaro Ichiki (December 4, 1949)</p> <p>Candidate for Substitute Outside Audit &amp; Supervisory Board Member</p>	<p>April 1975 Admitted to the bar in Japan (Yokohama Bar Association) Joined Sagami Godo Law Office</p> <p>April 1983 Joined Hamada &amp; Matsumoto Law Firm (transferred to Daini Tokyo Bar Association)</p> <p>April 1985 Partner in Hamada &amp; Matsumoto Law Firm</p> <p>April 1996 Vice President of Daini Tokyo Bar Association (until March 1997)</p> <p>April 2000 Deputy Secretary of Japan Federation of Bar Associations (until March 2002)</p> <p>December 2002 Partner in Mori Hamada &amp; Matsumoto Law Firm formed as a result of merger (until December 2014)</p> <p>January 2015 Joined Kowa Law Office</p> <p>March 2015 Outside Director of Nippon Denko Co., Ltd. (present) (to date)</p> <p>Reasons for selection as the candidate for substitute Outside Audit &amp; Supervisory Board Member Mr. Gotaro Ichiki has a long experience as a lawyer and abundant legal knowledge. The Company proposes that Mr. Ichiki be elected as a substitute Outside Audit &amp; Supervisory Board Member in the expectation that he will utilize his knowledge for the benefit of the Company's auditing system. Although he has never been directly engaged in corporate management, the Company deems that Mr. Ichiki will duly execute his duties as an Outside Audit &amp; Supervisory Board Member because he is well versed in corporate legal affairs and has extensive insight into corporate governance.</p>	<p>-</p>

Note: No material conflict of interest exists between the Company and the above candidate.

### **Proposal No. 6: Revision of the Amount of Remuneration to Directors**

It was approved at the 152nd Ordinary General Meeting of Shareholders held on June 22, 2011 that the maximum amount of remuneration for Directors of the Company shall be ¥540.0 million a year (including maximum of ¥30.0 million for Outside Directors). When Proposal No. 3 (Election of Eight (8) Directors) is approved, the number of Outside Directors will be increased. Accordingly, the Company proposes that the maximum amount of remuneration, etc. to Directors be revised to ¥540.0 million a year (including maximum of ¥50.0 million for Outside Directors).

As previously, the amount of remuneration to Directors does not include portions of their salaries as employees.

Outside Directors are outside the scope of payment of bonuses for Directors.

The Company currently has nine (9) Directors (including two (2) Outside Directors). When Proposal No. 3 is approved as originally proposed, the Company will have eight (8) Directors (including three (3) Outside Directors).

## **Business Report**

(From April 1, 2014 to March 31, 2015)

### **1. Overview of the Group**

#### **(1) Business Progress and Results**

During the fiscal year ended March 31, 2015 (fiscal 2014), in the aftermath of the consumption tax increase, personal consumption and residential investment in Japan were generally sluggish. Although exports and production picked up somewhat in the second half of the fiscal year owing to depreciation of the yen and declining oil prices, the economy did not fully recover.

The chemical industry experienced a recovery of corporate earnings because of the improved profitability of products for export due to weakening of the yen and lower prices of raw materials, such as naphtha.

In these circumstances, the DENKA Group strove to expand its businesses and secure profitability by working to increase sales in Japan and overseas, revising product prices and cutting costs. As a result, consolidated net sales for fiscal 2014 increased ¥7,169 million or 1.9% year on year to ¥383,978 million thanks to an increase in sales volumes of products of the Electronics & Innovative Products Division. With respect to profit, depreciation of the yen and a decline in raw materials prices contributed to improved profitability, in addition to the impact of rising sales volumes. Operating income rose ¥2,816 million or 13.3% to ¥24,047 million and the ratio of operating income to net sales increased 0.6 percentage points to 6.3%. Ordinary income rose ¥3,683 million or 17.9% to ¥24,287 million, and net income increased ¥5,447 million or 40.1% to ¥19,021 million, the highest ever, partly because a gain on sales of non-current assets in line with withdrawal from certain businesses was recorded as extraordinary income.

Results of operations by division are described below.

#### **Elastomers & Performance Plastics Division (Sales: ¥166,312 million)**

Principal products: Chloroprene rubber, acetylene black, styrene monomer, polystyrene resin, ABS resin, CLEAREN, heat-resistant resin, transparent resin, acetic acid, POVAL, etc.

Sales of chloroprene rubber increased thanks to the impact of depreciation of the yen on the revenues in yen. Sales of acetylene black also increased owing to increased sales volume. Sales of ABS resin and functional resin CLEAREN were virtually unchanged from the previous year. Sales of polystyrene resin by Denka Singapore Pte., Ltd., a subsidiary in Singapore, was also robust, however, sales of styrene monomer decreased as a result of the revision of sales prices corresponding to the decrease in raw material prices.

As a result, division sales decreased ¥191 million or 0.1% year on year to ¥166,312 million.

#### **Infrastructure & Inorganic Materials Division (Sales: ¥47,795 million)**

Principal products: Cement, special cement additives, fertilizers, calcium carbide, fire resistant materials, etc.

Whereas sales of special cement additives increased because of higher sales volume, sales of cement, fertilizers, fire resistant materials, and ferrous raw materials were lower than the previous year.

As a result, division sales decreased ¥1,846 million or 3.7% year on year to ¥47,795 million.

**Electronics & Innovative Products Division (Sales: ¥48,333 million)**

Principal products: Fused silica, electronic circuit substrates, fine ceramics, electronic packaging materials, etc.

Sales of functional films, such as THERMO FILM ALS for transportation and packing of electronic components and semiconductors, and sales of ALONBRIGHT SiAlON phosphors for LED increased because of higher sales volumes. Sales volumes of electronic circuit substrates and ALSINK highly reliable heat-dissipating plate rose, centering on electric railway applications. Sales of spherical fused silica fillers for semiconductor sealing were also higher than the previous year.

As a result, division sales increased ¥6,216 million or 14.8% year on year to ¥48,333 million.

**Life Science & Environmental Products Division (Sales: ¥80,183 million)**

Principal products: Food packaging materials, vaccines, joint function improvers, diagnostic reagents, housing and environmental materials, industrial materials, etc.

Sales of vinyl tapes for industrial applications and TOYOKALON synthetic fiber for wigs and hairpieces increased because of higher sales volumes and an increase in revenues in yen due to depreciation of the yen. Sales of plastic rain gutters and corrugated drainpipes for agriculture and civil engineering were virtually unchanged from the previous year. Sales of films for food packaging and sales of products processed by subsidiary DENKA Polymer Co., Ltd. were robust.

Regarding pharmaceutical products, whereas sales of joint function improvers (high-molecular sodium hyaluronate preparations) decreased due to the reduction of their Japanese national health insurance (NHI) prices, subsidiary DENKA SEIKEN Co., Ltd. recorded higher sales because of increased sales of influenza vaccines and diagnostic reagents.

As a result, division sales increased ¥2,215 million or 2.8% year on year to ¥80,183 million.

**Others Division (Sales: ¥41,354 million)**

Principal business: Plant engineering etc.

Transaction volumes of Akros Trading Co., Ltd. and other trading companies were virtually unchanged from the previous year. The value of projects completed by Denka Consultant & Engineering Co., Ltd. increased from the previous year.

As a result, division sales increased ¥774 million or 1.9% year on year to ¥41,354 million.

## **(Reference)**

### **Topics**

#### **Prototype of a Rapid Antigen Detection Test Kit for Ebola Virus**

DENKA SEIKEN Co., Ltd., a major DENKA Group company, has succeeded in developing a prototype of a rapid diagnostic reagent for the Ebola virus in collaboration with Hokkaido University. Based on proprietary technology for producing rapid diagnostic test kits for infectious diseases caused by the influenza virus, norovirus, RS virus, and other viruses, DENKA SEIKEN has been pursuing joint research with Professor Ayato Takada of the Research Center for Zoonosis Control at Hokkaido University's Division of Global Epidemiology.

Employing the QuickNavi™ platform developed by DENKA SEIKEN for its series of rapid infectious disease diagnostic test kits, the new diagnostic kit uses blood serum samples to confirm Ebola virus infection. Laboratory testing conducted at facilities in the United States designed to handle highly contagious and virulent viruses demonstrated the prototype's ability to confirm Ebola infection in approximately 15 minutes.

Diagnosis of Ebola infection currently requires special equipment and is time-consuming. Because the method adopted for the QuickNavi™ series requires no special equipment or devices, it makes diagnosis simple and quick. It is expected to contribute to medical care in areas with rudimentary infrastructure. DENKA SEIKEN will pursue further development for commercialization of a rapid diagnostic test kit for the Ebola virus using this method.

DENKA SEIKEN has a substantial share of Japan's market for rapid diagnostic test kits for infectious diseases, and is particularly known for its influenza diagnostic kit QuickNavi™-Flu. DENKA SEIKEN intends to proactively develop business in Asia, Africa, and other regions. In addition to the Ebola virus diagnostic test kit, R&D efforts are under way to create diagnostic reagents for dengue fever, HIV and other infectious diseases. The DENKA Group is addressing market needs in the healthcare field, which DENKA views as a growth driver.

#### **CO<sub>2</sub>-SUICOM®, Environment-Friendly Concrete Product Receives Award**

CO<sub>2</sub>-SUICOM®, an environment-friendly concrete product jointly developed by DENKA, the Chugoku Electric Power Co., Inc., and Kajima Corporation, won the 2014 Environment Minister's Award for Global Warming Prevention Activity (Technological Development and Commercialization Category).

CO<sub>2</sub>-SUICOM® absorbs CO<sub>2</sub> contained in power plant exhaust and facilitates carbon sequestration. Compared with conventional concrete products, CO<sub>2</sub>-SUICOM® emits an extremely small amount of CO<sub>2</sub> throughout its production process and can reduce net emissions to zero or less. Moreover, because of the extremely low alkalinity (nearly neutral) of CO<sub>2</sub>-SUICOM®, its environmental impact is low and it is safer.

Leveraging special cement additive technologies that it has accumulated over the years, DENKA developed a carbonization agent dubbed "LEAF®" that serves as a key material of CO<sub>2</sub>-SUICOM®.

The special cement additive business is DENKA's key business in the infrastructure field, which DENKA views as a growth driver. Its products also include EIEN®, which absorbs CO<sub>2</sub> and thus prolongs the life of concrete structures, and SUQCEM®, a lightweight, ultrahigh-strength fiber-reinforced concrete product. While helping to reduce construction costs and buildings' lifecycle costs, DENKA is also contributing to environmental protection through CO<sub>2</sub> reduction, resource saving, etc.

Through environmentally friendly business activities, we aim to contribute to the emergence of societies characterized by sustainable growth and to the mitigation of global warming.

#### **Acquisition of Chloroprene Rubber Business from DuPont, U.S.**

DENKA and Mitsui & Co., Ltd. concluded an agreement with DuPont, an international diversified chemicals manufacturer, to acquire DuPont's business relating to the manufacture and sale of chloroprene rubber (CR). DENKA and Mitsui established Denka Performance Elastomer (DPE), a joint-venture company, in the U.S. for this acquisition.

In 1962, DENKA commenced the manufacture of CR at the Omi plant (Itoigawa-city, Niigata Prefecture) using its proprietary technology (the acetylene method), and currently is one of the largest CR manufacturers, supplying customers in some 80 countries worldwide.

In 1931, DuPont became the first company to develop CR. It manufactures CR by the butadiene method, and supplies customers in North America, South America, and Europe.

Through this acquisition, DENKA will gain a second CR production base, which is in an advantageous location, North America, and uses the butadiene method, thus complementing the Omi plant that uses the acetylene method. This will strengthen DENKA's structure for stable supply of high-quality CR and is

expected to contribute to enhanced customer satisfaction.

This acquisition is the top priority in DENKA's strategy to "create the most optimal production system," which is one of new growth strategies under the DENKA100 management plan. We will work to achieve the numerical targets set forth in DENKA100.

### **Establishment of a Subsidiary in Dubai as a Strategic Sales Base in the Middle East and Africa**

DENKA established a subsidiary in Dubai in the United Arab Emirates.

Having opened our first business base in the Middle East and Africa, we will strengthen local marketing and cultivate latent local demand for DENKA products, with an eye to tapping the remarkable potential for economic growth in those regions.

Markets for products of our Life Science & Environmental Products Division, such as VINI-TAPE<sup>®</sup>, a polyvinyl chloride adhesive tape, and TOYOKALON<sup>®</sup>, a synthetic fiber used for wigs, hairpieces, etc., are expected to grow in line with the burgeoning economies of the Middle East and Africa. In response, we have established a production facility for VINI-TAPE<sup>®</sup> in Vietnam, which is scheduled to come on stream in June 2015, and a production facility for TOYOKALON<sup>®</sup> in Singapore, where production started in July 2013. Moreover, having positioned a new subsidiary in Dubai as a strategic sales base serving the Middle East and Africa, DENKA aims to step up efforts to fine-tune products and services to local needs, thereby achieving sales growth through efficient marketing activities.

Since demand in the infrastructure and healthcare fields is also expected to grow in this part of the world, we will work to expand our operations in these fields.

### **New Acetylene Black Production Facility Completed at Chiba Plant**

DENKA is speeding up the growth of its acetylene black (AB) operations.

A production facility for ultrahigh-purity AB for use as a conduction agent in lithium-ion secondary batteries (LIB) have been installed at the Chiba Plant (Ichihara City, Chiba Prefecture). This plant is now the third production base for AB, alongside the Omuta Plant (Omuta City, Fukuoka Prefecture) and a plant in Singapore. The ceremony inaugurating the new facility was held on April 16, 2015.

This project adds a distinctive, high-value-added product to the operations at the Chiba Plant, where we are expanding beyond general-purpose petrochemical products. Another objective is to contribute to the restructuring of Japanese industry, amid an overall decline in domestic manufacturing.

In an address at the inauguration of the new facility, Mr. Shinsuke Yoshitaka, President of DENKA, stated, "This investment falls within the scope of the Ministry of the Economy, Trade and Industry's Subsidy Program for Projects Promoting Domestic Site Location, and will contribute to the restructuring of the Chiba Plant. AB, which we have been manufacturing for over 70 years, now has a new application in LIB, where it is being widely used. I am therefore delighted that we have opened this new facility dedicated to AB." He further expressed his enthusiasm for the development, saying, "Since I am certain that automotive applications will take off, I have high hopes that this facility will soon be operating at full capacity."

DENKA changed its organizational structure from April this year. The former Elastomer Black Dept. has split into the Special Conductive Materials Dept. responsible for AB and the Elastomers Dept. for chloroprene rubber. Under this new organizational structure, we aim to broaden these revenue streams.

## **(2) Capital Investment**

The Group is proactively implementing many concrete measures in accordance with the three new growth strategies of the DENKA 100 management plan: “Create the most optimal production system,” “Scrutinize every cost element,” and “Focus management resources on new growth drivers and develop next-generation products.” In the fiscal year ended March 31, 2015, the Group conducted capital investment totaling ¥21.3 billion.

Capital investment in the Elastomers & Performance Plastics Division amounted to ¥7,080 million. Principal items were construction of production facilities for ultrahigh-purity acetylene black at the Company’s Chiba Plant and capital investment for the Company’s Omi Plant.

In the Infrastructure & Inorganic Materials Division, capital investment amounted to ¥5,957 million, which mostly concerned the Company’s Omi Plant and Omuta Plant.

In the Electronics & Innovative Products Division, capital investment amounted to ¥3,697 million, which mostly concerned the Company’s Omuta Plant and Isesaki Plant.

Capital investment in the Life Science & Environmental Products Division amounted to ¥4,442 million mainly for construction of buildings for diagnostic reagent production lines and expansion of related facilities at the Company and DENKA SEIKEN Co., Ltd.

Capital investment in the Others Division amounted to ¥173 million, which was mainly for refurbishment of sales facilities.

Main capital investment projects completed during fiscal 2014 included refurbishment of production lines for ABS resin and special functional resin at the Company’s Chiba Plant to strengthen competitiveness and construction of new production facilities for sheets for food packaging in Suzhou, China.

Projects underway in Japan included construction of a new hydroelectric power plant at the Company’s Omi Plant and construction of production facilities for ultrahigh-purity acetylene black at the Company’s Chiba Plant and those overseas included construction of a manufacturing plant for ALSINK, a highly reliable heat-dissipating plate for power modules used in high-speed rolling stock in Dalian, China, and construction of manufacturing plants in Vietnam for VINI-TAPE, adhesive tape made of polyvinyl chloride and DENKA THERMOFILM, a material used for transportation and packing of electronic components.

In addition to the capital investment stated above, in December 2014, the Company entered into an agreement with DuPont, an international diversified chemicals manufacturer, to acquire DuPont’s chloroprene rubber business. The Company aims to complete the acquisition during the first half of fiscal 2015.

## **(3) Financing**

The Company issued straight bonds in the amount of ¥5 billion in March 2015 in order to use the funds raised for redemption of the existing bonds.

## **(4) Issues to be Addressed**

The Company formulated three new growth strategies for the DENKA100 management plan in April 2013 and has been proactively implementing many concrete measures, specifying goals for 2017.

Fiscal 2014 started with the completion of construction of the main building of the DENKA Innovation Center, which is the cornerstone of the Company’s drive to promote open innovation. The Company subsequently decided to establish a new manufacturing base in Dalian, China, to produce ALSINK, a highly reliable heat-dissipating plate for the power modules used in high-speed rolling stock and a new production facility for DENKA THERMOFILM in Vietnam, which is a material used for transportation and packing of electronic components. As part of the initiative to strengthen and expand the diagnostic reagent and vaccine businesses, the Company decided to construct an additional facility and enlarge the existing facilities. In addition, it was decided to establish a subsidiary in Dubai to serve as the sales base for the Middle East and Africa. Toward the end of 2014, in a major development, the Company decided to enter into an agreement with DuPont, an international diversified chemicals manufacturer, to acquire DuPont’s chloroprene rubber business. In April 2015, construction of manufacturing facilities for ultrahigh-purity acetylene black for lithium-ion secondary batteries was completed at the Chiba Plant. Reflecting our determination to return the profits yielded by these initiatives to our shareholders, we formulated the Policy on Shareholder Returns. Concurrently, with the aim of achieving further corporate growth, we set aside a budget for strategic investment, such as M&A, with a view to achieving ROE of 10% as early as possible.

In order to build a more robust management structure better suited to pursuing the goals set forth in the DENKA100 management plan and to strengthen corporate governance more aggressively, thereby



enhancing management transparency and soundness, we propose a new structure, including an increase in the number of Outside Directors (from two (2) to three (3)) and reduction in the number of Directors on the Board (reduction by two), for deliberation at this Ordinary General Meeting of Shareholders.

Taking the opportunity of the centenary, we launched a new corporate logo and a new corporate slogan in April this year. In addition, change of the Company's name to Denka Co., Ltd. effective from October 1, 2015 is proposed for deliberation at this Ordinary General Meeting of Shareholders. Furthermore, the Company established the Denka Principles for all DENKA Group employees worldwide, setting out such matters as the basic stance and the principles that should inform all actions as well as the nature of the relationship with society. This is an effort to share the values at the heart of our corporate activities and systematically inculcate them throughout the Company. These core values include putting safety first, giving due consideration to the environment, creating value through manufacturing, and our commitment to being a dependable company.

Remaining true to our corporate DNA and the values it embodies, we will make a concerted effort to secure sustainable growth while fulfilling our social responsibility. On that basis, we will inculcate a proactive attitude and a robust spirit throughout the Group as we embark on the next 100 years. These moves are intended to signal, both internally and externally, the DENKA renaissance that we envision and are working to accomplish.

All our employees are pooling their expertise and energy in an all-out effort to attain the numerical targets of the DENKA100 management plan.

### **Outline of the DENKA100 management plan**

Three new growth strategies	<ol style="list-style-type: none"> <li>1. Create the most optimal production system</li> <li>2. Scrutinize every cost element</li> <li>3. Focus management resources on new growth drivers and develop next-generation products</li> </ol>						
Numerical targets	<table border="0" style="width: 100%;"> <tr> <td style="width: 20%;">Fiscal 2017</td> <td>Consolidated operating income of ¥60 billion or more</td> </tr> <tr> <td></td> <td>Operating income ratio of 10% or more</td> </tr> <tr> <td></td> <td>Ratio of overseas sales to net sales of 50% or more</td> </tr> </table>	Fiscal 2017	Consolidated operating income of ¥60 billion or more		Operating income ratio of 10% or more		Ratio of overseas sales to net sales of 50% or more
Fiscal 2017	Consolidated operating income of ¥60 billion or more						
	Operating income ratio of 10% or more						
	Ratio of overseas sales to net sales of 50% or more						

## Reference

### Feature: Commemorating the Centenary

#### To Continue to Grow in the Next 100 Years

DENKA celebrated its centenary on May 1 this year. This auspicious event was possible because of the guidance and support of our shareholders and other stakeholders who have contributed to DENKA's progress over many years. To all of you, we would like to express our gratitude. Here, we not only review the extraordinary changes that have shaped the last 100 years but also introduce initiatives designed to propel DENKA along a growth trajectory for the next 100 years.

#### Foundation of DENKA

DENKA was founded in 1915, based on the Hokkai Carbide Plant established by Dr. Tsuneichi Fujiyama, where the first successful production of carbide in Japan was achieved. The launch of the new venture was supported financially by investments from influential members of the Mitsui group. Carbide, a chemical product manufactured by firing limestone and coke at high temperature in electric furnaces, is a signature product of electrochemistry, *denki kagaku*, which inspired our current company name. 100 years ago, DENKA started out as a producer of carbide, and soon expanded the business to include production of lime nitrogen, whose raw material is carbide.

#### Business expansion

Moving beyond carbide and lime nitrogen, DENKA pursued growth by vigorously developing new products. In 1942, using acetylene gas, which is produced by reacting carbide with water, we developed acetylene black, a special carbon black material. Acetylene black's high conductivity has recently made it an important material for application in lithium-ion secondary batteries. In addition, in 1962, using our proprietary technology, we became the first company in Japan to commercialize chloroprene rubber (CR). CR is used in various applications such as automotive parts, including hoses and belts, and adhesives.

At roughly the same time as we were developing CR, we opened a styrene monomer plant at a petrochemical complex in Chiba Prefecture, to produce synthetic polystyrene resin, which is used in consumer electronics products as well as for other purposes. This marked our entry to the petrochemical field.

We also launched the cement business in order to make good use of limestone unsuitable for carbide production, developing special additives to prevent the cracking of cement, and thus advancing into the infrastructure sector.

#### Expansion to functional chemicals

Based on firing, electric-furnace, and nitriding technologies cultivated through our original business of carbide production, in 1971 we commercialized fused silica, a material used in semiconductor sealants. Moreover, we introduced a range of electronic materials, releasing products in succession, such as aluminum nitride substrates used for high-speed-rail power modules and ALSINK highly reliable heat-dissipating plate. Furthermore, in 1983 we entered the resin processing field with food packaging sheets using a styrene-based organic resin.

In 1979, we acquired shares of Toshiba Chemical (now DENKA SEIKEN), a manufacturer of influenza vaccines and cholesterol test reagents, signaling our entry to the pharmaceutical business. In 2000, we developed a polymer hyaluronic acid formulation using our proprietary technology.

In this way, DENKA has developed various businesses since its inception. Although we encountered difficulties along the way, we always managed to overcome them by remaining true to our spirit of wholehearted sincerity. Thus, we are able to celebrate our centenary.

#### Challenge for the next 100 years

In view of the rapid evolution of the business environment, the achievement of continued growth over the next 100 years will be quite a challenge. We will need to be flexible yet robust so that we can keep growing in any circumstances.

We formulated three new growth strategies for the DENKA100 management plan in April 2013 and have been vigorously implementing many concrete measures, specifying goals for 2017. In addition, to express our determination to achieve the DENKA100 management plan through a concerted effort of all employees, we renewed our corporate logo and formulated a corporate slogan and action guidelines for employees.

In addition, as included in the proposals to be resolved, subject to the approval of the shareholders, the Company's name will be changed to Denka Co., Ltd. as of October 1st.

Remaining true to our corporate DNA and the values it embodies, we will do our utmost to achieve sustainable growth. On that basis, we will inculcate a proactive attitude and a robust spirit throughout the

Group as we embark on the next 100 years.

**(5) Financial Position and Results of Operations**

(Millions of yen, unless otherwise stated)

Item	153rd term (from April 1, 2011 to March 31, 2012)	154th term (from April 1, 2012 to March 31, 2013)	155th term (from April 1, 2013 to March 31, 2014)	156th term (from April 1, 2014 to March 31, 2015)
Net sales	364,712	341,645	376,809	383,978
Operating income	20,713	18,817	21,230	24,047
Ordinary income	18,996	17,824	20,604	24,287
Net income	11,330	11,255	13,573	19,021
Net income per share (yen)	23.22	23.63	29.03	41.48
Total assets	402,552	415,356	431,347	445,569
Total net assets	172,737	180,709	189,516	210,798
Net assets per share (yen)	353.64	376.99	402.77	455.94
Total shareholders' equity ratio (%)	42.3	43.1	43.5	46.9
Return on equity (ROE) (%)	6.7	6.4	7.4	9.6
Total dividends paid	4,863	4,748	4,659	5,723
Dividends per share	10.00	10.00	10.00	12.50

- Notes: 1. Net income per share is calculated using the average number of shares issued and outstanding excluding treasury stock. Net assets per share are calculated using the number of shares issued and outstanding at the end of the fiscal year excluding treasury stock.
2. For total dividends paid and dividends per share for the 156th term, the sum of the interim dividend paid in December 2014 and the dividend proposed for resolution at this Ordinary General Meeting of Shareholders is indicated.

**(6) Significant Subsidiaries** (as of March 31, 2015)

## 1) Significant subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
Denka Singapore Pte., Ltd.	SGD 69,410 thousand	100.0 (100.0)	Manufacturing and sales of acetylene black and polystyrene resin
Denka Chemicals Holdings Asia Pacific Pte., Ltd.	USD 68,700 thousand	100.0	Regional headquarters for Southeast and South Asia
Hinode Kagaku Kogyo	JPY 300 million	100.0	Manufacturing and sales of chemical fertilizers
Nishi-nihon Koatsu Gas Co., Ltd.	JPY 80 million	93.2	Manufacturing and sales of high-pressure gas
DENKA RENOTEC Co., Ltd.	JPY 50 million	100.0	Repair and reinforcement work for concrete structures and buildings and sales of materials
DENKA Azumin Co., Ltd.	JPY 300 million	100.0	Manufacturing and sales of fertilizers and agricultural materials
Denka Advantech Pte., Ltd.	SGD 17,000 thousand	100.0 (100.0)	Manufacturing and sales of fused silica and synthetic fiber for wigs and hairpieces
Denal Silane Co., Ltd.	JPY 500 million	51.0	Manufacturing and sales of monosilane gas, etc.
Denka Advanced Materials (Suzhou) Co., Ltd.	CNY 55,440 thousand	100.0	Manufacturing, processing, and sales of electronic packaging materials and food packaging materials, etc.
DENKA Polymer Co., Ltd.	JPY 2,080 million	100.0	Manufacturing and sales of various packaging materials and plastic containers
Nakagawa Techno Industrial Co., Ltd.	JPY 50 million	100.0	Manufacturing, processing, and sales of metal rain gutters
DENKA SEIKEN Co., Ltd.	JPY 1,000 million	100.0	Manufacturing and sales of vaccines and clinical diagnostic reagents
YK Inoas Co., Ltd.	JPY 100 million	100.0	Sales of raw materials for industrial applications, civil engineering and construction materials, and interior materials
Denka Consultant & Engineering Co., Ltd.	JPY 50 million	100.0	Design and engineering of various industrial facilities, transportation facilities, etc.
Akros Trading Co., Ltd.	JPY 1,200 million	68.5	Sales of inorganic industrial products, organic industrial products, industrial resins, etc.
Akros Trading China Co., Ltd.	USD 300 thousand	100.0 (100.0)	Sales of electronic packaging materials, etc.
Akros Trading Taiwan Co., Ltd.	TWD 29,000 thousand	100.0 (100.0)	Sales of resins and semiconductor-related materials, etc.

Note: The Company's percentage of equity participation is calculated by dividing the number of shares held by the Company by the number of shares issued and outstanding. The figure within parentheses indicates the percentage of indirect ownership by subsidiaries.

## 2) Significant affiliates

Company name	Capital	The Company's percentage of equity participation	Principal business
Toyo Styrene Co., Ltd.	JPY 5,000 million	50.0	Manufacturing, processing, and sales of polystyrene resin
Denak Co., Ltd.	JPY 600 million	50.0	Manufacturing and sales of monochloroacetic acid

## (7) Principal Offices and Factories (as of March 31, 2015)

Company name	Principal offices
DENKI KAGAKU KOGYO KABUSHIKI KAISHA	Head Office: 1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo Branches: Osaka, Nagoya, Fukuoka, Niigata, Hokuriku (Toyama), Sapporo, Tohoku (Sendai) Plants: Omi (Itoigawa, Niigata Prefecture), Omuta, Chiba (Ichihara, Chiba Prefecture), Shibukawa, Ofuna (Kamakura, Kanagawa Prefecture), Isesaki Research Institutes: DENKA Innovation Center (Advanced Technologies Research Institute, Life Innovation Research Institute, Infrastructure & Solutions Development Research Institute) (Machida, Tokyo) Polymer & Processing Technology Institute (Ichihara, Chiba Prefecture)
Denka Singapore Pte., Ltd.	Head Office and Plants: Singapore
Denka Chemical Holdings Asia Pacific Pte., Ltd.	Head Office: Singapore
Hinode Kagaku Kogyo	Head Office and Plant: Maizuru, Kyoto Prefecture
Nishi-nihon Koatsu Gas Co., Ltd.	Head Office: Fukuoka, Fukuoka Prefecture
DENKA RENOTEC Co., Ltd.	Head Office: Chuo-ku, Tokyo
DENKA Azumin Co., Ltd.	Head Office and Plant: Hanamaki, Iwate Prefecture
Denka Advantech Pte., Ltd.	Head Office and Plant: Singapore
Denal Silane Co., Ltd.	Head Office: Chuo-ku, Tokyo
Denka Advanced Materials (Suzhou) Co., Ltd.	Head Office and Plant: Suzhou, Jiangsu, China
DENKA Polymer Co., Ltd.	Head Office: Koto-ku, Tokyo Plants: Sakura, Katori (Tako-machi, Chiba Prefecture), Goi (Ichihara, Chiba Prefecture)
Nakagawa Techno Industrial Co., Ltd.	Head Office: Kasai, Hyogo Prefecture
DENKA SEIKEN Co., Ltd.	Head Office: Chuo-ku, Tokyo Plant: Gosen, Niigata Prefecture
YK Inoas Co., Ltd.	Head Office: Bunkyo-ku, Tokyo
Denka Consultant & Engineering Co., Ltd.	Head Office: Chuo-ku, Tokyo
Akros Trading Co., Ltd.	Head Office: Minato-ku, Tokyo
Akros Trading China Co., Ltd.	Head Office: Shanghai, China
Akros Trading Taiwan Co.,	Head Office: Hsin-Chu, Taiwan

Ltd.	
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**(8) Employees** (as of March 31, 2015)

1) The Group

Business segment	Number of employees	
Elastomers & Performance Plastics Division	837	[169]
Infrastructure & Inorganic Materials Division	848	[193]
Electronics & Innovative Products Division	976	[194]
Life Science & Environmental Products Division	1,583	[411]
Others Division	764	[198]
Corporate (common)	301	[ 75]
Total	5,309	[1,240]

- Notes: 1. The number of employees indicated is the number of full-time employees and the annual average number of temporary employees is indicated in brackets.  
2. The number of employees indicated for “Corporate (common)” is the number of employees who belong to administrative divisions that cannot be classified into a specific business.

2) The Company

Number of employees	Increase (Decrease) from the previous fiscal year-end	Average age	Average service years
2,934 [782]	+61 [-59]	39.7	18.0

- Note: The number of employees indicated is the number of full-time employees and the annual average number of temporary employees is indicated in the brackets.

**(9) Principal Lenders** (as of March 31, 2015)

Lender	Outstanding borrowings (Millions of yen)
Syndicated loan	32,000
Mizuho Bank, Ltd.	16,877
Sumitomo Mitsui Banking Corporation	9,943
The Norinchukin Bank	7,486
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,025

- Note: The syndicated loan is managed by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, and the Development Bank of Japan and is co-financed by The Daishi Bank, Ltd. and other financial institutions.

**(10) Other Significant Matters concerning the Group’s Current Situation**

Not applicable

## 2. Status of Shares (as of March 31, 2015)

(1) Total Number of Authorized Shares	1,584,070,000 shares
(2) Shares of Common Stock Issued	465,954,121 shares (including 8,048,092 shares of treasury stock)
(3) Number of Shareholders	34,803

### (4) Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,597	6.25
Japan Trustee Service Bank, Ltd. (Trust Account)	22,866	4.99
Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	16,079	3.51
National Mutual Insurance Federation of Agricultural Cooperatives	15,965	3.49
MITSUI LIFE INSURANCE, CO., LIMITED	11,908	2.60
STATE STREET BANK AND TRUST COMPANY 505223	10,185	2.22
JUNIPER	9,570	2.09
STATE STREET BANK AND TRUST COMPANY 505001	9,523	2.08
Mitsui Sumitomo Insurance Company, Limited	6,916	1.51
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	6,425	1.40

- Notes: 1. The Company holds 8,048,092 shares of treasury stock but is excluded from the above major shareholders.  
2. Treasury stock is excluded for calculation of the percentage of shares held.

### (5) Other Significant Matters concerning Shares

Not applicable

## 3. Matters concerning the Company's Stock Acquisition Rights (as of March 31, 2015)

Not applicable



#### 4. Company Officers

##### (1) Directors and Audit & Supervisory Board Members (as of March 31, 2015)

Name	Position	Responsibilities and significant concurrent positions
Shinsuke Yoshitaka	President	President and Chief Executive Officer Outside Director of Koatsu Gas Kogyo Co., Ltd.
Hitoshi Watanabe	Representative Director	Senior Managing Executive Officer Chief Technology Officer Purchasing Dept., Logistics Dept.
Tetsuro Maeda	Director	President and Representative Director of DENKA SEIKEN Co., Ltd.
Mitsukuni Ayabe	Director	Senior Managing Executive Officer Supervisor Corporate Planning, Development Investor Relations Dept., Internal Auditing Dept., Accounting & Finance Dept., Information System Dept.
Shinji Sugiyama	Director	Managing Executive Officer General Manager, Elastomers & Performance Plastics Denka Chemicals GmbH
Hideyuki Udagawa	Director	Managing Executive Officer General Manager, Infrastructure & Inorganic Materials Disaster Reconstruction Support Div.
Manabu Yamamoto	Director	Managing Executive Officer General Manager, Electronics & Innovative Products Denka Corporation
Kozo Tanaka	Director (Outside Director)	Lawyer, Tanaka Law Office
Tadashi Hashimoto	Director (Outside Director)	
Hideo Oishi	Audit & Supervisory Board Member	
Jiro Hiroe	Audit & Supervisory Board Member	
Toshiaki Tada	Outside Audit & Supervisory Board Member	Lawyer, Hibiya Sogo Law Offices Outside Corporate Auditor of ITOCHU Techno-Solutions Corporation
Tsunehiro Sasanami	Outside Audit & Supervisory Board Member	Lawyer, Takushou Sogo Law Office

- Notes: 1. Directors Mr. Kozo Tanaka and Mr. Tadashi Hashimoto are outside directors as stipulated in Article 2, Paragraph 15 of the Companies Act.
2. Audit & Supervisory Board Members Mr. Toshiaki Tada and Mr. Tsunehiro Sasanami are outside auditors as stipulated in Article 2, Paragraph 16 of the Companies Act.
3. The Company designated Directors Mr. Kozo Tanaka and Mr. Tadashi Hashimoto and Audit & Supervisory Board Members Mr. Toshiaki Tada and Mr. Tsunehiro Sasanami as independent directors/auditors as defined by Tokyo Stock Exchange, Inc. and notified it of the designation.

**(Reference)****Executive Officers (as of April 1, 2015)**

Name	Position	Responsibilities
Shinsuke Yoshitaka	President and Chief Executive Officer	
Mitsukuni Ayabe	Senior Managing Executive Officer	Assistant to CEO, Supervisor Corporate Planning, Development DPE-Project, Purchasing Dept., Logistics Dept.
Toshiharu Kano	Senior Managing Executive Officer	General Manager, Omi Plant
Hideyuki Udagawa	Managing Executive Officer	General Manager, Infrastructure & Inorganic Materials General Manager, Disaster Reconstruction Support Div.
Manabu Yamamoto	Managing Executive Officer	Investor Relations Dept., CSR & Corporate Communications Dept., Internal Auditing Dept., Accounting & Finance Dept., Information System Dept. General Manager, Corporate Planning Dept.;
Norihiro Shimizu	Managing Executive Officer	Research and Development, Innovation Center New Business Development Dept., R&D Promoting Dept., Intellectual Property Dept.
Sanshiro Matsushita	Managing Executive Officer	General Manager, Electronics & Innovative Products
Kenji Nakano	Managing Executive Officer	Representative in China Secretary Dept., Administrative Dept., Legal Dept., HR Dept., DENKA100 Promoting Dept.
Masaharu Suzuki	Managing Executive Officer	Director Chairman, Denka Chemicals Holdings Asia Pacific Pte., Ltd.
Ken Koizumi	Executive Officer	General Manager, Chiba Plant
Tetsuya Shinmura	Executive Officer	General Manager, Technology Div. ; Project Manager, New Omigawa Power Plant Construction Project
Junichi Kimura	Executive Officer	General Manager, Life Science & Environment Products Deputy General Manager, Disaster Reconstruction Support Div.
Toshio Imai	Executive Officer	General Manager, Elastomers & Performance Plastics
Hideki Hirano	Executive Officer	General Manager, Omuta Plant
Koichi Taguchi	Executive Officer	General Manager, Isesaki Plant
Hideki Watanabe	Executive Officer	Deputy General Manager, Omi Plant
Toyoki Yokoyama	Executive Officer	Assistant to GM, Infrastructure & Inorganic Materials; General Manager, Cement Dept.
Koki Tabuchi	Executive Officer	Assistant to GM, Elastomers & Performance Plastics; General Manager, Elastomers Dept. ; General Manager, Special Conductive Materials Dept. ; General Manager, DPE-Project Team

**(2) Remuneration for and Other Payments to Directors and Audit & Supervisory Board Members**

Category	Number of persons	Amount paid (Millions of yen)
Directors (of which Outside Directors)	9 (2)	369 (24)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	4 (2)	84 (24)
Total (of which outside officers)	13 (4)	453 (48)

- Notes: 1. The amount paid to Directors does not include portions of their salaries as employees.  
2. The maximum amount of remuneration for Directors is ¥540 million per year (of which the maximum amount of remuneration for Outside Directors is ¥30 million, excluding the portions of their salaries as employees) as resolved at the 152nd Ordinary General Meeting of Shareholders held on June 22, 2011.  
3. The maximum amount of remuneration for Audit & Supervisory Board Members is ¥13 million per month as resolved at the 147th Ordinary General Meeting of Shareholders held on June 29, 2006.  
4. In addition, remuneration and other payments totaling ¥10 million were paid to an Outside Officer by a subsidiary of the Company.

**(3) Outside Officers**

**1) Significant concurrent positions as executive directors etc. at other companies, etc. and the relationship between the Company and such companies, etc.**

Director Mr. Kozo Tanaka is the President of Tanaka Law Office and a lawyer. There are no significant transactions between the Company and Tanaka Law Office.

Audit & Supervisory Board Member Mr. Toshiaki Tada is a lawyer with Hibiya Sogo Law Offices. There are no significant transactions between the Company and Hibiya Sogo Law Offices.

Audit & Supervisory Board Member Mr. Tsunehiro Sasanami is a lawyer with Takushou Sogo Law Office. There are no significant transactions between the Company and Takushou Sogo Law Office.

**2) Significant concurrent positions as outside officers etc. at other companies, etc. and the relationship between the Company and such companies, etc.**

Director Mr. Kozo Tanaka is an outside director of Shiraimatsu Pharmaceutical Co., Ltd. There are no significant transactions between the Company and Shiraimatsu Pharmaceutical Co., Ltd.

Audit & Supervisory Board Member Mr. Toshiaki Tada is an outside corporate auditor of ITOCHU Techno-Solutions Corporation. There are no significant transactions between the Company and ITOCHU Techno-Solutions Corporation.

**3) Relationship with specified related parties such as major customers**

Not applicable

**4) Principal activities in the fiscal year ended March 31, 2015**

**i. Outside Directors**

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2015. Mr. Kozo Tanaka and Mr. Tadashi Hashimoto attended all the 13 meetings of the Board of Directors (attendance rate: 100%). Mr. Tanaka, based on his rich experience and knowledge as a lawyer, and Mr. Hashimoto, based on his rich experience and insight as a specialist who worked at a financial institution, stated opinions about legal risks (risks associated with intellectual property law, etc.) and investment risks (risks associated with investment recoupment, foreign exchange, withdrawal from businesses, labor, etc.) concerning overseas business expansion into the U.S., China, etc. of the Group, including subsidiaries, and internal control, including internal procedures in the event of a lawsuit or an industrial accident. They also visited the Company's business sites and subsidiaries and received briefings on the business and asked questions and stated opinions to Directors etc., as necessary, from external viewpoints.

ii. Outside Audit & Supervisory Board Members

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2015. Mr. Toshiaki Tada and Mr. Tsunehiro Sasanami attended all the 13 meetings of the Board of Directors (attendance rate: 100%). Mr. Tada and Mr. Sasanami, based on their rich experience and expert knowledge as lawyers, stated opinions about legal risks (risks associated with customs law, tax law, etc.) and investment risks (risks associated with investment recoupment, withdrawal from businesses, etc.) concerning overseas business expansion into the U.S., China, etc. of the Group, including subsidiaries, and internal control, including internal procedures in the event of a lawsuit or an industrial accident. They also visited the Company's business sites and subsidiaries and received briefings on the business and asked questions and stated opinions to Directors, etc., as necessary, from external viewpoints.

[Audit & Supervisory Board meetings]

The Audit & Supervisory Board met 15 times in the fiscal year ended March 31, 2015. Mr. Toshiaki Tada and Mr. Tsunehiro Sasanami attended all the 15 meetings of the Audit & Supervisory Board (attendance rate: 100%). They also attended the Board of Directors meetings and other important meetings. In addition, they reviewed important minutes, authorization documents, etc., investigated the Company's divisions and departments, business sites and subsidiaries, and received briefings on the status of business execution at periodic divisional report meetings. They reported the results of these activities to the Audit & Supervisory Board and had necessary discussions with other Audit & Supervisory Board Members.

	Board of Directors meetings		Audit & Supervisory Board meetings	
	Attendance	Attendance rate	Attendance	Attendance rate
Director Kozo Tanaka	13/13	100%	-	-
Director Tadashi Hashimoto	13/13	100%	-	-
Audit & Supervisory Board Member Toshiaki Tada	13/13	100%	15/15	100%
Audit & Supervisory Board Member Tsunehiro Sasanami	13/13	100%	15/15	100%

**5) Outline of the limited liability contracts**

Not applicable

**(Reference)**

**Initiatives to Strengthen Corporate Governance and the System for Outside Directors and Outside Audit & Supervisory Board Members**

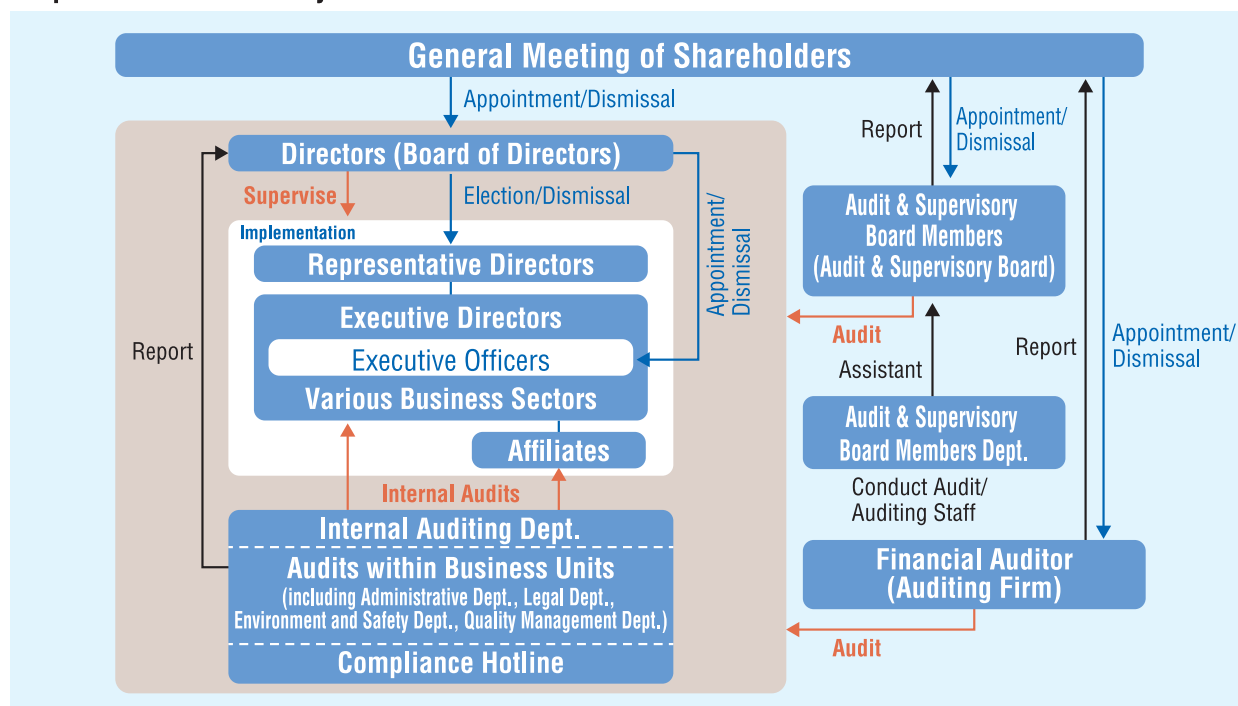
The Company has been implementing various initiatives to strengthen corporate governance in order to fulfill its responsibilities to its diverse stakeholders, including shareholders.

In June 2007, the Company halved the number of Directors and introduced the executive officer system with the aim of speeding up decision-making. In 2008, we eliminated ranks (senior managing director and managing director) within the Board to enable all Directors to oversee and supervise execution on an equal footing, and transferred authority for execution to executive officers to clearly separate execution and oversight and supervisory functions, thereby reinforcing governance. Moreover, the General Meeting of Shareholders in 2008 passed a resolution on amendment of the Articles of Incorporation to reduce the term of office of Directors to one year in order to conduct a flexible check and elected two Outside Directors.

Regarding the system for Outside Directors and Outside Audit & Supervisory Board Members, the Company has two Outside Directors in addition to two Outside Audit & Supervisory Board Members stipulated by law. These outside officers who maintain sufficient independence and have extensive knowledge in their areas of specialty supervise the Company's management from an external perspective. The Company is seeking to receive advice from them by providing periodic occasions for them to exchange opinions with the Company's management besides at meetings of the Board of Directors.

The Company has been promoting three new growth strategies for the DENKA100 management plan since April 2013. In order to build a more robust management structure better suited to pursuing the goals set forth in the DENKA100 management plan and to strengthen corporate governance more aggressively, thereby enhancing management transparency and soundness, we propose a new structure, including an increase in the number of Outside Directors (from two to three) and a reduction in the number of Directors on the Board (reduction by two), for deliberation at this Ordinary General Meeting of Shareholders. This new structure is proposed in light of increasing globalization and emergence of the information era. These changes will enable the Company to bolster its management structure for both defensive and offensive purposes.

**Corporate Governance System**



**(Reference)**

**To Our Shareholders from Outside Directors and Outside Audit & Supervisory Board Members**

Q. What are your values and aspirations in serving as an Outside Director/Outside Audit & Supervisory Board Member of the Company?

A. My creed is to make a wholehearted commitment. By offering reviews from a fresh perspective, I would like to help enhance DENKA's corporate value.

Tadashi Hashimoto, Outside Director

A. Above and beyond fulfilling my general auditing duties, I am dedicated to auditing from the viewpoints of shareholders and other stakeholders so that their rights and interests are respected. With that in mind, I will draw on my experience and expertise as both a lawyer and an outside auditor.

Tsunehiro Sasanami, Outside Audit & Supervisory Board Member

**To Our Shareholders from New Candidates for Outside Directors and Outside Audit & Supervisory Board Members**

Q. What values and aspirations would you bring to the role of an Outside Director/Outside Audit & Supervisory Board Member of the Company?

A. My watchwords are rationality and fairness. Based on my experience at an enterprise operating globally, I would like to contribute to DENKA's sustainable growth and enhancement of corporate value.

Yasuo Sato, Candidate for Outside Director

A. It is my earnest desire to do everything I can to further the Company's sound development and the rise in its corporate value from a medium- to long-term global perspective.

Akio Yamamoto, Candidate for Outside Director

A. As an Audit & Supervisory Board Member who is a certified public accountant, I am determined to benefit the Company by addressing the vital issues confronting listed companies, including corporate governance, compliance and internationalization.

Toshio Kinoshita, Candidate for Audit & Supervisory Board Member

## 5. Accounting Auditor

**(1) Accounting Auditor's Name**

Ernst & Young ShinNihon LLC

**(2) Accounting Auditor's Remuneration, etc. for the Fiscal Year Ended March 31, 2015**

	Amount paid (thousands of yen)
Remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2015	67,500
Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	103,660

Note: Under the audit agreement between the Company and its Accounting Auditor, remuneration for audits based on the Companies Act and that for audits based on the Financial Instruments and Exchange Act are not strictly distinguished and they cannot be substantially distinguished. Consequently, the sum of the amounts of these remunerations is stated as the amount of remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2015.

**(3) Non-audit Services**

The Company pays fees to Ernst & Young ShinNihon LLC mainly for its review services related to tax exemption filing concerning the feed-in tariff scheme for renewable energy.

**(4) Policy for Determination of Dismissal or Non-reappointment of the Accounting Auditor**

If the Audit & Supervisory Board considers that it has become difficult for the Accounting Auditor to perform its duties appropriately or otherwise considers it necessary, the Audit & Supervisory Board will request the Board of Directors to submit a proposal to the General Meeting of Shareholders calling for the dismissal or non-reappointment of the Accounting Auditor.

If the Accounting Auditor is deemed to fall under any item of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board will dismiss the Accounting Auditor upon consent of all the Audit & Supervisory Board Members.

Note: The policy stated above is the amended policy resolved at the meeting of the Company's Audit & Supervisory Board held on April 13, 2015 in line with the enforcement of the revised Companies Act on May 1, 2015.

**(5) Disposition of Suspension of Business of the Accounting Auditor during the Past Two Years**

Not applicable

**(6) Outline of the Limited Liability Contracts**

Not applicable

**(7) Status of Audits of Financial Statements of the Company's Subsidiaries by Certified Public Accountants or Audit Corporations Other Than the Company's Accounting Auditor**

Denka Chemicals Holdings Asia Pacific Pte., Ltd., Denka Singapore Pte., Ltd., and Denka Advantech Pte., Ltd. receive audits by an accounting corporation other than the Company's Accounting Auditor.

## **6. Company's Systems and Policies**

The Company has determined the following by the resolution of the Board of Directors.

### **(1) Systems to Ensure the Appropriateness of Operations**

#### **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.

Audit & Supervisory Board Members, in accordance with the audit policy determined by the Audit & Supervisory Board, audit Directors' execution of duties by attending the Board of Directors meetings and other important meetings, receiving briefings from Directors, and reviewing important documents.

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 Auditing 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 Auditing 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. 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 Auditing 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 Audit & Supervisory Board Members, matters concerning securing effectiveness of instructions to the employees and matters concerning independence of such staff from Directors**

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

The Audit & Supervisory Board Members Department serves as the secretariat for the Audit & Supervisory Board and is directly commanded by the Audit & Supervisory Board Members.

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

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

Directors, 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 Audit & Supervisory Board Members.

The Internal Auditing Department reports the results of internal audits of the Company and subsidiaries periodically to Audit & Supervisory Board Members.

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 & Supervisory Board Members Department as one of the contacts of the whistleblower system. If the Audit & Supervisory Board Members Department, etc. receives a report, the content of the report is reported to Audit & Supervisory Board Members.

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

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

Directors secure the necessary budget in order not to impede execution of duties by the Audit & Supervisory Board and Audit & Supervisory Board Members. At the same time, when an Audit & Supervisory Board Member makes a claim in accordance with Article 388 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 Board Member.

The Internal Auditing Department and other internal auditing organizations collaborate with Audit & Supervisory Board Members and coordinate with their auditing so that both internal auditing organizations and Audit & Supervisory Board Members can perform their duties efficiently.

Note: The policy stated above is the amended policy resolved at the meeting of the Company's Board of Directors held on April 13, 2015 in line with the enforcement of the revised Companies Act on May 1, 2015.

**(2) Basic Policies regarding the Control of the Company**

Since its establishment in 1915, the Company has grown to become a unique chemicals manufacturer whose business lines include diverse chemical products ranging from inorganic and organic materials to electronic materials, processed resin products and pharmaceutical products.

Reflecting this history, many of the Company's products involve very lengthy processes from raw materials to final products or utilize proprietary technologies in various fields in a complex manner. These businesses are based on the accumulated efforts over the years, including capital investment and R&D from a long-term perspective, and the cultivation of relationships of trust with business partners and local communities.

As the onward march of globalization rapidly transforms the business environment and the information era gains traction, we recognize the effectiveness of M&A and business tie-ups as means of pursuing growth strategies.

The Company's Board of Directors considers that a "person that controls the Company's financial and business policies" should fully understand the source of the Company's corporate value based on the Company's history and be capable of securing and enhancing the Company's corporate value and the common interests of its shareholders.

In order to realize the basic policies regarding the control of the Company outlined above, the Company is promoting specific initiatives as described below.

**1) Promotion of DENKA100 management plan to achieve sustainable growth and enhancement of corporate value**

- Set numerical targets for the Company's performance and promote "three new growth strategies"—"Create the most optimal production system," "Scrutinize every cost element," and "Focus management resources on new growth drivers and develop next-generation products"

- Formulate the Policy on Shareholder Returns. Concurrently, with the aim of achieving further corporate growth, set aside a budget for strategic investment, such as M&A, for proactive management.

**2) Bolster our management structure for both defensive and offensive purposes**

- In order to build a more robust management structure for achieving the DENKA100 management plan and to strengthen corporate governance and enhance management transparency and soundness, establish a new structure, including an increase in the number of Outside Directors (from two to three) and a decrease in the number of Directors on the Board (reduction by two), provided that approval is secured at the 156th Ordinary General Meeting of Shareholders.

Coinciding with the Company's centenary in 2015, to express our determination to achieve the DENKA100 management plan through a concerted effort of all employees, we renewed our corporate logo and formulated a corporate slogan and action guidelines for employees. The Company will change the Company's trade name, provided that approval is secured at the 156th Ordinary General Meeting of Shareholders.

Note: The policy stated above is a summary of the policy resolved at the meeting of the Company's Board of Directors held on May 12, 2015. The full text is posted on the Company's website at <http://www.denka.co.jp/> in accordance with laws and regulations and Article 16 of the Company's Articles of Incorporation.

# Consolidated Financial Statements

## Consolidated Balance Sheet

(As of March 31, 2015)

(Millions of yen)

Account item	(Reference) 155th term	156th term	Account item	(Reference) 155th term	156th term
<b>(Assets)</b>	<b>431,347</b>	<b>445,569</b>	<b>(Liabilities)</b>	<b>241,831</b>	<b>234,771</b>
<b>Current assets</b>	<b>164,747</b>	<b>170,497</b>	<b>Current liabilities</b>	<b>163,645</b>	<b>160,101</b>
Cash and deposits	8,427	9,219	Notes and accounts payable-trade	54,328	47,401
Notes and accounts receivable-trade	83,701	83,172	Short-term loans payable	45,501	47,456
Merchandise and finished goods	41,989	44,103	Commercial paper	10,000	9,000
Work in process	2,554	2,725	Current portion of long-term loans payable	4,504	12,570
Raw materials and supplies	18,272	17,687	Current portion of bonds	5,000	-
Deferred tax assets	1,906	1,994	Accounts payable-other	16,231	12,015
Other	8,201	11,851	Income taxes payable	3,927	5,525
Allowance for doubtful accounts	(305)	(256)	Accrued consumption taxes	445	1,799
			Accrued expenses	7,584	8,095
<b>Noncurrent assets</b>	<b>266,599</b>	<b>275,071</b>	Provision for bonuses	2,428	2,544
<b>Property, plant and equipment</b>	<b>211,783</b>	<b>211,864</b>	Other	13,783	13,692
Buildings	36,055	36,957	<b>Noncurrent liabilities</b>	<b>78,185</b>	<b>74,669</b>
Structures	17,780	18,125	Bonds payable	25,000	30,000
Machinery and equipment	80,385	74,198	Long-term loans payable	30,663	23,509
Vehicles	429	438	Deferred tax liabilities	3,478	6,114
Tools, furniture and fixtures	2,612	2,481	Deferred tax liabilities for land revaluation	9,609	8,879
Land	62,796	63,303	Net defined benefit liability	8,531	5,262
Lease assets	338	344	Other	903	903
Construction in progress	11,384	16,014	<b>Net assets</b>	<b>189,516</b>	<b>210,798</b>
<b>Intangible assets</b>	<b>1,299</b>	<b>1,509</b>	<b>Shareholders' equity</b>	<b>170,894</b>	<b>182,722</b>
Software	542	574	Capital stock	36,998	36,998
Right of using patent	757	934	Capital surplus	49,284	49,284
<b>Investments and other assets</b>	<b>53,517</b>	<b>61,698</b>	Retained earnings	89,562	99,080
Investment securities	46,562	55,356	Treasury stock	(4,951)	(2,641)
Long-term loans receivable	821	1,430			
Long-term prepaid expenses	2,402	1,463			

Deferred tax assets	1,039	915	<b>Accumulated other comprehensive income</b>	<b>16,762</b>	<b>26,043</b>
Other	2,752	2,573	Valuation difference on available-for-sale securities	8,640	13,231
Allowance for doubtful accounts	(61)	(42)	Revaluation reserve for land	9,065	9,795
			Foreign currency translation adjustment	479	3,174
			Remeasurements of defined benefit plans	(1,422)	(158)
			<b>Minority interests</b>	<b>1,858</b>	<b>2,032</b>
<b>Total</b>	<b>431,347</b>	<b>445,569</b>	<b>Total</b>	<b>431,347</b>	<b>445,569</b>

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

## Consolidated Statement of Income

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

Account item	(Reference) 155th term		156th term	
<b>Net sales</b>		<b>376,809</b>		<b>383,978</b>
<b>Cost of sales</b>		<b>299,671</b>		<b>302,381</b>
<b>Gross profit</b>		<b>77,138</b>		<b>81,596</b>
Selling, general, and administrative expenses		55,908		57,549
<b>Operating income</b>		<b>21,230</b>		<b>24,047</b>
<b>Non-operating income</b>				
Interest and dividend income	1,036		1,254	
Equity in earnings of affiliates	550		950	
Other	2,008	3,595	2,169	4,374
<b>Non-operating expenses</b>				
Interest expenses	1,010		962	
Other	3,211	4,221	3,171	4,133
<b>Ordinary income</b>		<b>20,604</b>		<b>24,287</b>
<b>Extraordinary income</b>				
Gain on sales of non-current assets	-	-	2,947	2,947
<b>Extraordinary loss</b>				
Loss on sales of non-current assets	281		-	
Acquisition-related expenses	-	281	259	259
<b>Income before income taxes</b>		<b>20,322</b>		<b>26,975</b>
Income taxes-current	5,776		7,535	
Income taxes-deferred	858	6,634	256	7,790
<b>Income before minority interests</b>		<b>13,688</b>		<b>19,184</b>
Minority interests in income		114		162
<b>Net income</b>		<b>13,573</b>		<b>19,021</b>

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

## Consolidated Statement of Changes in Net Assets

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at beginning of the fiscal year</b>	<b>36,998</b>	<b>49,284</b>	<b>89,562</b>	<b>(4,951)</b>	<b>170,894</b>
<b>Cumulative effects of changes in accounting policies</b>			317		317
<b>Balance at beginning of the fiscal year, reflecting changes in accounting policies</b>	<b>36,998</b>	<b>49,284</b>	<b>89,880</b>	<b>(4,951)</b>	<b>171,212</b>
<b>Changes of items during the fiscal year</b>					
Dividends from surplus			(4,619)		(4,619)
Net income			19,021		19,021
Purchase of treasury stock				(2,892)	(2,892)
Retirement of treasury stock		(0)	(5,202)	5,202	-
Reversal of revaluation reserve for land			(0)		(0)
Net changes of items other than shareholders' equity					-
<b>Total changes of items during the fiscal year</b>	<b>-</b>	<b>(0)</b>	<b>9,199</b>	<b>2,310</b>	<b>11,509</b>
<b>Balance at end of the fiscal year</b>	<b>36,998</b>	<b>49,284</b>	<b>99,080</b>	<b>(2,641)</b>	<b>182,722</b>

(Millions of yen)

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
<b>Balance at beginning of the fiscal year</b>	<b>8,640</b>	<b>9,065</b>	<b>479</b>	<b>(1,422)</b>	<b>16,762</b>	<b>1,858</b>	<b>189,516</b>
<b>Cumulative effects of changes in accounting policies</b>					-		317
<b>Balance at beginning of the fiscal year, reflecting changes in accounting policies</b>	<b>8,640</b>	<b>9,065</b>	<b>479</b>	<b>(1,422)</b>	<b>16,762</b>	<b>1,858</b>	<b>189,833</b>
<b>Changes of items during the fiscal year</b>							
Dividends from surplus					-		(4,619)
Net income					-		19,021
Purchase of treasury stock					-		(2,892)
Retirement of treasury stock					-		-
Reversal of revaluation reserve for land		0			0		-
Net changes of items other than shareholders' equity	4,591	730	2,695	1,264	9,280	174	9,454
<b>Total changes of items during the fiscal year</b>	<b>4,591</b>	<b>730</b>	<b>2,695</b>	<b>1,264</b>	<b>9,280</b>	<b>174</b>	<b>20,964</b>
<b>Balance at end of the fiscal year</b>	<b>13,231</b>	<b>9,795</b>	<b>3,174</b>	<b>(158)</b>	<b>26,043</b>	<b>2,032</b>	<b>210,798</b>

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

## Non-consolidated Financial Statements

### Non-consolidated Balance Sheet

(As of March 31, 2015)

(Millions of yen)

Account item	(Reference) 155th term	156th term	Account item	(Reference) 155th term	156th term
<b>(Assets)</b>	<b>349,646</b>	<b>353,026</b>	<b>(Liabilities)</b>	<b>201,826</b>	<b>194,928</b>
<b>Current assets</b>	<b>111,947</b>	<b>110,729</b>	<b>Current liabilities</b>	<b>128,144</b>	<b>123,217</b>
Cash and deposits	1,758	2,280	Accounts payable-trade	35,070	30,289
Notes receivable-trade	2,871	2,364	Short-term loans payable	27,675	27,675
Accounts receivable-trade	55,185	52,999	Commercial paper	10,000	9,000
Merchandise and finished goods	30,779	32,200	Current portion of long-term loans payable	4,000	12,058
Raw materials and supplies	12,083	11,333	Current portion of bonds	5,000	-
Prepaid expenses	772	960	Accounts payable-other	15,604	10,869
Deferred tax assets	849	893	Income taxes payable	1,433	2,744
Short-term loans receivable	2,906	950	Accrued consumption taxes	298	1,193
Other	4,850	6,783	Accrued expenses	5,916	5,995
Allowance for doubtful accounts	(109)	(36)	Deposits received	21,537	21,500
			Provision for bonuses	1,337	1,414
			Other	269	477
<b>Noncurrent assets</b>	<b>237,698</b>	<b>242,296</b>	<b>Noncurrent liabilities</b>	<b>73,681</b>	<b>71,710</b>
<b>Property, plant and equipment</b>	<b>176,738</b>	<b>175,078</b>	Bonds payable	25,000	30,000
Buildings	27,380	28,357	Long-term loans payable	30,000	23,229
Structures	15,202	15,069	Deferred tax liabilities	4,137	5,845
Machinery and equipment	61,363	55,685	Deferred tax liabilities for land revaluation	9,609	8,879
Vehicles	373	363	Provision for retirement benefits	4,799	3,619
Tools, furniture and fixtures	1,593	1,655	Long-term accounts payable-other	13	13
Land	60,026	60,154	Asset retirement obligations	122	124
Construction in progress	10,798	13,792			



<b>Intangible assets</b>	<b>869</b>	<b>1,058</b>	<b>(Net assets)</b>	<b>147,820</b>	<b>158,098</b>
Software	447	423	<b>Shareholders' equity</b>	<b>130,893</b>	<b>136,543</b>
Right of using patent	421	634	<b>Capital stock</b>	<b>36,998</b>	<b>36,998</b>
			<b>Capital surplus</b>	<b>49,284</b>	<b>49,284</b>
<b>Investments and other assets</b>	<b>60,091</b>	<b>66,159</b>	Legal capital surplus	49,284	49,284
Investment securities	26,348	31,501	Other capital surplus	0	-
Stocks of subsidiaries and affiliates	28,911	30,298	<b>Retained earnings</b>	<b>49,552</b>	<b>52,892</b>
Long-term loans receivable	760	1,440	Other retained earnings	49,552	52,892
			Reserve for advanced depreciation of noncurrent assets	3,651	3,781
Long-term prepaid expenses	2,349	1,201	Retained earnings brought forward	45,900	49,111
			<b>Treasury stock</b>	<b>(4,942)</b>	<b>(2,632)</b>
Other investments	1,732	1,729	<b>Valuation and translation adjustments</b>	<b>16,926</b>	<b>21,554</b>
Allowance for doubtful accounts	(11)	(12)	<b>Valuation difference on available-for-sale securities</b>	<b>7,861</b>	<b>11,758</b>
			<b>Revaluation reserve for land</b>	<b>9,065</b>	<b>9,795</b>
<b>Total</b>	<b>349,646</b>	<b>353,026</b>	<b>Total</b>	<b>349,646</b>	<b>353,026</b>

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

## Non-consolidated Statement of Income

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

Account item	(Reference) 155th term		156th term	
<b>Net sales</b>		<b>241,150</b>		<b>240,359</b>
<b>Cost of sales</b>		<b>190,024</b>		<b>187,377</b>
<b>Gross profit</b>		<b>51,126</b>		<b>52,982</b>
Selling, general, and administrative expenses		38,768		40,117
<b>Operating income</b>		<b>12,357</b>		<b>12,864</b>
<b>Non-operating income</b>				
Interest and dividend income	3,018		2,996	
Other	2,278	5,297	2,437	5,434
<b>Non-operating expenses</b>				
Interest expenses	843		779	
Other	2,768	3,611	3,021	3,801
<b>Ordinary income</b>		<b>14,042</b>		<b>14,498</b>
<b>Extraordinary income</b>				
Gain on sales of non-current assets	-	-	2,947	2,947
<b>Extraordinary loss</b>				
Loss on sales of non-current assets	281		-	
Acquisition-related expenses	-	281	259	259
<b>Income before income taxes</b>		<b>13,761</b>		<b>17,186</b>
Income taxes-current	2,638		4,162	
Income taxes-deferred	852	3,490	150	4,312
<b>Net income</b>		<b>10,270</b>		<b>12,873</b>

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

## Non-consolidated Statement of Changes in Net Assets

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings		
					Reserve for advanced depreciation of noncurrent assets	Retained earnings brought forward			
<b>Balance at beginning of the fiscal year</b>	<b>36,998</b>	<b>49,284</b>	<b>0</b>	<b>49,284</b>	<b>3,651</b>	<b>45,900</b>	<b>49,552</b>	<b>(4,942)</b>	<b>130,893</b>
<b>Cumulative effects of changes in accounting policies</b>				-		288	288		288
<b>Balance at beginning of the fiscal year, reflecting changes in accounting policies</b>	<b>36,998</b>	<b>49,284</b>	<b>0</b>	<b>49,284</b>	<b>3,651</b>	<b>46,189</b>	<b>49,841</b>	<b>(4,942)</b>	<b>131,182</b>
<b>Changes of items during the fiscal year</b>									
Provision of reserve for advanced depreciation of noncurrent assets				-	148	(148)	-		-
Reversal of reserve for advanced depreciation of noncurrent assets				-	(18)	18	-		-
Dividends from surplus				-		(4,619)	(4,619)		(4,619)
Net income				-		12,873	12,873		12,873
Purchase of treasury stock				-			-	(2,892)	(2,892)
Retirement of treasury stock			(0)	(0)		(5,202)	(5,202)	5,202	-
Reversal of revaluation reserve for land				-		(0)	(0)		(0)
Net changes of items other than shareholders' equity				-			-		-
<b>Total changes of items during the fiscal year</b>	-	-	(0)	(0)	129	2,921	3,051	2,310	5,361
<b>Balance at end of the fiscal year</b>	<b>36,998</b>	<b>49,284</b>	-	<b>49,284</b>	<b>3,781</b>	<b>49,111</b>	<b>52,892</b>	<b>(2,632)</b>	<b>136,543</b>

(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	
<b>Balance at beginning of the fiscal year</b>	<b>7,861</b>	<b>9,065</b>	<b>16,926</b>	<b>147,820</b>
<b>Cumulative effects of changes in accounting policies</b>			–	<b>288</b>
<b>Balance at beginning of the fiscal year, reflecting changes in accounting policies</b>	<b>7,861</b>	<b>9,065</b>	<b>16,926</b>	<b>148,109</b>
<b>Changes of items during the fiscal year</b>				
Provision of reserve for advanced depreciation of noncurrent assets			–	–
Reversal of reserve for advanced depreciation of noncurrent assets			–	–
Dividends from surplus			–	(4,619)
Net income			–	12,873
Purchase of treasury stock			–	(2,892)
Retirement of treasury stock			–	–
Reversal of revaluation reserve for land		0	0	–
Net changes of items other than shareholders' equity	3,897	730	4,627	4,627
<b>Total changes of items during the fiscal year</b>	<b>3,897</b>	<b>730</b>	<b>4,627</b>	<b>9,989</b>
<b>Balance at end of the fiscal year</b>	<b>11,758</b>	<b>9,795</b>	<b>21,554</b>	<b>158,098</b>

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

Independent Auditors' Report  
(English Translation)

May 7, 2015

To the Board of Directors  
DENKI KAGAKU KOGYO KABUSHIKI KAISHA

Ernst & Young ShinNihon LLC

Shunji Momoi  
Certified Public Accountant  
Designated and Engagement Partner  
Masahiko Minai  
Certified Public Accountant  
Designated and Engagement Partner  
Naoya Yabe  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act of Japan, we have audited the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and the notes to consolidated financial statements of DENKI KAGAKU KOGYO KABUSHIKI KAISHA (hereinafter referred to as the "Company") for the fiscal year from April 1, 2014 to March 31, 2015.

#### Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes designing and operating internal control, which management considers necessary for the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of

accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the DENKA Group consisting of DENKI KAGAKU KOGYO KABUSHIKI KAISHA and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2015 in conformity with accounting principles generally accepted in Japan.

#### Conflicts of Interest

Our firm and engagement partners have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act of Japan.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Independent Auditors' Report  
(English Translation)

May 7, 2015

To the Board of Directors  
DENKI KAGAKU KOGYO KABUSHIKI KAISHA

Ernst & Young ShinNihon LLC

Shunji Momoi  
Certified Public Accountant  
Designated and Engagement Partner  
Masahiko Minai  
Certified Public Accountant  
Designated and Engagement Partner  
Naoya Yabe  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act of Japan, we have audited the non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in net assets, the notes to financial statements, and the accompanying supplementary schedules thereof of DENKI KAGAKU KOGYO KABUSHIKI KAISHA (hereinafter referred to as the "Company") for the 156th term from April 1, 2014 to March 31, 2015.

#### Management's Responsibility for Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan. This responsibility includes designing and operating internal control, which management considers necessary for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules that are free from material misstatements, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the accompanying supplementary schedules based on our audit as independent auditors. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplementary schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplementary schedules, whether due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the

accompanying supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Audit Opinion

In our opinion, the financial statements and the accompanying supplementary schedules thereof referred to above present fairly, in all material respects, the financial position and the results of operations of the Company applicable to the fiscal year ended March 31, 2015 in conformity with accounting principles generally accepted in Japan.

#### Conflicts of Interest

Our firm and engagement partners have no interest in the Company which should be disclosed in compliance with the Certified Public Accountant Act of Japan.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.



## **Audit Report**

(English Translation)

With respect to the Directors' performance of their duties during the 156th term from April 1, 2014 to March 31, 2015, the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby reports as follows:

### 1. Auditing Method Applied by the Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof

The Audit & Supervisory Board established auditing policies, assignment of duties, and other relevant matters, and received a report from each Audit & Supervisory Board Member regarding the status of implementation of audits and results thereof. In addition, the Audit & Supervisory Board received reports from the Directors, other relevant personnel and the Accounting Auditor regarding the status of performance of their duties, and requested explanations as necessary.

In conformity with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, and in accordance with the auditing policies, assignment of duties and other relevant matters, each Audit & Supervisory Board Member communicated with Directors, the Internal Auditing Department, other employees, and any other relevant personnel, and endeavored to collect information and maintain and improve the audit environment. Each Audit & Supervisory Board Member also attended meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding the status of performance of their duties, requested explanations as necessary, examined important documents related to important decisions and associated information, and inspected the status of operations and assets at the head office and other principal business offices.

The Audit & Supervisory Board Members also monitored and examined the content of the resolutions of the Board of Directors regarding the establishment of the system to ensure that the Directors' performance of their duties complies with laws and regulations and the Company's Articles of Incorporation and other systems that are set forth in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of operations of a joint stock company (kabushiki kaisha), and the systems (internal control systems) established based on such resolutions. Audit & Supervisory Board Members periodically received reports from Directors, employees and other relevant personnel regarding the status of development and operation of such systems and requested explanations as necessary.

With respect to the basic policy set forth in Article 118, Item 3 (i) of the Ordinance for Enforcement of the Companies Act and the measures set forth in Item 3 (ii) of the said article, which are described in the Business Report, the Audit & Supervisory Board Members examined the content based on the status of deliberations at meetings of the Board of Directors and other meetings.

With respect to subsidiaries, the Audit & Supervisory Board Members communicated and exchanged information with Directors, Audit & Supervisory Board Members and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary, and inspected the status of operations and assets.

Based on the above method, the Audit & Supervisory Board Members reviewed the Business Report and the accompanying supplementary schedules for the fiscal year in question.

Furthermore, the Audit & Supervisory Board Members monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, received reports from the Accounting Auditor regarding the status of the performance of its duties, and requested explanations as necessary. In addition, the Audit & Supervisory Board Members received notice from the Accounting Auditor that the "system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the "Quality Control Standards Relating to Auditing" (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary.

Based on the above method, the Audit & Supervisory Board Members reviewed the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income,

non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and the accompanying supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) for the fiscal year in question.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- a. In our opinion, the Business Report and the accompanying supplementary schedules present fairly the conditions of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- b. We have found no instances of misconduct or material violation of the applicable laws and regulations or the Articles of Incorporation with respect to performance of duties by the Directors.
- c. In our opinion, the contents of the resolutions of the Board of Directors related to the internal control systems are fair and reasonable. In addition, we have found no matters requiring special mention regarding the description in the Business Report and the performance of duties by the Directors related to such internal control systems.
- d. We have found no matters requiring special mention with respect to the basic policies regarding the control of the Company described in the Business Report. In our opinion, the measures described in the Business Report, set forth in Article 118, Item 3 (ii) of the Ordinance for Enforcement of the Companies Act, are in line with the basic policy, do not impair the common interests of the Company's shareholders, and are not for the purpose of maintaining the position of the Company's officers.

### (2) Results of Audit of Non-consolidated Financial Statements and the Accompanying Supplementary Schedules

In our opinion, the method and the results of the audit performed by Ernst & Young ShinNihon LLC are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

In our opinion, the method and the results of the audit performed by Ernst & Young ShinNihon LLC are fair and reasonable.

May 11, 2015

Audit & Supervisory Board, DENKI KAGAKU KOGYO KABUSHIKI KAISHA

Full-time Audit & Supervisory Board Member	Hideo Oishi
Full-time Audit & Supervisory Board Member	Jiro Hiroe
Audit & Supervisory Board Member	Toshiaki Tada
Audit & Supervisory Board Member	Tsunehiro Sasanami

(Note) Audit & Supervisory Board Members Toshiaki Tada and Tsunehiro Sasanami are outside audit & supervisory board members as stipulated in Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.

**(Reference)**

**Notice of Decision to Purchase Treasury Stock**

At the meeting of the Company's Board of Directors held on May 12, 2015, we resolved to purchase up to 8,000,000 shares of the Company (1.75% of the total number of shares of common stock issued excluding treasury stock) for the purpose of flexibly returning profits to shareholders in accordance with the Policy on Shareholder Returns.