Disclosure on the Internet accompanying
the Notice of Convocation of the 156th Ordinary General Meeting of Shareholders

Basic Policy regarding the Control of the Company

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements

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

DENKI KAGAKU KOGYO KABUSHIKI KAISHA
(Securities Code: 4061)

The content of this document is posted on the website of DENKI KAGAKU KOGYO KABUSHIKI KAISHA ("the Company") (http://www.denka.co.jp/eng/), pursuant to laws and regulations and Article 16 of the Articles of Incorporation of the Company.

Basic Policies regarding the Control of the Company

I. Details of the Basic Policies

The Company was established in 1915 for the production of calcium carbide and chemical fertilizers by utilizing limestone resources and its in-house electric power plants. Since then, we have 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. These materials are based on our proprietary technologies of electric furnace controls, high-temperature reaction controls, organic synthesis and others nurtured in the course of many years of experience in the field of calcium carbide chemicals business.

In view of this history, characteristics of the Company's businesses are that many of its 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 meticulous R&D and safety activities, capital investment and human resources development from a long-term perspective, and building of relationships of trust with suppliers, customers, and the local community. In other words, diverse technologies and people who have knowledge and experience capable of utilizing such technologies in a complex manner are the sources of the Company's corporate value, and management resources and the relationships of trust that have been cultivated underpin the Company's corporate value. This is our basic recognition of the Company's current situation.

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 jeopardize their business. In Japan, too, merger and acquisitions (M&A) and business tie-ups are increasingly used as means of pursuing growth strategies. The Company's Board of Directors also recognizes that utilization of dynamism based on market principles is important for sustainable growth of a society and companies, including the Company, and for enhancement of corporate value over the medium to long term.

As a listed company, we recognize the diversity of our shareholders and consider that our shareholders should make a final decision about the transfer of the control of the Company, including purchasing of a large amount of the Company's shares. However, certain large-scale purchases may be detrimental to corporate value of the company subject to such purchase attempt or the common interests of the shareholders or sufficient information and time may not be provided for the company to consider whether it should accept or reject such a purchase attempt. Unconditionally accepting all large-scale purchase attempts is contrary to fulfilling the responsibility of management entrusted by shareholders.

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 and be capable of continuously and sustainably securing and enhancing the Company's corporate value and the common interests of its shareholders and, in principle, raises objection to any attempts to purchase a large amount of the Company's shares or similar attempts that come under the items listed below.

If a person attempting a large-scale purchase of the Company's shares does not provide sufficient information and time for the Company or its shareholders to consider whether such attempt comes under the items listed below, the Company's Board of Directors also raise an objection to such attempt, in principle.

If there is an attempt to conduct a large-scale purchase of the Company's shares that comes under the items listed below, the Company's Board of Directors considers implementing necessary and considerable countermeasures within the scope permitted by laws and regulations, regulations of financial instruments exchanges etc., and the provisions of the Company's Articles of Incorporation, in order to prevent damage to the Company's corporate value and the common interests of its shareholders, and to secure an environment where each of our shareholders can make a whole-hearted decision. The Company's Board of Directors intends to perform day-to-day monitoring of any attempts of large-scale purchase of the Company's shares or similar attempts and take action flexibly to prevent damage to the common interests of the shareholders and the Company's corporate value.

1) Purchases that may cause obvious harm to the Company's corporate value and the common interests of its shareholders through actions such as those described below or any similar action:

(i) A buyout of share certificates, etc. and demanding the Company or its related parties purchase such shares at inflated prices

(ii) An attempt to further the interest of the purchaser at the expense of the Company, such as by temporarily obtaining control of the management of the Company to acquire the Company's material assets, etc. at low cost

(iii) Making the Company's assets subject to use as collateral or for repayment of the debts of the purchaser, etc., its group companies, or other related parties

(iv) Temporarily obtaining control of the management of the Company to dispose of high-value assets that have currently little relevance to the Company's businesses and declare temporarily high dividends based on the proceeds from the disposal of such assets, or to sell the shares at a high price once the share price rises sharply by virtue of high dividends

2) Purchases that may have the effect of compelling shareholders to sell shares, such as coercive two-tier tender offers (a takeover bid in which the purchaser, etc. does not propose to purchase all the shares in the first stage, but sets second-stage purchase terms disadvantageous or unclear to the shareholders)
3) Purchases that do not allow the Company's Board of Directors to have reasonably necessary time to submit an alternative proposal
4) Purchases that do not provide the Company's shareholders with necessary information and information reasonably necessary for evaluating the details of the purchase
5) Purchases whose terms (including amount and type of consideration for the purchase, the timing of the purchase, the legality of the purchase method, the probability of the purchase, management policies or business plans following the purchase) are inadequate or inappropriate in light of the Company's intrinsic value.
6) Purchases that may significantly harm the Company's corporate value and, in turn, the common interests of its shareholders, such as by damaging relationships with the Company's employees, suppliers, etc. and the Company's brand power, which are indispensable for creating the Company's corporate value.
7) It is inappropriate from the viewpoint of public order that the purchaser, etc. obtains the control of the Company, such as that management or major shareholders of the purchaser etc. includes person(s) who have relationships with antisocial forces.

II. Outline of the Special Measures Contributing to Realization of the Basic Policies

1) Special measures contributing to realization of the basic policies

The Company is implementing the DENKA100 management plan to achieve sustainable growth and enhancement of corporate value. The strategies of DENKA100 were revised in April 2013. Specifying goals for 2017, we set three new growth strategies to achieve numerical targets and are proactively implementing many concrete measures.

Three new growth strategies

1. Create the most optimal production system
2. Scrutinize every cost element
3. Focus management resources on new growth drivers and develop next-generation products

Numerical targets 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

In 2014, reflecting our determination to return the profits yielded by these initiatives to our shareholders, we established the Policy on Shareholder Returns. Concurrently, with the aim of achieving further corporate growth, we have secured a budget for strategic investments such as M&A.

Furthermore, 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 and enhance management transparency and soundness, the Company submits a proposal on a new structure for deliberation at the 156th Ordinary General Meeting of Shareholders, 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). This change will enable the Company to bolster its management structure for both defensive and offensive purposes and achieve proactive governance.

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 submits a proposal on the change of the Company's trade name as of October 1 for deliberation at the 156th Ordinary General Meeting of Shareholders.

2) Measures to prevent decisions on the Company's financial and business policies from being controlled by persons viewed as inappropriate under the basic policy

As measures to prevent decisions on the Company's financial and business policies from being controlled by persons viewed as inappropriate under the basic policy, the Company introduced countermeasures for large-scale purchase of the Company's shares (so-called poison pill, hereinafter referred to as the "Plan") in the past but a resolution was passed not to continue the Plan upon its expiration.

The Company will continue to strive to enhance corporate value and to secure the common interests of its shareholders by ensuring compliance with the basic policy.

III. The Decisions of the Company's Board of Directors and the Reasons Thereof

The Company's Board of Directors believes the measures described in II-1) above are for the purpose of enhancing the Company's corporate value and the common interests of the shareholders from a medium to long-term perspective and contribute to realization of the Company's basic policy. These measures are in accordance with the common interests of the shareholders and are not for the purpose of maintaining the positions of the Company's officers.

Note: The policy stated above is the amended policy resolved at the meeting of the Company's Board of Directors held on May 12, 2015.

Notes to Consolidated Financial Statements

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

(1) Scope of consolidation

1) Consolidated subsidiaries

Number of consolidated subsidiaries: 29

Names of principal consolidated subsidiaries:

Denka Singapore Pte., Ltd.

Denka Advantech Pte., Ltd.

DENKA SEIKEN Co., Ltd.

DENKA Polymer Co., Ltd.

Hinode Kagaku Kogyo

Akros Trading Co., Ltd.

YK Inoas Co., Ltd.

2) Principal non-consolidated subsidiaries

Names of principal non-consolidated subsidiaries:

KAMBARA NAMAKON K.K.

DS POVAL K.K.

Reason for exclusion from the scope of consolidation:

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

(2) Application of the equity method

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

Number of non-consolidated subsidiaries and affiliates to which the equity method is applied: 15

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

KAMBARA NAMAKON K.K.

SANSHIN BUSSAN K.K.

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

TOYO STYRENE Co., Ltd.

JUZEN Chemical Corporation

Denak Co., Ltd.,

Kurobegawa Electric Power Company

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

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

DS POVAL K.K.

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

Shogawa Nama Concrete Kogyo K.K.

Reason for not applying the equity method:

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

(3) Accounting periods of consolidated subsidiaries

Among the consolidated subsidiaries, Denka Singapore Pte., Ltd. and 13 other subsidiaries have a year-end balance sheet date of December 31.

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

(4) Accounting standards

1) Standards and methods for valuation of principal assets

Securities

Available-for-sale securities

Securities with market value

Stated principally at market value based on the average quoted market price for a period of one month before the balance sheet date

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

Securities without market value

Stated principally at cost using the moving-average method

Derivatives

Stated at market value

Inventories

Stated principally at cost using the weighted-average method

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

2) Depreciation method for principal depreciable assets

Property, plant and equipment

Principally, the straight-line method is applied.

Intangible assets

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

Lease assets

For finance leases that do not transfer the ownership of the lease assets to the lessee, the straight-line method with no residual value is applied, regarding the lease term as the useful life. Finance leases commencing on or before March 31, 2008 that do not transfer the ownership of the lease assets to the lessee are accounted for in the same manner as ordinary rental transactions.

3) Standards of accounting for principal allowances and provisions

• Allowance for doubtful accounts

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

• Provision for bonuses

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

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

• Method of hedge accounting

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

• Accounting standards for net defined benefit liability

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

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

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

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

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

• Consumption taxes

Consumption taxes are recorded using the tax-excluded method.

(5) Change in accounting policies

The Company has adopted the provisions of the main clause of Paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the main clause of Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) from the beginning of the fiscal year ended March 31, 2015.

Accordingly, the Company has reviewed the calculation method for retirement benefit obligations and service costs, and changed the method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method of determining the discount rate from the one that uses a discount rate determined by the approximate number of years of the average remaining service period of employees, to a method that uses a single weighted average discount rate that reflects the estimated period for retirement benefit payments and the amount of retirement benefit payments for each estimated payment period.

For application of Accounting Standard for Retirement Benefits, etc., in accordance with the transitional treatment specified in Paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the change in the calculation method for retirement benefit obligations and service costs was added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, at the beginning of the fiscal year ended March 31, 2015, net defined benefit liability decreased 490 million yen and retained earnings increased 317 million yen. The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2015 is immaterial.

2. Notes to the Consolidated Balance Sheet

(1) Assets pledged as collateral

Land:	89 million yen
Investment securities:	320 million yen
Total:	409 million yen
Liabilities corresponding to pledged assets	
Notes and accounts payable-trade and other liabilities:	320 million yen

(2) Accumulated depreciation of property, plant and equipment: 370,972 million yen

(3) Guarantee obligations etc.

Guarantee for loans from financial institutions: 667 million yen

3. Notes to the Consolidated Statement of Changes in Net Assets

(1) Type and total number of shares issued and type and number of shares of treasury stock

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
Shares issued				
Common stock	481,883,837	—	15,929,716	465,954,121
Total	481,883,837	—	15,929,716	465,954,121
Treasury stock				
Common stock	15,964,265	8,038,543	15,929,716	8,073,092
Total	15,964,265	8,038,543	15,929,716	8,073,092

Note: The increase in the number of shares of common stock of treasury stock was due to the purchase of 8,000,000 shares of treasury stock and the purchase of shares constituting less than one unit in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act and of the Articles of Incorporation. The decrease in the number of shares of common stock of treasury stock was due to the retirement of shares of treasury stock in accordance with the provisions of Article 178 of the Companies Act.

(2) Dividends

1) Payment of dividends

• Dividends for common stock

Resolution	Types of shares	Dividends paid (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 20, 2014	Common stock	2,329	5.00	March 31, 2014	June 23, 2014
Meeting of the Board of Directors held on November 10, 2014	Common stock	2,289	5.00	September 30, 2014	December 3, 2014

2) Dividends whose record date falls during fiscal 2014 but whose effective date is in the next fiscal year

• Dividends for common stock

The following resolutions are expected to be made.

Resolution	Types of shares	Dividends paid (millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 19, 2015	Common stock	3,434	Retained earnings	7.50	March 31, 2015	June 22, 2015

4. Financial Instruments

(1) Financial instruments

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

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

Loans payable, bonds payable, and commercial paper are used for working capital (mainly short term) and for capital investment. Certain long-term loans payable are exposed to the risk of interest rate fluctuations. For such risk, interest rate swaps are employed to fix the amount of interest expenses. Certain business transactions denominated in foreign currencies are exposed to the risk of foreign exchange fluctuations, and for such risk, forward exchange contracts are employed.

Derivative transactions are entered into only in the scope of practical purposes in accordance with the internal control rules and not for speculative purposes.

(2) Fair values of financial instruments

Carrying amounts and market values of the financial instruments and the differences between carrying amounts and market values as of March 31, 2015 (consolidated balance sheet date of fiscal 2014) are as follows.

(Millions of yen)

	Carrying amount (*)	Market value (*)	Difference
(1) Cash and deposits	9,219	9,219	—
(2) Notes and accounts receivable-trade	83,172	83,172	—
(3) Investment securities Available-for-sale securities	29,708	29,708	—
(4) Notes and accounts payable-trade	(47,401)	(47,401)	—
(5) Short-term loans payable	(47,456)	(47,456)	—
(6) Commercial paper	(9,000)	(9,000)	—
(7) Long-term loans payable	(36,080)	(36,132)	52
(8) Bonds payable	(30,000)	(30,172)	172
(9) Derivatives	—	—	—

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

Note 1: Method for calculating fair values of financial instruments and matters concerning investment securities and derivatives

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Because of the short maturities of these instruments, their market values are approximately the same as the book values, therefore, the book values are stated as the market value.

(3) Investment securities

The market value is estimated based on quoted market prices.

(4) Notes and accounts payable-trade, (5) Short-term loans payable and (6) Commercial paper

Because of the short maturities of these instruments, their market values are approximately the same as the book values, therefore, the book values are stated as the market value.

(7) Long-term loans payable

The market value is the present value calculated by discounting the total amount of principal and interest by the interest rate to be applied to new borrowings for the same amount of principal. Long-term loans payable with variable interest rates are qualified for the special method applied for interest rate swaps (Refer to (9) below.), and the market value of such long-term loans payable is calculated by discounting the total amount of principal and interest, which are accounted for together with associated interest rate swaps, by the reasonably estimated rate to be applied to similar borrowings.

(8) Bonds payable

The market value is estimated based on quoted market prices.

(9) Derivatives

The market value is calculated based on the prices provided by the financial institutions. However, interest rate swaps that qualify for the special method are accounted for as part of hedged long-term payables, and therefore, the market value of such interest rate swaps is included in the market value of the corresponding long-term payables (Refer to (7) above.). Forward exchange contracts that qualify for the appropriation method are accounted for as part of hedged accounts receivable and accounts payable, excluding those associated with forecasted transactions, and therefore, the market value of such forward exchange contracts is included in the market value of the corresponding accounts receivable and accounts payable (Refer to (2) and (4) above.)

Note 2: Unlisted stocks (amounting to 25,648 million yen on the consolidated balance sheet) are not included in "(3) Investment securities, Available-for-sale securities" because it is extremely difficult to identify their market values as no quoted market price is available and it is impossible to estimate their future cash flows.

5. Real Estate for Rent

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

6. Notes to Per Share Information

(1) Net assets per share: 455.94 yen

(2) Net income per share: 41.48 yen

7. Other Notes

Not applicable

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

Notes to Non-consolidated Financial Statements

1. Significant Accounting Policies

(1) Standards and methods for valuation of assets

1) Securities

Stocks of subsidiaries and affiliates

Stated at cost using the moving-average method

Available-for-sale securities

Securities with market value

Stated at market value based on the average quoted market price for a period of one month before the balance sheet date

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

Securities without market value

Stated at cost using the moving-average method

2) Inventories

Stated at cost using the weighted-average method

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

(2) Depreciation method for noncurrent assets

Property, plant and equipment

The straight-line method is applied.

Intangible assets

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

Long-term prepaid expenses

Amortized in equal amounts

Lease assets

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

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

Finance leases commencing on or before March 31, 2008 that do not transfer the ownership of the lease assets to the lessee are accounted for in the same manner as ordinary rental transactions.

(3) Standards of accounting for allowances and provisions

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

3) Provision for retirement benefits

The Company provides reserve for employees' retirement benefits based on the projected benefit obligation and plan assets at fair value at the fiscal year-end.

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

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

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

(4) Changes in accounting policies

The Company has adopted the provisions of the main clause of Paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the main clause of Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015) from the beginning of the fiscal year ended March 31, 2015.

Accordingly, the Company has reviewed the calculation method for retirement benefit obligations and service costs, and changed the method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis. In addition, the Company has changed the method of determining the discount rate from the one that uses a discount rate determined by the approximate number of years of the average remaining service period of employees, to a method that uses a single weighted average discount rate that reflects the estimated period for retirement benefit payments and the amount of retirement benefit payments for each estimated payment period.

For application of Accounting Standard for Retirement Benefits, etc., in accordance with the transitional treatment specified in Paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the change in the calculation method for retirement benefit obligations and service costs was added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, at the beginning of the fiscal year ended March 31, 2015, provision for retirement benefits decreased 444 million yen and retained earnings increased 288 million yen. The impact of this change on operating income, ordinary income and income before income taxes for the fiscal year ended March 31, 2015 is immaterial.

(5) Consumption taxes

Consumption taxes are recorded using the tax-excluded method.

2. Notes to the Non-consolidated Balance Sheet

(1) Assets pledged as collateral: None

(2) Accumulated depreciation of property, plant and equipment: 313,854 million yen

(3) Guarantee obligations

Guarantee for loans from financial institutions: 17,390 million yen

(4) Monetary receivables from and monetary obligations to subsidiaries and affiliates

Short-term monetary receivables: 28,548 million yen

Short-term monetary obligations: 21,325 million yen

Long-term monetary receivables: 1,439 million yen

3. Notes to the Non-consolidated Statement of Income

Amount of transactions with subsidiaries and affiliates

Sales to subsidiaries and affiliates: 83,974 million yen

Purchase from subsidiaries and affiliates: 34,037 million yen

Transactions with subsidiaries and affiliates other than business transactions

5,368 million yen

4. Notes to the Non-consolidated Statement of Changes in Net Assets

Type and number of shares of treasury stock

	Number of shares at the beginning of the year	Increase during the year	Decrease during the year	Number of shares at the end of the year
Common stock	15,939,265	8,038,543	15,929,716	8,048,092

Note: The increase in the number of shares of common stock of treasury stock was due to the purchase of 8,000,000 shares of treasury stock and the purchase of shares constituting less than one unit in accordance with the provisions of Article 165, Paragraph 2 of the Companies Act and of the Articles of Incorporation. The decrease in the number of shares of common stock of treasury stock was due to the retirement of shares of treasury stock in accordance with the provisions of Article 178 of the Companies Act.

5. Notes to Deferred Tax Accounting

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

(Millions of yen)

	As of March 31, 2015
Deferred tax assets	
Allowance for doubtful accounts	15
Provision for retirement benefits	1,178
Provision for bonuses	468
Loss on liquidation of business	60
Loss on valuation of investment securities	323
Loss on valuation of golf club membership	408
Impairment loss	897
Enterprise tax payable	277
Other	527
Subtotal of deferred tax assets	4,153
Valuation allowance	(1,810)
Total deferred tax assets	2,343
Deferred tax liabilities	
Valuation difference on available-for-sale securities	5,501
Reserve for advanced depreciation of non-current assets	1,794
Total deferred tax liabilities	7,295
Net deferred tax assets (liabilities)	(4,952)

6. Noncurrent Assets Leased

Finance lease transactions other than those of which ownership of the lease assets are transferred to the lessee

(1) Pro forma amounts of acquisition costs, accumulated depreciation, accumulated impairment loss, and year-end balance of leased items

(Millions of yen)

	Acquisition costs	Accumulated depreciation	Balance at the end of the year
Machinery and equipment	46	46	–
Total	46	46	–

(2) Future minimum lease payments at fiscal year-end

Not applicable

(3) Lease expenses, reversal of accumulated impairment loss on lease assets, depreciation, and impairment loss

Lease expenses: 3 million yen

Depreciation: 3 million yen

(4) Method for calculation of depreciation

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

(Impairment loss)

No impairment losses were recognized for lease assets.

7. Notes concerning Related Party Transactions

Subsidiaries

Type	Company name	Location	Capital or equity	Business	Ownership of voting rights	Relationship		Transactions	Transaction amount (Millions of yen)	Account	Balance at the end of the year (Millions of yen)
						Concurrent positions, etc. of directors	Business relationship				
Subsidiary	Akros Trading Co., Ltd.	Minato-ku, Tokyo	1,200 million yen	Sales of inorganic/ organic industrial products, industrial resins, etc.	68.5% directly owned by the Company	2 directors on loan	The Company sells synthetic rubber products etc. to it.	Sales of the Company's products	26,150	Accounts receivable-trade Notes receivable-trade	8,086 3
Subsidiary	Denka Chemicals Holdings Asia Pacific Pte., Ltd.	Singapore	68.70 million US dollars	Regional headquarters for Southeast and South Asia	100% directly owned by the Company	1 director on loan	The Company's regional headquarters/ holding company	Loan guarantee	13,579	-	-
Subsidiary	Denka Singapore Pte., Ltd.	Singapore	69.41 million US dollars	Manufacturing and sales of acetylene black and polystyrene resin	100% indirectly owned by the Company	1 director with a concurrent position at the Company 1 director on loan	Technology licensing by the Company	Loan guarantee	1,325	-	-
Subsidiary	YK Inoas Co., Ltd.	Bunkyo-ku, Tokyo	100 million yen	Sales of raw materials for industrial applications, civil engineering and construction materials, and interior materials	100% directly owned by the Company	6 directors on loan	The Company sells synthetic resin products, civil engineering and construction materials, etc. to it.	Sales of the Company's products	13,561	Accounts receivable-trade	4,547
Affiliate	TOYO STYRENE Co., Ltd	Minato-ku, Tokyo	5,000 million yen	Manufacturing, processing, and sales of polystyrene resin	50% directly owned by the Company	1 director on loan	The Company supplies its products as raw materials and purchases certain finished products from it.	Sales of the Company's products and purchase of raw materials from the Company	16,235 9,271	Accounts receivable-trade Accounts payable Deposits received	4,640 2,668 4,000

Notes: 1. Transaction amounts do not include consumption taxes, etc. Balance at the end of the year include consumption taxes, etc.

2. Sales of the Company's products, etc. and purchase of raw materials, etc. are determined in the same manner as for terms of transactions with unrelated parties.

3. The Company provides loan guarantee to Denka Chemicals Holdings Asia Pacific Pte., Ltd. for its bank borrowings.

4. The Company provides loan guarantee to Denka Singapore Pte., Ltd. for part of its purchase liabilities.

8. Notes to Per Share Information

(1) Net assets per share: 345.26 yen

(2) Net income per share: 28.07 yen

9. Other Notes

Not applicable

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