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

**NOTICE OF CONVOCATION OF
THE 159TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Date and Time: Thursday, June 21, 2018 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: Election of Eight (8) Directors

Proposal No. 3: Election of One (1) Substitute Audit & Supervisory Board Member

Please exercise your voting rights in writing or via the Internet by
5:00 p.m. on Wednesday, June 20, 2018.

Message from the Management To Our Shareholders

Promoting the new management plan “Denka Value-Up,” with the aim of Recreating Ourselves as a “Specialty-Fusion Company” as we move toward realization of “The Denka Value,” corporate philosophy.

Enclosed please find the Notice of Convocation of the 159th Ordinary General Meeting of Shareholders.

We would like to take this opportunity to express our 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, 2018 (fiscal 2017), the Japanese economy showed moderate recovery, with signs of a rebound in personal spending and exports as capital investment and production both picked up. Likewise, the global economy continued to show moderate recovery momentum overall, including strong performance by the U.S. economy. In the chemical sector, corporate earnings generally held up, despite the high yen and rising raw material prices in the second half.

In these economic circumstances, the Denka Group strove to expand its businesses and secure profitability by working to increase sales in Japan and overseas and cutting costs. As a result, in terms of business performance for fiscal 2017, sales increased year on year to the Company’s highest ever sales, owing to increased sales volume, mainly for chloroprene rubber and electronics and innovative products, and revisions of selling prices in response to rising raw material prices. In terms of profits, expenses increased owing to upfront investment for future growth in the healthcare field and other areas, but increased sales volume and better trade conditions contributed to earnings growth, and as a result the Company posted its highest-ever operating income, ordinary income and profit attributable to owners of parent, by a significant margin.

In the previous management plan Denka100, the Company established three growth strategies, “create the most optimal production system,” “scrutinize every cost element,” and “focus on growth drivers and develop next-generation products,” in addition to implementing various policies, focusing on the three priority fields of health, environment and energy, and infrastructure. These initiatives have yielded steady and remarkable operating results. We have also proactively engaged in forward-looking growth investment aimed at securing more robust bases for each business segment.

Now, from fiscal 2017, we have launched the new management plan, “Denka Value-Up” under the following three growth visions, based on our readiness to recreate ourselves with an advanced corporate structure that anticipates the demands of the times, in order to survive in these tumultuous times.

First, we will aim to recreate ourselves as a “Specialty-Fusion Company” capable of promoting a constant range of specialty products and businesses, in all aspects of our organization, from business structure to technical development and talent pool.

In addition, we will aim to recreate ourselves as a company capable of overcoming changes in the environment amid increasingly uncertain global markets and achieving “Sustained Growth,” by significantly improving productivity through innovating all processes, from manufacturing to research and operations.

At the same time, we will aim to secure “Sound Growth” as a company, by linking productivity innovations to work style reforms and collaborating with employees to pursue stakeholder happiness.

In order to achieve these three growth visions, we will implement two growth strategies, a business portfolio shift and the introduction of innovative processes, as we focus our management resources on three priority fields, “Healthcare,” “Environment and energy,” and “High-value-added infrastructure,” and engage in proactive strategic investment (e.g. execution of M&A and business alliances, reinforcement of our R&D structure, and reallocation of human resources) to achieve numerical targets.

In addition to the above growth strategies, in order to realize “The Denka Value,” our corporate philosophy, we have re-adjusted our focus to the following factors essential to sustainable corporate growth: “placing the utmost priority on safety”; “giving due consideration to environmental concerns”; “nurturing and better utilizing human resources”; “making social contributions”; and “promoting compliance and establishing a sense of ethics that goes beyond compliance”; and we are implementing “ESG” initiatives.

Moreover, in April 2017, we switched to a chairman and president-based business execution system, to enable us to appropriately and rapidly address the expansion and globalization of business domains, and in October 2017, we established a “The Management Advisory Committee,” with Outside Officers comprising a majority of members, as an advisory body to the Board of Directors, in order to further enhance corporate governance by using the diverse range of views and advice obtained from Outside Officers in regard to

important management issues, such as nomination, remuneration, and other governance-related issues, to enable transparent, objective management decision-making.

Under the corporate philosophy “The Denka Value,” the Company aims to achieve sound growth through the measures of the new management plan, “Denka Value-Up,” thereby recreating ourselves as “Denka – an inspiration to the world.” In these endeavors, we request your understanding and look forward to your continued support.

For details of the new management plan “Denka Value-Up” and the Company’s “ESG” initiatives, please see pages 29 to 32 of the Notice of Convocation.

May 2018

Shinsuke Yoshitaka
Representative Director, Chairman, Board of Directors
Manabu Yamamoto
Representative Director, President

To Our Shareholders:

Manabu Yamamoto
President
Denka Co., Ltd.
1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo

**NOTICE OF CONVOCATION OF
THE 159TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 159th Ordinary General Meeting of Shareholders of Denka Co., Ltd. (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 6). Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Wednesday, June 20, 2018.

- 1. Date and Time:** Thursday, June 21, 2018 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 159th Term (from April 1, 2017 to March 31, 2018) 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 159th Term (from April 1, 2017 to March 31, 2018)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Eight (8) Directors
- Proposal No. 3:** Election of One (1) Substitute Audit & Supervisory Board Member

◎ 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.

- Company's Systems and Policies (Systems to Ensure the Appropriateness of Operations, Operational Status of Systems to Ensure the Appropriateness of Operations, and Basic Policies regarding the Control of the Company) in the Business Report

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

- Non-consolidated Statement of Changes in Net Assets and 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 above documents 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 Wednesday, June 20, 2018.

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

Please access the website for exercising voting rights designated by the Company (<https://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 Wednesday, June 20, 2018.

(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

Reflecting our determination to return the profits yielded by the initiatives of the previous Denka100 management plan, 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.

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

During the five-year period starting from 2018 covered by the new management plan “Denka Value-Up,” the Company will remain committed to a target total payout ratio of 50%, and we will focus on maintaining the stable payment of cash dividends while flexibly carrying out share repurchases by giving due consideration to such factors as a trend in stock prices.

With respect to the year-end dividend for the 159th term, in view of the above, the Company proposes the following.

(1) Type of dividend property

Cash

(2) Allocation of dividend property and total amount thereof

¥55 per share of common stock of the Company

Total amount of dividends: ¥4,822,180,825

(3) Effective date of dividends from surplus

June 22, 2018

Furthermore, the Company conducted a share consolidation of its common stock at a ratio of one share for five shares on October 1, 2017.

Calculated after adjustment for the consolidation, the interim dividend of ¥10 per share for the fiscal year under review is equivalent to ¥50 per share, and therefore if this proposal is approved as originally proposed, the amount of dividends per share for the full year will be ¥105 for the fiscal year under review.

Proposal No. 2: Election of Eight (8) Directors

The terms of office of all of the eight (8) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the election of eight (8) Directors is proposed.

The Company's views regarding Directors and the candidates for Directors are as follows.

[The Company's views regarding Directors]

In order to promote the new management plan, "Denka Value-Up" aimed at realizing "The Denka Value," the Company's corporate philosophy, the Company aims to strengthen the management structure with Directors and Executive Officers, while enriching the governance structure and supervisory functions.

In electing Directors, internal Directors are chosen from persons who possess a wealth of experience and achievements in various divisions within the Company, while also possessing insights and adequate specialized knowledge as Director, and Outside Directors are chosen from persons who possess specialization required for continuous growth and improvement in corporate value of the Company and wide insights based on a wealth of business experience. The Company believes that a well-balanced election of persons with various knowledge, experience, and abilities is important for the Board of Directors as a whole.

Additionally, the Company believes that Independent Directors should comprise at least one-third of Directors, and implements this policy.

No.	Name	Positions and responsibilities at the Company	Attendance at Board of Directors meetings
1	Reappointed Shinsuke Yoshitaka	Representative Director, Chairman, Board of Directors	13/13 (100%)
2	Reappointed Manabu Yamamoto	Representative Director, President and Chief Executive Officer	13/13 (100%)
3	Reappointed Mitsukuni Ayabe	Director and Executive Vice President Supervisor of Life Innovation President and Representative Director of DENKA SEIKEN Co., Ltd.	13/13 (100%)
4	Reappointed Norihiro Shimizu	Director and Senior Managing Executive Officer Chief Scientific Officer (CSO*) Chief R&D Officer New Business Development Dept., R&D Promoting Dept., Intellectual Property Dept.	10/10 (100%) <small>(After assuming office in June 2017)</small>
5	Reappointed Kenji Nakano	Director and Managing Executive Officer Supervisor of Infrastructure & Social Solutions Chief Compliance Officer (CCO) Secretary Dept., Internal Auditing Dept., Administrative Dept., Legal Dept., HR Dept.	13/13 (100%)
6	Reappointed Yasuo Sato	Director (Outside Director) (Independent Director)	13/13 (100%)
7	Reappointed Akio Yamamoto	Director (Outside Director) (Independent Director)	13/13 (100%)
8	Reappointed Tatsutsugu Fujihara	Director (Outside Director) (Independent Director)	13/13 (100%)

*CSO = Chief Scientific Officer

No.	Name (Date of birth) [Director since] [Director's term of office] [Attendance at Board of Directors meetings]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held																		
1	Shinsuke Yoshitaka (February 1, 1951) Age: 67 [June 2008] [10 years * at the conclusion of this Ordinary General Meeting of Shareholders] [100% (13/13)] (Reappointed)	<table border="0"> <tr> <td>April 1974</td> <td>Joined the Company</td> </tr> <tr> <td>January 2001</td> <td>General Manager of Corporate Planning Dept. of the Company</td> </tr> <tr> <td>June 2006</td> <td>Director of the Company, General Manager of Corporate Planning Dept. and Investor Relations & Corporate Communications Dept.</td> </tr> <tr> <td>June 2007</td> <td>Senior Executive Officer of the Company</td> </tr> <tr> <td>June 2008</td> <td>Director and Senior Executive Officer of the Company</td> </tr> <tr> <td>April 2010</td> <td>Representative Director and Managing Executive Officer of the Company</td> </tr> <tr> <td>April 2011</td> <td>Representative Director, President and Chief Executive Officer of the Company</td> </tr> <tr> <td>June 2011</td> <td>Director of Koatsu Gas Kogyo Co., Ltd. (present)</td> </tr> <tr> <td>April 2017</td> <td>Representative Director, Chairman, Board of Directors of the Company (present)</td> </tr> </table> <p>Reasons for selection as the candidate for Director Subsequent to responsibility for management strategy, medical business, accounting and finance, and investor relations and corporate communication, Mr. Shinsuke Yoshitaka promoted the “Denka100” management plan as Representative Director, President. In addition to a wealth of experience and results as a manager, he serves as the Chairman of the Board of Directors, as the Representative Director and Chairman based on his deep knowledge and understanding of the Group. The Company has judged that he can appropriately fulfill the role of supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p> <p>Message to shareholders With good faith and determination, as laid out in the Company’s corporate philosophy (the Denka Principles), I will make every effort to boost corporate value. In addition, as Chairman of the Board of Directors, I will endeavor to operate the Board of Directors in a way that is sound and transparent, from the perspective of shareholders and investors.</p>	April 1974	Joined the Company	January 2001	General Manager of Corporate Planning Dept. of the Company	June 2006	Director of the Company, General Manager of Corporate Planning Dept. and Investor Relations & Corporate Communications Dept.	June 2007	Senior Executive Officer of the Company	June 2008	Director and Senior Executive Officer of the Company	April 2010	Representative Director and Managing Executive Officer of the Company	April 2011	Representative Director, President and Chief Executive Officer of the Company	June 2011	Director of Koatsu Gas Kogyo Co., Ltd. (present)	April 2017	Representative Director, Chairman, Board of Directors of the Company (present)	27,000
April 1974	Joined the Company																				
January 2001	General Manager of Corporate Planning Dept. of the Company																				
June 2006	Director of the Company, General Manager of Corporate Planning Dept. and Investor Relations & Corporate Communications Dept.																				
June 2007	Senior Executive Officer of the Company																				
June 2008	Director and Senior Executive Officer of the Company																				
April 2010	Representative Director and Managing Executive Officer of the Company																				
April 2011	Representative Director, President and Chief Executive Officer of the Company																				
June 2011	Director of Koatsu Gas Kogyo Co., Ltd. (present)																				
April 2017	Representative Director, Chairman, Board of Directors of the Company (present)																				

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

No.	Name (Date of birth) [Director since] [Director's term of office] [Attendance at Board of Directors meetings]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
2	<p>Manabu Yamamoto (March 31, 1956) Age: 62</p> <p>[June 2013] [5 years * at the conclusion of this Ordinary General Meeting of Shareholders] [100% (13/13)] (Reappointed)</p>	<p>April 1981 Joined the Company June 2004 General Manager of Functional Ceramics Div. of Electronics Materials Business Group of the Company April 2009 Executive Officer of the Company, General Manager of Electronics Materials Div. of Electronics Materials Business Group of the Company April 2011 Senior Executive Officer of the Company April 2013 Managing Executive Officer of the Company, Head of Electronics & Innovative Products June 2013 Director and Managing Executive Officer of the Company April 2015 General Manager of Corporate Planning Dept. of the Company April 2016 Director and Senior Managing Executive Officer of the Company June 2016 Outside Audit & Supervisory Board Member of Koatsu Gas Kogyo Co., Ltd. (present) April 2017 Representative Director, President and Chief Executive Officer of the Company (present)</p> <p>Reasons for selection as the candidate for Director Through work experience at overseas subsidiaries and many years of responsibility for the electronics materials business division, Mr. Manabu Yamamoto possesses international viewpoints and adequate operational experience. After he integrated new business strategies and accounting and finance strategies across the entire Denka Group as the executive responsible for management strategy, accounting and finance, and investor relations and corporate communication divisions, Mr. Yamamoto currently serves as President and Representative Director. Based on his rich experience and impressive track record in Company administration, it is hence judged by the Company that he can appropriately fulfil the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p> <p>Message to shareholders Under the corporate philosophy, "The Denka Value," in order to meet the expectations and trust of all stakeholders, I aim for the Company to achieve sustainable growth through further specialization of our business structure and productivity innovations, in addition to being a sound company that fulfills our social responsibility.</p>	6,600

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

No.	Name (Date of birth) [Director since] [Director's term of office] [Attendance at Board of Directors meetings]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
3	<p>Mitsukuni Ayabe (September 23, 1952) Age: 65</p> <p>[June 2011] [7 years * at the conclusion of this Ordinary General Meeting of Shareholders] [100% (13/13)] (Reappointed)</p>	<p>April 1977 Joined the Company June 2004 General Manager of Research and Development Dept. of the Company June 2007 Executive Officer of the Company, Managing Director of Denka Singapore Pte., Ltd., Managing Director of Denka Advantech Pte., Ltd. April 2010 Senior Executive Officer of the Company, Director and Chairman of Denka Chemicals Holdings Asia Pacific Pte., Ltd. June 2011 Director and Managing Executive Officer of the Company April 2013 Director and Senior Managing Executive Officer of the Company April 2015 Representative Director and Senior Managing Executive Officer of the Company April 2016 Representative Director, Executive Vice President and Chief Operating Officer of the Company April 2017 Director, Executive Vice President of the Company (present) President and Representative Director of DENKA SEIKEN Co., Ltd. (present)</p> <p>Reasons for selection as the candidate for Director Subsequent to management of research and development and overseas subsidiaries and responsibility for medical business, accounting and finance, and investor relations and corporate communication, Mr. Mitsukuni Ayabe directed the overall technical divisions as the general executive for planning and development, while also assisting the President as Executive Vice President and Chief Operating Officer. Currently, Mr. Ayabe is in charge of the Life Innovation Division and supports strategies in the growing healthcare field. The Company has judged that he can appropriately fulfill the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p> <p>Message to shareholders I will “create a more trusted company” by ensuring thorough awareness of social contribution and compliance, as well as working toward our targets by promoting the new management plan, “Denka Value-Up” to all employees.</p>	11,800

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

No.	Name (Date of birth) [Director since] [Director's term of office] [Attendance at Board of Directors meetings]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
4	<p>Norihiro Shimizu (October 2, 1955) Age: 62</p> <p>[June 2017] [1 year * at the conclusion of this Ordinary General Meeting of Shareholders] [100% (10/10)] (Reappointed)</p>	<p>April 1980 Joined the Company October 2008 General Manager of Electronic Materials Research Institute of the Company April 2009 Executive Officer of the Company April 2011 Senior Executive Officer, General Manager of Central Research Institute of the Company April 2013 Managing Executive Officer, General Manager of Research and Development Dept. of the Company April 2017 Managing Executive Officer of the Company June 2017 Director and Managing Executive Officer of the Company April 2018 Director and Senior Managing Executive Officer of the Company (present)</p> <p>Reasons for selection as the candidate for Director Mr. Norihiro Shimizu has ample practical experience, including oversight of research and development activities for many years in the fields of polymers and electronic materials. Currently, as Chief Scientific Officer and Chief R&D Officer, he is responsible for all research and development operations, and for business strategy including development of next-generation products and of new businesses. In light of his deep expertise and experience in research and development operations, we judge him to be well-suited for decision-making regarding significant business matters, and for supervision of business execution by directors and executive officers, and so seek his election as a Director.</p> <p>Message to shareholders Through continuous innovation leveraging the comprehensive capabilities of the Group, I am committed to ensuring sustainable growth and improving corporate value by implementing business strategy at individual businesses in a way that strikes a balance between profitability and sustainability.</p>	5,000

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

No.	Name (Date of birth) [Director since] [Director's term of office] [Attendance at Board of Directors meetings]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
5	<p>Kenji Nakano (November 17, 1955) Age: 62</p> <p>[June 2016] [2 years * at the conclusion of this Ordinary General Meeting of Shareholders] [100% (13/13)] (Reappointed)</p>	<p>April 1980 Joined the Company June 2007 General Manager of Secretary Dept. of the Company April 2011 Executive Officer of the Company, General Manager of HR Dept. of the Company April 2013 Executive Officer of the Company, Representative in China April 2014 Managing Executive Officer of the Company June 2016 Director and Managing Executive Officer of the Company (present)</p> <p>Reasons for selection as the candidate for Director Through work experience at plants and subsidiaries, and many years of responsibility for management divisions such as general affairs, legal, and HR divisions, and the Representative in China, Mr. Kenji Nakano possesses adequate operational experience. Currently, Mr. Nakano is continuing to promote strengthening risk management and compliance systems as the executive responsible for compliance, as well as overseeing general affairs, legal matters, personnel affairs, internal auditing and other areas, in addition to being in charge of the Infrastructure Social Solutions Division. The Company has judged that he can appropriately fulfill the role of determining important business execution and supervising the business execution of Directors and Executive Officers, and requests his election as Director.</p> <p>Message to shareholders I realize that achieving the three visions in "Denka Value-Up" will lead to corporate growth and development, and as I work toward this goal, I will divide our tasks into those we can execute immediately, those that require time to implement, and those where we must lay the foundations for future implementation.</p>	5,000

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

Candidates for Outside Director

No.	Name (Date of birth) [Director since] [Director's term of office] [Attendance at Board of Directors meetings]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
6	<p>Yasuo Sato (September 30, 1942) Age: 75</p> <p>(Outside Director) (Reappointed) (Independent Director) [June 2015] [3 years * at the conclusion of this Ordinary General Meeting of Shareholders] [100% (13/13)]</p>	<p>April 1965 Joined TEIKOKU SANSO Co., Ltd. (present Air Liquide Japan Ltd.)</p> <p>March 1987 Director and Vice President of Electronics Div. of Air Liquide Japan Ltd.</p> <p>April 1992 Vice President of Worldwide Electronics Div. of L'Air Liquide S.A. (until March 1996)</p> <p>March 1999 Representative Director and President of Air Liquide Japan Ltd. (until January 2003)</p> <p>January 2003 Director and Chairman of Japan Air Gases Co., Ltd. (until March 2005)</p> <p>March 2005 Director and Advisor (part-time) of Air Liquide Japan Ltd. (until September 2007)</p> <p>June 2005 Outside Director of Denal Silane Co., Ltd. (until February 2008)</p> <p>May 2006 President & CEO of I.B. Associates Co., Ltd. (present Wisemech Corporation) (until June 2016)</p> <p>June 2006 Outside Auditor of Santen Pharmaceutical Co., Ltd. (until June 2014)</p> <p>February 2008 Auditor of Denal Silane Co., Ltd. (until June 2014)</p> <p>June 2015 Outside Director of the Company (present)</p> <p>July 2016 Director Chairman of Wisemech Corporation (present)</p> <p>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> <p>Message to shareholders In a spirit of rationality and fairness, I am determined to contribute to the sustainable, sound growth of the Company and boost corporate value from a global, medium- to long-term perspective.</p>	-

- Notes: 1. No material conflict of interest exists between the Company and the above candidate.
2. Up to February 2008, Mr. Sato was an Outside Director of a subsidiary of the Company. Up to June 2014, he worked as corporate auditor of a subsidiary of the Company.
3. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently concludes liability limitation contracts with the candidate that limit his liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If the election of Mr. Sato is approved, the Company plans to continue the same contracts.

No.	Name (Date of birth) [Director since] [Director's term of office] [Attendance at Board of Directors meetings]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
7	<p>Akio Yamamoto (December 2, 1951) Age: 66</p> <p>(Outside Director) (Reappointed) (Independent Director) [June 2015] [3 years * at the conclusion of this Ordinary General Meeting of Shareholders] [100% (13/13)]</p>	<p>April 1974 Joined Mitsui & Co., Ltd. April 1999 President of Mitsui & Co., Benelux S.A./N.V. April 2004 Vice President of Synthetic Resin & Inorganic Chemical Products Business Unit of Mitsui & Co., Ltd. April 2007 Executive Officer of Mitsui & Co., Ltd. (until March 2010), President of Mitsui & Co. (Thailand) Ltd. April 2009 Representative Director and President of Mitsui Bussan Plastic Trade Co., Ltd. (present Mitsui & Co. Plastics Ltd.) (until June 2014) June 2014 Counselor of Mitsui & Co. Plastics Ltd. (until June 2015) June 2015 Outside Director of the Company (present)</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 & Co., Ltd. and the Representative Director and President of Mitsui & 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 considers that there is no risk that conflict of interest with other general shareholders will arise 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 6.6% 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); and 3) he satisfies the Company's "Standards of Independence for Outside Executives" 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.</p> <p>Message to shareholders Viewing the Company's businesses from a historical perspective of our industry and a global perspective, I am committed to maintaining a strong stance of fairness, and contributing to corporate operations and increasing corporate value.</p>	-

- Notes: 1. No material conflict of interest exists between the Company and the above candidate.
2. Until June 2014, Mr. Yamamoto worked as president and representative director for a specified related party of the Company.
3. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently concludes liability limitation contracts with the candidate that limit his liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If the election of Mr. Yamamoto is approved, the Company plans to continue the same contracts.

No.	Name (Date of birth) [Director since] [Director's term of office] [Attendance at Board of Directors meetings]	Career summary and significant concurrent positions, etc.	Number of shares of the Company held
8	<p>Tatsutsugu Fujihara (November 23, 1952) Age: 65</p> <p>(Outside Director) (Reappointed) (Independent Director) [June 2016]) [2 years * at the conclusion of this Ordinary General Meeting of Shareholders] [100% (13/13)]</p>	<p>April 1976 Joined The Dai-Ichi Kangyo Bank, Ltd. May 2000 General Manager, Osaka Sales Department of The Dai-Ichi Kangyo Bank, Ltd. April 2002 General Manager, Osaka Sales Department III of Mizuho Corporate Bank, Limited March 2003 Executive Officer of Mizuho Corporate Bank, Limited (until April 2003), General Manager, Corporate Department II (until April 2003) June 2003 Managing Executive Officer of Orient Corporation (until March 2005) April 2005 Managing Executive Officer of Mizuho Corporate Bank, Limited (until March 2007) June 2007 Director and President of Mizuho Marketing Experts Co., Ltd. (until March 2013) June 2013 Representative Director and President of KSO Corporation June 2014 Representative Director and Chairman of KSO Corporation April 2016 Director of KSO Corporation June 2016 Chairman and Executive Officer of KSO Corporation (present) June 2016 Outside Director of the Company (present)</p> <p>Reasons for selection as the candidate for Outside Director Having worked in corporate management at financial institutions for many years, Mr. Tatsutsugu Fujihara has rich experience and great insight as a manager and possesses advanced insights regarding corporate finance, and to utilize these insights and receive recommendations toward the Company's overall management, his election as Outside Director is requested. Additionally, although he used to work at a financial institution that has transactions with the Company, the Company considers that there is no risk that conflict of interest with other general shareholders will arise because 1) he is not a current or a recent operating officer of the said financial institution; 2) a significant number of years have passed since he retired from the said financial institution (eleven years have passed since his retirement as of the day of this Ordinary General Meeting of Shareholders); 3) the composition of borrowings relative to net assets of the Company is low at approximately 30%, and the Company's dependency on the said financial institution is low as it accounts for less than 10% of overall borrowings; and 4) he satisfies the Company's "Standards of Independence for Denka Outside Officers" and thus, the Company considers that the said financial institution has no special impact on the Company's decision-making by the Board of Directors, etc.</p> <p>Message to shareholders While aiming to "boost corporate value in the true sense," I am determined to contribute to the creation of an organizational culture that can properly demonstrate the "ability to keep itself pure."</p>	-

Notes: 1. No material conflict of interest exists between the Company and the above candidate.

2. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently concludes liability limitation contracts with the candidate that limit his liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If the election of Mr. Fujihara is approved, the Company plans to continue the same contracts.

Proposal No. 3: 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) Age: 68</p> <p>Candidate for Substitute Outside Audit & 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 & Matsumoto Law Firm (transferred to Daini Tokyo Bar Association)</p>	
	<p>April 1985 Partner in Hamada & 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 & 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)</p>	
	<p>March 2016 Outside Director (Directors Serving on the Audit & Supervisory Committee) of COCA-COLA WEST COMPANY, LIMITED (until March 2017)</p>	
	<p>April 2016 Supervisory Officer of DBJ Private REIT Investment Corporation (present)</p>	
<p>April 2017 Outside Auditor of COCA-COLA WEST COMPANY, LIMITED (until December 2017)</p>		
<p>July 2017 Administrative Director of General Incorporated Foundation Judiciary Association (present) (to date)</p>		
<p>Reasons for selection as the candidate for substitute Outside Audit & Supervisory Board Member</p> <p>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 & 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 & Supervisory Board Member because he is well versed in corporate legal affairs and has extensive insight into corporate governance.</p>		

- Notes:
1. No material conflict of interest exists between the Company and the above candidate.
 2. Based on Article 427, Paragraph 1 of the Companies Act, the Company currently concludes liability limitation contracts with Outside Audit & Supervisory Board Members that limit their liability for damages of Article 423, Paragraph 1 of said Act to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher. If Mr. Ichiki assumes the position of Outside Audit & Supervisory Board Member, the Company plans to conclude an identical contract with him.
 3. The candidate satisfies the conditions for independent officers as defined by Tokyo Stock Exchange, Inc., and if he assumes the position of Outside Audit & Supervisory Board Member, the Company plans to designate him as an independent officer.

(Reference)
Standards of Independence for Denka Outside Officers

The Company selects candidates for Outside Directors and Outside Audit & Supervisory Board Members based mainly on practical considerations, such as whether we can expect the candidate to contribute to an increase in the corporate value of the Company as an independent officer. Specifically, the Company has defined the following standards, in accordance with the requirements for independence stipulated in the Companies Act, in addition to the standards for independence defined by the Tokyo Stock Exchange and other factors.

Standards of Independence for Outside Officers

The standard of independence for an Outside Director or Outside Audit & Supervisory Board Member of the Company shall be persons that do not fall under any of the categories defined in items (1) through (5) below.

- (1) An executor of business (*4) at a main customer (*1), main supplier (*2), or main lender (*3) that is a main trading partner of the Company;
 - (2) A consultant, accountant, lawyer, or other such person that has received money or other property exceeding ¥10 million in value per year from the Company, excluding officer compensation, in the most recent fiscal year;
 - (3) A person belonging to a group for whom the amount paid by the Company makes up 2% or more of the group's revenues or total income in the most recent fiscal year, in cases where the entity receiving property under item (2) above is a group;
 - (4) A person that has fallen under any of the above categories (1) through (3) within the past year;
 - (5) A spouse or relation within the second degree of a person falling under any of the categories below (excluding an insignificant person):
 - i. A person that falls under any of the above categories (1) through (4);
 - ii. A person that is or was an executor of business at the Company or a subsidiary of the Company now or within the past year;
 - iii. A person that is or was a non-executive director at the Company or a subsidiary of the Company now or within the past year (for Outside Audit & Supervisory Board Members only).
- (*1) Main customer: A customer from whom the amount paid has made up 2% or more of the Company's revenues in the most recent fiscal year
- (*2) Main supplier: A supplier to whom the amount paid from the Company has made up 2% or more of the supplier's revenues in the most recent fiscal year
- (*3) Main lender: A lender that was essential for the Company's funding, and that the Company relied on to the extent the lender was irreplaceable, as of the end of the most recent fiscal year
- (*4) Executor of business: An executive director, executive, executive officer, or other employee, etc.

(Reference)

Denka's Corporate Governance Initiatives

Basic Approach to Corporate Governance

In order to fulfill the expectations and trust of its many stakeholders, including shareholders, customers, local society, and employees, based on “The Denka Value” (corporate philosophy), which forms the basis for the activities of the Denka Group, the Company strives to strengthen its business foundation by improving its earnings power and expanding the scope of operations, while also working to improve corporate value by making every effort to continue being a company that can win the trust and sympathy of society.

The Company considers corporate governance as the foundation for the above, and so we have striven to strengthen governance, in order to fulfill the responsibilities we owe to all our stakeholders, and ensure the transparency and soundness of our management.

The Denka Value (Corporate Philosophy)

“The Denka Value” (corporate philosophy) consists of the “Denka Mission,” which represents our uppermost mission statement, and the “Denka Principles,” a set of precepts guiding actions taken by every Group employee.

“The Denka Value” lies at the pinnacle of all corporate activities, including management plans, and through implementing “The Denka Value,” the Company will work to respond to the expectations and trust of society.

“The Denka Value” (Corporate Philosophy)

The Denka Mission

Taking on the challenge of expanding the possibilities of chemistry to create new value and contribute to sound social development.

Note: Based on the corporate slogan “Possibility of Chemistry.”

The Denka Principles

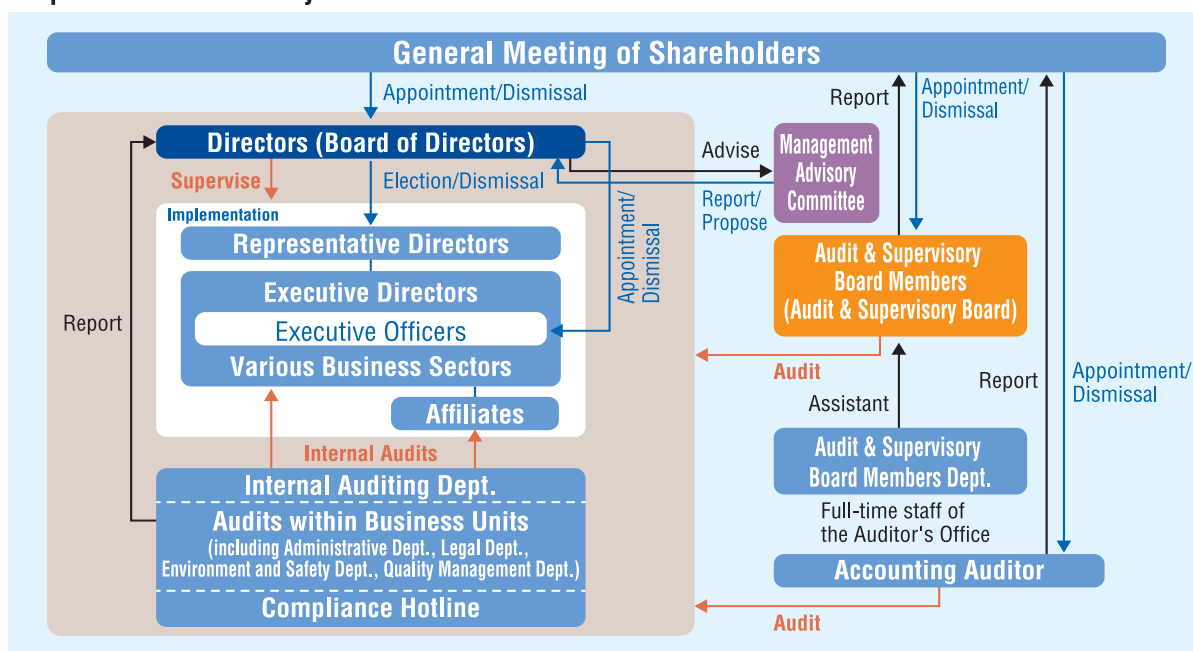
We:

- Boldly confront challenges with determination and sincerity.
- Think and take action today with the future in mind.
- Deliver new values, and inspire customers through innovative monozukuri.*
- Respect the environment and create a cheerful workplace that prioritizes safety.
- Contribute to a better society, whilst taking pride in being a trusted corporate citizen.

*Japanese-style craftsmanship



Corporate Governance System



Board of Directors

To realize the Company's corporate philosophy, "The Denka Value," the Board of Directors monitors and supervises major operational decision-making and execution of business duties by executive officers, based on strategic and management planning. The Board of Directors as a whole appoints candidates to be Directors in line with the standards for the appointment of both internal and Outside Directors, based on the belief that it is important to appoint a good balance of people with a variety of expertise, experiences, and skills.

Additionally, the Management Advisory Committee has been established as an advisory organ of the Board of Directors, to strengthen the roles of the Board of Directors and foster higher standards of objectivity and transparency. It also organizes the D&A Round Table, aimed at enriching deliberations on major matters of particular management concern.

In addition, in principle, the Company has discontinued the use of executive titles, (such as Senior Managing Director, Managing Director) for Directors, such that all Directors may focus on monitoring and supervising the execution of business duties from an equal standpoint. Also, the Company has set the length of directors' terms to one year, in order to facilitate flexible checks on directors at the General Meeting of Shareholders.

■ Management Advisory Committee

For major management matters such as nomination, remuneration and other elements of governance, the Board of Directors has set up the Management Advisory Committee, comprising all Outside Directors, all Outside Audit & Supervisory Board Members, the Chairman and the President, to foster transparency and objectivity in management decision-making, informed by a wide range of opinion and advice from Outside Directors.

In the previous fiscal year, this Committee received reports and advice from the Board of Directors regarding remuneration and redeployments at the Director and Executive Officer level and regarding the new management plan "Denka Value-Up."

■ D&A Round Table

In order to facilitate in-depth discussions regarding management matters that are of particular importance, the D&A Round Table is organized every month as a forum bringing together all Outside Directors and Outside Audit & Supervisory Board Members and all internal Directors and Audit & Supervisory Board Members, for free, open-minded, constructive discussions, exchange of opinions and information, and strengthening of cooperation.

■ Dialogue with institutional investors

To foster understanding for management strategy and planning as well as corporate governance, a wide range of measures are carried out including plant visits and dialogue with Outside Directors, in addition to dialogue with the management team and specific departments.

■ Evaluation of the Effectiveness of the Board of Directors

At Denka, the effectiveness of the Board of Directors is analyzed and evaluated annually by all Directors and Audit & Supervisory Board Members, and the results disclosed in the Corporate Governance Report.

In the previous fiscal year, the Company analyzed and evaluated the effectiveness of the Board of Directors by having all Directors and Audit & Supervisory Board Members complete a “Self-Evaluation Questionnaire,” which covers over 20 items related to the effectiveness of the Board of Directors, such as its scale, composition, operation, and other items, and discuss the questionnaire results at Board of Directors meetings.

As a result of these measures, we reaffirmed that discussion was reinvigorated at the Board of Directors, including deliberations on agenda items, by ensuring an appropriate Board size and composition (in terms of getting the right balance of expertise, experience, ability and diversity) and an appropriate meeting frequency and duration, as well as through various initiatives to deepen the understanding of Outside Officers of the Company, enabling them to make proactive contributions at the Board of Directors meetings.

At the same time, constructive opinions were submitted on the overall business strategy of the Group, to further improve the role of the Board of Directors by ensuring full and timely deliberations with briefings and prior explanations, enabling appropriate management and supervision from a medium-to-long-term perspective.

Looking ahead, the Board of Directors will work for sustainable growth and further improvement in corporate value, to ensure a still higher standard of discussion, and greater stability and soundness of management.

Audit & Supervisory Board

In accordance with their fiduciary responsibilities to shareholders, Corporate Auditors and the Audit & Supervisory Board work with the support of the full-time staff of the Auditor's Office, whose independence from management is ensured, to conduct audits of the execution of directors' duties, internal governance, business duties, and accounting, by exercising statutory rights that include requesting reports on the businesses of the Company, investigations pertaining to business duties and accounting, and the appointment, dismissal, and remuneration of an external auditing firm.

In addition, in view of the roles and responsibilities of the Audit & Supervisory Board, the Company appoints candidates to be Audit & Supervisory Board Members based on the decision that there should be at least one person with expertise in finance and accounting.

Message to Shareholders from Audit & Supervisory Board Members

"In addition to the obligation of legality of execution of business duties by the Board of Directors under the Companies Act, I aim to focus auditing activities on ensuring reasonable and effective (valid) of execution of business duties under the "Denka Value-Up" concept. (Shohei Tamaki, Audit & Supervisory Board Member)

"In order to gain the trust of all stakeholders, I aim to monitor the legality and validity of day-to-day execution of business duties based on the Companies Act and the precepts of the corporate governance code." (Masanori Sakamoto, Audit & Supervisory Board Member)

"Drawing on my experience as a lawyer, I audit the execution of business duties operations of the Board of Directors by asking whether the fullest compliance is achieved and whether the corporate governance system is working." (Tsunehiro Sasanami, Outside Audit & Supervisory Board Member)

"As one of the Outside Officers, with the perspective of a Certified Public Accountant specialized in accounting, I help to ensure that standards of corporate governance at the Company are properly upheld, and compliance." (Toshio Kinoshita, Outside Audit & Supervisory Board Member)

Outside Officers

Regarding Outside Directors and Outside Audit & Supervisory Board Members, the Company selects candidates based mainly on practical considerations, such as whether we can expect the candidate to contribute to an increase in the corporate value of the Company as an independent officer, and has also defined its own standards of independence (Please see page 18.), in accordance with the requirements for independence stipulated in the Companies Act, in addition to the standards for independence defined by the Tokyo Stock Exchange and other factors.

In addition, by enhancing their understanding of the Company, the Company strives to create an environment that allows those appointed as Outside Officers to perform their roles for the sake of the sustainable growth of the Company and the increase of its corporate value.

Specifically, in addition to tours of offices, plants, and other facilities, the Company has been implementing the following initiatives:

■ Business and research policy briefings

Briefings are held twice a year in order to have Outside Officers understand the Company's medium- to long-term and short-term business and research policies.

■ Outside Officer Liaison Committee

The Company holds "Outside Officer Liaison Committee" meetings four times a year to facilitate the exchange of information and mutual awareness among Outside Officers concerning matters related to Denka's corporate governance and business.

Initiatives to Corporate Governance Thus Far

2007	The Company cut the number of directors by half in order to speed up decision-making, and introduced a corporate officer system.
2008	<p>The Company discontinued executive titles (such as Senior Managing Director, Managing Director), such that directors would monitor and supervise the execution of business duties from an equal standing.</p> <p>The Company transferred the authority of business execution and executive titles from directors to corporate officers, in order to distinguish clearly between monitoring and supervisory functions.</p> <p>The Company shortened the length of directors' appointments to one year, to facilitate flexible checks on directors.</p> <p>The Company appointed two Outside Directors, such that the total of four outside officers, including two Outside Audit & Supervisory Board Members (per statutory requirements), could carry out checks on management. The Company also created a framework for receiving appropriate advice by facilitating adequate exchanges even outside of meetings of the Board of Directors, such as conducting regular exchanges of opinions with top management.</p> <p>The Company established a Management Committee comprising directors, Audit & Supervisory Board Members (Outside), and some corporate officers, in order to deepen discussion of important management items, and speed up the decision-making process.</p>
2015	<p>The Company increased the number of Outside Directors (from two to three) and decreased the number of members of the Board of Directors (decreased the number of directors by two), in order to strengthen the governance framework, and increase the transparency and soundness of management.</p> <p>The Company resolved to strengthen the round-table conferences between Outside Directors and Corporate Auditors, formerly held twice per year, by holding a "A round table conference of Directors and Audit & Supervisory Board Members" once per month as a forum for free, vigorous and constructive deliberations, exchange of opinion and information and alliance-strengthening for Internal and Outside Directors and Audit & Supervisory Board Members.</p> <p>The Company established the Denka Corporate Governance Guidelines, aimed at creating the optimum corporate governance for sustainable growth and improving medium- to long-term corporate value.</p> <p>The Company facilitated more advance explanations to Outside Officers regarding specific projects that required adequate explanation, in order to deepen understanding of the Company's business, and stimulate debate at meetings of the Board of Directors.</p> <p>The Company resolved to hold an "Outside Officer Liaison Committee" four times per year to facilitate the exchange of information and a shared awareness between Outside Officers.</p>
2016	<p>The Company resolved to conduct business and research objective briefings for Outside Officers twice per year, for understanding the Company's medium- to long-term and short-term business and research objectives.</p> <p>The Company clarified the contents of reporting documentation and documentation related to discussions at meetings of the Board of Directors, in order to ensure that monitoring and supervision of the execution of business duties by corporate officers would be adequately conducted.</p> <p>The effectiveness of the Board of Directors is analyzed and evaluated annually by all Directors and all Audit & Supervisory Board Members, and the results disclosed in the Corporate Governance Report.</p>
2017	<p>With regard to governance and other major issues facing management, such as Director nomination and remuneration, the Board of Directors has established the Management Advisory Committee comprising all Outside Directors, all Outside Audit and Supervisory Board Members, the Chairman and the President, to ensure transparency and objectivity in management decision-making, based on a wide range of opinions and advice from outside officers.</p> <p>It was decided to change the name of a round table conference of Directors and Audit & Supervisory Board Members to the D&A Round Table.</p>

Business Report

(From April 1, 2017 to March 31, 2018)

1. Overview of the Group

(1) Business Progress and Results

During the fiscal year ended March 31, 2018 (fiscal 2017), the Japanese economy was on a mild recovery trend with signs of recovery in personal consumption and exports, and increase in capital investment and production as well. Overall, the global economy continued moderate recovery, partly buoyed a strong US economy.

In the chemical industry, corporate profits remained strong overall, despite yen appreciation and rising raw materials prices.

As a result, sales increased ¥32,982 million or 9.1% year on year to ¥395,629 million, reaching an all-time high, driven by increased sales volumes mainly for chloroprene rubber and electronics and innovative products, combined with market price revisions to absorb rising raw materials costs. Earnings also reached record highs, by a significant margin. Operating income increased ¥7,807 million or 30.2% to ¥33,652 million, ordinary income increased ¥8,340 million or 36.0% to ¥31,499 million, and profit attributable to owners of parent increased ¥4,890 million or 26.9% to ¥23,035 million. Contributory factors were increased volumes sold and improved terms of trade, which outweighed increasing costs from upfront investments for the future, in the healthcare and other sectors.

On April 1, 2017, we established the Life Innovation Division to take overall control of all of the Group's healthcare-related businesses. The new division regroups the healthcare-related businesses formerly under the Life Science & Environmental Products Division. The following overview of results was prepared after related adjustments were made to previous-year figures.

Results of operations by division are described below.

Elastomers & Performance Plastics Division (Sales: ¥178,444 million)

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

Chloroprene rubber sales rose year on year, driven by increased volumes due partly to recovery in demand for resource-related applications, and revision of marketing prices to ensure profitability. Sales of acetylene black increased due to higher sales volumes of the lithium-ion battery and high-voltage power cable sectors. Other strong sellers were styrene monomers, ABC resin and polystyrene resin made by subsidiary Denka Singapore Pte. Ltd.

As a result, division sales increased ¥26,738 million or 17.6% year on year to ¥178,444 million.

Infrastructure & Social Solutions Division (Sales: ¥53,146 million)

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

Increased sales volumes resulted in higher sales of corrugated drainpipes for agriculture and civil engineering, and alumina fibers used in fire-resistant and thermal-insulation materials, etc. Although cement and fertilizers saw strong sales, special cement additives were down year on year.

As a result, division sales increased ¥1,329 million or 2.6% year on year to ¥53,146 million.

Electronics & Innovative Products Division (Sales: ¥54,279 million)

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

Functional films such as THERMO FILM ALS for transportation and packing of electronic components and semiconductors, spherical fused silica fillers for semiconductor sealing, and spherical alumina saw shipments increase on buoyant demand. Likewise, sales volumes and sales rose for electronic circuit substrates and ALSINK, highly reliable heat-dissipating plate, while strong shipments also continued for ALONBRIGHT SiAlON phosphors for LED.

As a result, division sales increased ¥8,027 million or 17.4% year on year to ¥54,279 million.

Life Science & Environmental Products Division (Sales: ¥40,980 million)

Principal products: Food packaging materials, housing materials, life science and industrial materials, etc.

Sales volumes and sales increased for plastic rain gutters and industrial tapes. Film for food packaging material and processed products from DENKA Polymer Co., Ltd. also turned in a strong sales performance. Sales of “TOYOKALON” synthetic fiber for wigs were flat overall, while DX Film, anti-weather fluorine alloy film were down year on year.

As a result, division sales decreased ¥207 million or 0.5% year on year to ¥40,980 million.

Life Innovation Division (Sales: ¥32,338 million)

Principal products: Vaccines, joint function improvers, and diagnostic reagents, etc.

Domestic and export sales volumes and sales increased for DENKA SEIKEN Co., Ltd.’s reagents, but shipments of influenza vaccines were down year on year.

As a result, division sales decreased ¥1,682 million or 4.9% year on year to ¥32,338 million.

Others Division (Sales: ¥36,439 million)

Principal business: Plant engineering etc.

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

As a result, division sales decreased ¥1,222 million or 3.2% year on year to ¥36,439 million.

(Reference)

Topics

Denka Gets “Leadership”-Level A- Rating in CDP Climate Change Report 2017

Denka was awarded a “Leadership”-level A-rating in a survey of over 6,200 companies around the world organized by the London-based international non-profit organization CDP, which was set up in 2000 by an alliance of global institutional investors. The award came in recognition of Denka’s climate change initiatives and disclosure record.

According to the Climate Change Report 2017 released by CDP Japan on October 24, 2017, of around 300 Japanese companies, 13 received an A rating and 59 an A- rating. Six companies in materials were awarded the sector-highest A- rating, including Denka.

Denka has participated to the CDP survey since fiscal 2015. In fiscal 2017, the Company was evaluated by a third-party verification organization for greenhouse gas emission volumes. As part of measures to strengthen disclosure and reliability of information, disclosure of global warming-related technologies includes energy-saving measures, broadened use of renewable energy through in-house hydroelectric and photovoltaic power facilities, and secondary battery materials and construction/civil engineering materials, all of which are important areas for materials companies.

The Group regards climate change, a globally shared challenge, as a management priority in the quest for a sustainable global environment, and manages its operations with a focus on Environmental, Social and Governance (ESG) criteria.

Measures to upgrade production processes

For achievement of sustainable growth, one of the pillars in the three growth visions of the management plan “Denka Value-Up,” we are taking measures to dramatically improve productivity through innovative processes using the latest IoT and AI-based technologies. Driven by the AI and IoT Promoting Dept. newly set up in October 2017, we are re-engineering production and operational processes with the aim of doubling labor productivity, through partnerships with plant and related facilities in Japan and overseas. In particular, we plan the following initiatives for the five years from November 2017, through our major overseas unit in Singapore, where we have four manufacturing plants. Our smart-factory project is acknowledged as dovetailing with the Singapore state growth strategy, and has won the support of the governmental Singapore Economic Development Board.

- (1) Strengthening of digital communications infrastructure
- (2) Abnormality forecasting and detection and operational stabilization, through online analysis of machinery vibration data, etc.
- (3) Quality control and forecasting from process data
- (4) Coordinated management and optimized production methods using supply chain data

At the same time, at our plants in Japan, we are aggressively taking steps to enable productivity improvements and “smart factory” plant automation by applying the most advanced digital technologies, including automated inspections using AI, automated conveyance and robotization using AGVs, etc., facility abnormality detection and diagnosis using sensor technologies, and operational stabilization using big data analysis.

AGV: Automated Guided Vehicle

(2) Capital Investment

The Group has made aggressive investments in line with the “Denka100” management plan’s three new growth strategies, of creating the most optimal production system, scrutinizing every cost element, and focusing management resources on new growth drivers while developing next-generation products. Likewise, in the new management plan “Denka Value-Up” beginning fiscal 2018, there are two growth strategies: promoting a business portfolio shift and innovative processes. With particular regard to the first, we are rapidly accelerating the expansion of our specialty businesses, developing specialized business platforms and redefining the positioning of the commodity businesses. Against that background, in the fiscal year ended March 31, 2018, the Group carried out capital investments totaling ¥22,694 million.

Capital investment in the Elastomers & Performance Plastics Division amounted to ¥6,684 million. Principal items were capital investment for the Company’s Omi Plant and Chiba Plant.

In the Infrastructure & Social Solutions Division, capital investment amounted to ¥8,044 million, which mostly concerned the Company’s Omi Plant and Omuta Plant.

In the Electronics & Innovative Products Division, capital investment amounted to ¥3,477 million, which mostly concerned the Company’s Omuta Plant and Isesaki Plant.

Capital investment in the Life Science & Environmental Products Division amounted to ¥2,089 million mainly for the Company and DENKA Polymer Co., Ltd.

In the Life Innovation Division, capital investments of ¥2,122 million were made at DENKA SEIKEN Co., Ltd. and other units.

Main capital investment projects completed during fiscal 2017 include an anti-cancer virus G47Δ production facility at DENKA SEIKEN Co., Ltd. Furthermore, ongoing construction work at facilities include construction of a new hydroelectric power plant at the Company’s Omi Plant.

Further measures came in the specialty businesses, in which we are making strategic investments for further growth. In healthcare, which we have designated a priority segment, we converted Icon Genetics GmbH, a German biopharmaceutical R&D company that we took a stake in in August 2015, into a wholly owned subsidiary with the purchase from Nomad Bioscience GmbH of all outstanding shares. This took place on August 21, 2017, as initially planned.

In the commodity businesses, we also jointly established logistics rationalization company SOC & Denka Terminal Co., Ltd. in March 2018, after strengthening our operational alliance with Sumitomo Osaka Cement Co., Ltd., to further strengthen our competitiveness in the cement sector and expand business operations.

(3) Financing

In fund procurement, the Company issued ¥7.0 billion in corporate bonds in September 2017, to meet costs of redemption of previously issued corporate bonds.

(4) Issues to be Addressed

Two years ago, the Company reaffirmed “The Denka Value,” the corporate philosophy that serves as the basis for our corporate activities to lay the groundwork for the next 100 years. This coincided with the first year of our second century, which marked the Denka’s 101st anniversary. For details, please see “Denka’s Corporate Governance Initiatives” on page 19 to 22 of this Notice.

In fiscal 2017, which was the final fiscal year of the management plan “Denka100” under the Denka Value concept, we steadily put in place concrete growth strategy initiatives.

As a measure in the infrastructure segment, we decided to step up our business alliance with Sumitomo Osaka Cement in the cement business, with consolidation and shared usage of cement shipment terminals, to deploy management resources more efficiently and cut costs.

In the highly promising healthcare segment, major Group company DENKA SEIKEN Co., Ltd. won approval from the U.S. Food and Drug Administration for its small, dense LDL cholesterol sd LDL-C, a measuring reagent. It also expanded its QuickNavi™ series of test drugs and began marketing the QuickNavi™-Mycoplasma antigen test kit and the influenza virus test kit QuickNavi™-Flu2. In a joint venture with PlexBio Co., Ltd., our strategic partner headquartered in Taiwan, we signed a basic joint agreement to develop systems (new equipment and reagents) to speed up identification of pathogenic microorganisms and drug-resistant bacteria genes, helping alleviate one of the major roadblocks in the field of infectious diseases.

Through such measures, we steadily carried out and garnered the benefits of growth strategies in the previous “Denka100” management plan.

The current fiscal year is the initial year of the new “Denka Value-Up” management plan, which carries on where “Denka100” left off. Looking ahead, we will implement our two-pronged growth strategy, promoting a business portfolio shift and introducing innovative processes, to realize the three growth visions under the “Denka Value-Up” plan. In particular, with regard to innovative processes, we aim to revitalize the organization, breaking away from conventional thinking in production, R&D and individual operational processes, by introducing the most advanced ICT, drilling down to the process essentials, further standardizing processes and innovating productivity, creating new businesses, changing work styles and promoting diversity.

At the same time as developing a wide range of policies under the “Denka Value-Up” concept, we shall respond to growing public pressure for deeper adoption of Environmental, Social and Governance (ESG) criteria, which have recently been a focus of global attention. For details of measures with regard to “Denka Value-Up” and ESG at Denka, please refer to pages 29 to 32 of this Notice.

On March 3, 2018, at the Omuta Plant, an employee of the Company was killed in an accident while working inside a Company-owned warehouse when a flexible container of raw materials for our products collapsed. In fulfilling its social responsibility as a player in the chemical sector, the Company regards safety as the No. 1 priority. Speaking on behalf of the management team, the President expressed his great sorrow at the accident, particularly in light of the timing, as it happened just when the Company was finally seeing the benefits of many specific measures to ensure better safety in core operations.

Looking ahead, Denka will carry out the radical measures needed to ensure that there is no repetition of this kind of incident. We also reaffirm our conviction as a group that safety is an absolute precondition for the continued survival of the Company as a member of society. We shall further step up activities to encourage all employees to get back to basics, question daily assumptions and, without fuss, treat safety as the top priority.

(Reference)

Becoming a Specialty-Fusion Company under the “Denka Value-Up” Management Plan

In November 2017, Denka formulated the new “Denka Value-Up” management plan for the five years from fiscal 2018 to fiscal 2022.

In the previous management plan, “Denka100,” three priority growth strategies were laid down: creating the most optimal production system, scrutinizing every cost element and focusing management resources on new growth drivers while developing next-generation products. With a focus on the priority areas of health, environment/energy and infrastructure, results consistently came out ahead of pre-plan performance. We also made proactive investments to seed future growth, and worked to consolidate platforms for improved profitability at individual businesses.

The new “Denka Value-Up” management plan is rooted in the basic concepts of safety as No. 1 priority, environmental awareness, fostering and tapping human capital and contributing to the community, all of which are indispensable for continued growth of the Company. We will aim to realize sustainable and sound growth as a “Specialty-Fusion Company,” through new strategies to achieve dramatic growth globally.



Overview of the “Denka Value-Up” Management Plan

1. Growth vision

(1) Become a “Specialty-Fusion Company,” with a strong profile on global markets

We aim to become a company that boasts cutting-edge competitive capabilities in global markets, based on a fusion of specialty businesses, products, technologies and human capital.

(2) Maintain sustained growth by significantly enhancing productivity through innovative processes

Through process innovation based on cutting-edge digital technologies such as IoT and AI and a focus on process essentials, we aim to dramatically improve productivity and position ourselves for sustained growth regardless of external conditions.

(3) Secure sound growth through work-style reforms

By ensuring a workplace environment that is geared to diverse working and lifestyle needs, we aim, in partnership with every individual employee, to satisfying stakeholders and secure sound corporate growth.

2. Numerical targets

Operating income: ¥33.7 billion
Ratio of operating income: 8.5%

Operating income: ¥42.0 billion
Ratio of operating income: 10% or more

Operating income : ¥50.0-60.0 billion
(Figures will be officially decided in fiscal 2020)
Ratio of operating income: 15% or more

Ratio of specialty business*
50%



Ratio of specialty business*
75%



Ratio of specialty business*
90%

Fiscal 2017

Fiscal 2020

Fiscal 2022

*Definition

“Specialty” refers to a business that combines a distinctive nature with high added value, is not easily influenced by external conditions, and has a leading share of its market, as well as businesses with great near-term potential (businesses that have become specialized by fusing new specialty grades and solutions in the healthcare, environment/energy, high value-added infrastructure and basic businesses).

3. Growth strategies

(1) Business portfolio shift

1) Accelerate the expansion of our specialty businesses

Concentrate management resources on three priority areas, and meet numerical targets through aggressive strategic investment (including M&A and business alliances, stepped up R&D and focused human resource policy).

Healthcare

Policy: Contribute to improved quality of life for people around the world through not only illness prevention and early diagnosis, but development of the cancer remedy and gene alteration analysis domains

Primary themes: Diagnostic reagents to measure lipoprotein subclasses, cancer treatment (particularly the selection of candidate drugs for molecular-targeted therapy), methods for mass-producing oncolytic viruses and technologies to manufacture proteins using plants

The environment and energy

Policy: Employ such core technologies as cutting-edge inorganic materials to better satisfy the latest needs for solutions that help achieve zero emissions, support autonomous driving systems and otherwise help create a clean and safe future society

Primary themes: Lithium-ion battery materials, films as alternatives for coatings and materials for surface decoration of interiors

High-value-added infrastructure

Policy: Meet high-profile global infrastructure development needs around the world through the provision of cutting-edge materials and solutions

Primary themes: Promote global expansion via M&A, the marketing of products tailored to meet region-specific needs and cutting-edge infrastructure diagnosis services employing ICT technologies

2) Specialize our key businesses

Policy: To ensure resilience to changes in external conditions, we will work to increase the “specialty grade” ratio in our product lineup, while shifting our focus to the solution business

3) Redefine the positioning of the commodity businesses

Policy: Redefine the positioning of the commodity businesses, which are intrinsically unsuitable for specialization, through the Denka Value-Up Promoting Dept., an organization intended to drive the “Denka Value-Up” management plan on a Groupwide basis, and take steps to overhaul strategy

(2) Introduction of Innovative processes

Rather than adhering to precedent, proactively work to introduce cutting-edge ICT technologies, drill down to truly essential processes and promote standardization of processes, to achieve dramatic improvements in productivity, create new businesses, execute work-style reforms and promote diversity

1) Production process reforms

Restructure production facilities into ICT-based next-generation smart factories

Build a robust, overarching information platform capable of managing all data on a real-time basis

Enable manufacturing operations with greater productivity and superior stability

2) R&D process reforms

Identify R&D themes oriented toward specialization

Develop R&D support systems employing ICT

Nurture diverse human resources by providing strategically designed career paths

3) Operational process reforms

Revitalize in-house collaboration through the introduction of futuristic office functions
Improve operational productivity
Develop a working environment without fixed job stations

○ Work-style reforms / Diversity promotion
Shift focus from working hours “quantity” to “quality”
Improve employee quality of life
Generate innovation through diversity of human capital

4. Investment Plan

Total for five years:	¥200.0 billion
Of which strategic investment:	¥75.0 billion (¥15.0 billion/year)
M&A, etc.:	¥60.0 billion
Process reform:	¥15.0 billion
Regular investment:	¥125.0 billion (¥25.0 billion/year)

5. Shareholder returns

Continued commitment to 50% standard for total payout ratio
Regarding shareholder returns, the dividend is prioritized, with flexible purchase of treasury shares, depending on stock price movements and other factors.

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

Diversity initiatives at Denka

The Company established a Diversity Promoting Dept. in October 2017 and is promoting diversity as one of the growth strategies of “Denka Value-Up”.

“What makes you what you are is what makes Denka what it is”—this is the Denka diversity slogan.

Diversity promotion measures include seminars, workshops and lectures, and awareness-raising activities for a wide range of media including our intranet website, with the aim of transforming individual employee awareness to create an environment where anybody can work enthusiastically regardless of gender, age, nationality, physical status, family structure or other matters of affiliation.

Looking ahead, we shall further accelerate promotion of diversity through measures such as a review of personnel systems including appraisal systems, creation of new mechanisms for fostering talent tailored to the areas Denka specializes in, as well as improvements at the operational and work-style level, promotion of standardization and facilitation of work duties through introduction of IoT and AI technologies, in an overall approach that combines both software and nuts-and-bolts measures.

(Reference)

Denka’s Initiatives in “ESG”

As globalization and the spread of information advances, the social need for “ESG (Environment, Society, Governance)” is progressing rapidly both in Japan and overseas, and to work toward resolving issues such as shared international society targets as SDGs (sustainable developmental goals) set by a United Nations Summit in 2015, the importance of evolution in current technologies, personnel, and trust relationships with stakeholders is gaining importance.

As a unique chemicals manufacturer with a very wide range of business activities, Denka has accumulated expertise in areas including steady research and development activities and protection activities, capital investment and personnel development from a long-term perspective, and relationships of trust with transaction partners and regional societies.

In view of this accumulation, from April 2017, to respond to the expectations of society and as a company group that can be trusted, we selected significant issues to work toward sound sustainable growth as CSR issues (materiality), and set forth key policies for activities to be undertaken as we make progress in “ESG” measures.

Denka will advance measures in materiality and fulfill its social responsibilities, working to realize the corporate philosophy “The Denka Value.”

Denka’s significant CSR issues (materiality)

Category	Significant CSR issues (materiality)
Top priority to safety	Safety and disaster prevention
	Safe and clean labor and creating a positive, comfortable work environment
Products and technologies	Creating new products and technologies to contribute to the sustainable development of society
	Product safety
Corporate governance: Corporate activities that can be trusted	Spreading corporate principles and reforming corporate culture
	Strengthening corporate governance
	Compliance with laws and regulations and thorough implementation of corporate ethics
Employee happiness	Personnel development and continuation of technologies
	Attention to respecting diversity and providing opportunity equality
	Improving work-life balance and employee health
Environmental protection	Preventing environmental pollution of the air, water, and earth, etc.
	Promoting countermeasures against climate change (Preventing global warming, limiting release of greenhouse gases, responding to change)
Dialogue and partnership with society	Appropriate disclosure of corporate information at the appropriate time and establishment of bi-directional communication

Although corporate governance and trusted corporate activities (G), are provided in “Denka’s Corporate Governance Initiatives” on pages 19 to 23 and employee happiness (S) are provided in “Denka’s Diversity Initiatives” on page 30, we have provided additional information here that was not able to be included in the above sections.

E: Environmental protection

Production of chemical products uses a vast amount of energy. Denka has been working actively to expand the use of clean energy to conserve energy and reduce the emission of environmental pollutants.

Since its founding, Denka has utilized hydroelectric power, which is highly effective in reducing CO2 emissions. In line with the expansion of petrochemical products, we secured energy by installing thermal

power plants, but under the policy of “reducing environmental burden,” we transitioned from heavy oils at thermal power plants to natural gas, promoting initiatives such as the installation of high-efficiency gas turbine generators for natural gas, strengthening power generation capacity through increasing efficiency in hydroelectric power generation, and power generation via waste heat produced by cement plants.

Currently, to increase the proportion of clean energy toward the future, we are advancing expansion in the use of renewable energies through utilization of the fixed-price purchase system, and are actively advancing the installation of solar power generation that utilizes plant land and roofing and the construction of new hydroelectric power plants, etc.

In particular, in hydroelectric power, 15 power generators are located around the Omi Plant in Itoigawa, Niigata Prefecture (including five locations held by the Kurobegawa Power Plant), which is one of the largest such projects in Japan by a private chemical manufacturer. Furthermore, construction is underway at the New Omigawa Power Plant (scheduled for completion in November 2019), and at the Kurobegawa Power Plant, which is a joint venture with the Hokuriku Electric Power Company as well, construction will begin for the New Himekawa Sixth Power Plant (scheduled to begin generating power in April 2022). Moving forward, Denka will work toward the effective use of water resources and contribute to a low-carbon society through corporate activities that are considerate of the environment.

Power composition by power source (fiscal 2017) *Total amount used: 1.78 billion kWh

Self-generated power				Purchased power
Hydroelectric	Thermal (Natural gas)	Cement waste heat	Total	
36%	18%	2%	56%	44%

E: Products and technologies

“DENKA BLACK,” introduced by Denka, is a carbon black with a special construction produced through the thermal decomposition of acetylene gas, and is used as a conductor in lithium ion batteries (LiB).

DENKA BLACK’s most significant features are its chain structure and high purity. The chain structure (carbon atoms in a chain state) can create high conductivity even in small amounts. Additionally, impurities have been reduced to an absolute minimum, creating a safe and highly functional conductive material.

Through Denka’s technologies, we are contributing to the proliferation of HEV (hybrid electric vehicles) and EV (electric vehicles).

S: Dialogue and partnership with society

Toyokalon is a synthetic fiber for wigs created from PVC fibers pioneered by Denka in a world-first commercialization. For over 30 years since beginning exports, Denka has been working to provide products matching the needs of the final consumers of females in Africa and African-American females in the United States.

On May 8, 2017, as a joint project with the Bennett Career Institute (BCI), a cosmetology school in the United States, Denka held the 3W Project (Wigs for Wonderful Women) as a mother’s day event, inviting 50 cancer patients from the Washington Hospital Center. Under the “We care” slogan, we presented the patients with wigs utilizing Luxeena, a product even closer to human hair than Toyokalon, while holding a hair show by students of the cosmetology school. These activities were also held in February 2018, and Denka plans to continue with them into the future.

Moving forward, Denka will actively participate in social contribution activities and work to create relationships of trust with many stakeholders.

(5) Financial Position and Results of Operations

(Millions of yen, unless otherwise stated)

Item	156th term (from April 1, 2014 to March 31, 2015)	157th term (from April 1, 2015 to March 31, 2016)	158th term (from April 1, 2016 to March 31, 2017)	159th term (from April 1, 2017 to March 31, 2018)
Net sales	383,978	369,853	362,647	395,629
Operating income	24,047	30,634	25,844	33,652
Ordinary income	24,287	27,022	23,158	31,499
Profit attributable to owners of parent	19,021	19,472	18,145	23,035
Net income per share (yen)	207.40	214.71	205.05	261.80
Total assets	445,569	443,864	454,944	475,086
Total net assets	210,798	216,071	227,487	242,780
Net assets per share (yen)	2,279.70	2,366.74	2,526.42	2,727.94
Total shareholders' equity ratio (%)	46.9	47.7	49.1	50.3
Return on equity (ROE) (%)	9.6	9.3	8.3	10.0
Total dividends paid	5,723	5,836	6,194	9,206
Dividends per share (yen)	62.50	65.00	70.00	105.00

- Notes: 1. The Company conducted a consolidation of shares at a ratio of five shares to one share with an effective date of October 1, 2017. As a result, net income per share, net assets per share and dividends per share in the above chart are provided assuming that the share consolidation had been conducted at the beginning of the 156th term.
2. 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.
3. For total dividends paid and dividends per share for the 159th term, the sum of the interim dividend paid in December 2017 and the dividend proposed for resolution at this Ordinary General Meeting of Shareholders is indicated.

(6) Significant Subsidiaries (as of March 31, 2018)

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 functional polystyrene resin products
Denka Chemicals Holdings Asia Pacific Pte., Ltd.	USD 68,700 thousand	100.0	Regional headquarters for Southeast and South Asia
Denka Performance Elastomer LLC	USD 62,000 thousand	70.0 (70.0)	Manufacturing and sales of synthetic rubbers
Hinode Kagaku Kogyo	JPY 300 million	100.0	Manufacturing and sales of chemical fertilizers
Nishi-nihon Koatsu Gas Co., Ltd.	JPY 80 million	93.3	Manufacturing and sales of high-pressure gas
DENKA RENOTEC Co., Ltd.	JPY 50 million	100.0	Repair, design, engineering and management work for concrete structures
DENKA Azumin Co., Ltd.	JPY 300 million	100.0	Manufacturing and sales of fertilizers and agricultural materials
DENKA Inorganic Materials Tianjin Co., Ltd.	JPY 250 million	100.0	Manufacturing and sales of special cement additives
DENKA Infrastructure Technologies Shanghai Co., Ltd.	JPY 210 million	100.0	Business headquarters for special cement additives in China
Denka Infrastructure Malaysia Sdn Bhd.	MYR 7,151 thousand	90.0 (90.0)	Manufacturing and sales of construction chemicals
Estop Sdn. Bhd.	MYR 1,500 thousand	100.0 (100.0)	Manufacturing and sales of construction chemicals
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 Electronic Materials Dalian Co., Ltd.	JPY 1,000 million	100.0	Processing and sales of electronic materials
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 Advanced Materials Vietnam Co., Ltd.	USD 12,000 thousand	100.0 (100.0)	Manufacturing and sales of electronic packaging materials and vinyl tapes
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 Business Details (as of March 31, 2018)

The Company manufactures and sells the following products.

Business division	Main products
Elastomers & Performance Plastics Division	Chloroprene rubber, acetylene black, styrene monomer, polystyrene resin, ABS resin, CLEAREN, heat-resistant resin, transparent resin, POVAL, etc.
Infrastructure & Social Solutions Division	Cement, special cement additives, fertilizers, calcium carbide, fire resistant materials, environmental materials, etc.
Electronics & Innovative Products Division	Fused silica, electronic circuit substrates, fine ceramics, electronic packaging materials, etc.
Life Science & Environmental Products Division	Food packaging materials, housing materials, life science and industrial materials, etc.
Life Innovation Division	Vaccines, joint function improvers, diagnostic reagents, etc.
Others Division	Plant engineering etc.

(8) Principal Offices and Factories (as of March 31, 2018)

Company name	Principal offices
Denka Co., Ltd.	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
Denka Performance Elastomer LLC	Head Office and Plant: Louisiana, United States
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 Inorganic Materials Tianjin Co., Ltd.	Head Office and Plant: Tianjin, China
DENKA Infrastructure Technologies Shanghai Co., Ltd.	Head Office: Shanghai, China
Denka Infrastructure Malaysia Sdn Bhd.	Head Office and Plant: Selangor, Malaysia
Estop Sdn. Bhd.	Head Office and Plant: Selangor, Malaysia
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 Electronic Materials Dalian Co., Ltd.	Head Office and Plant: Dalian, Liaoning, 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 and Plant: Kasai, Hyogo Prefecture
Denka Advanced Materials Vietnam Co., Ltd.	Head Office and Plant: Hung Yen, Vietnam
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., Ltd.	Head Office: Hsin-Chu, Taiwan

(9) Employees (as of March 31, 2018)

1) The Group

Business segment	Number of employees	
Elastomers & Performance Plastics Division	1,072	[157]
Infrastructure & Social Solutions Division	964	[174]
Electronics & Innovative Products Division	954	[183]
Life Science & Environmental Products Division	1,018	[191]
Life Innovation Division	832	[211]
Others Division	752	[189]
Corporate (common)	352	[74]
Total	5,944	[1,179]

- 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
3,011 [668]	+51 [+23]	40.5	18.1

- 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.

(10) Principal Lenders (as of March 31, 2018)

Lender	Outstanding borrowings (Millions of yen)
Syndicated loan	25,000
Mizuho Bank, Ltd.	16,405
M&A loans	12,442
The Norinchukin Bank	5,655
Sumitomo Mitsui Banking Corporation	5,176

- Notes: 1. The syndicated loan is managed by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, and the Development Bank of Japan Inc. and is co-financed.
2. M&A loans refers to an overseas M&A support loan system maintained by the Japan Bank for International Cooperation in cooperation with private banks.

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

Not applicable

2. Status of Shares (as of March 31, 2018)

(1) Total Number of Authorized Shares	290,000,000 shares
(2) Shares of Common Stock Issued	88,555,840 shares (including 879,825 shares of treasury stock)
(3) Number of Shareholders	26,546

(4) Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,518	9.72
Japan Trustee Service Bank, Ltd. (Trust Account)	6,344	7.24
Trust & Custody Services Bank, Ltd. (Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	3,215	3.67
National Mutual Insurance Federation of Agricultural Cooperatives	2,759	3.15
MITSUI LIFE INSURANCE, CO., LIMITED	2,381	2.72
STATE STREET BANK AND TRUST COMPANY 505001	2,043	2.33
Japan Trustee Service Bank, Ltd. (Trust Account 5)	1,470	1.68
Mitsui Sumitomo Insurance Company, Limited	1,383	1.58
STATE STREET BANK AND TRUST COMPANY 505103	1,290	1.47
JP MORGAN CHASE BANK 385151	1,192	1.36

Note: Treasury stock is excluded for calculation of the percentage of shares held.

(5) Other Significant Matters concerning Shares

On October 1, 2017, while changing the number of shares constituting one unit from 1,000 shares to 100 shares, the Company conducted a consolidation of shares at a ratio of five shares to one share. As a result, the total number of authorized shares has changed from 1,584,070,000 shares to 290,000,000 shares, and the total number of shares issued has changed from 442,779,202 shares to 88,555,840 shares.

3. Matters concerning the Company's Stock Acquisition Rights (as of March 31, 2018)

Not applicable

4. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2018)

Name	Position	Responsibilities and significant concurrent positions
Shinsuke Yoshitaka	Chairman, Board of Directors	Outside Director of Koatsu Gas Kogyo Co., Ltd.
Manabu Yamamoto	President	President and Chief Executive Officer Outside Audit & Supervisory Board Member of Koatsu Gas Kogyo Co., Ltd.
Mitsukuni Ayabe	Director	Executive Vice President and Chief Operating Officer Supervisor, Life Innovation President and Representative Director of DENKA SEIKEN Co., Ltd.
Norihiro Shimizu	Director	Managing Executive Officer Chief R&D Officer, Innovation Center New Business Development Dept., R&D Promoting Dept., Intellectual Property Dept.
Kenji Nakano	Director	Managing Executive Officer Chief Compliance Officer Secretary Dept., Internal Auditing Dept., Administrative Dept., Legal Dept., HR Dept.
Yasuo Sato	Director (Outside Director)	Chairman and Director of Wisemech Corporation
Akio Yamamoto	Director (Outside Director)	
Tatsutsugu Fujihara	Director (Outside Director)	Chairman and Executive Officer of KSO Corporation
Shohei Tamaki	Audit & Supervisory Board Member	
Masanori Sakamoto	Audit & Supervisory Board Member	
Tsunehiro Sasanami	Outside Audit & Supervisory Board Member	Lawyer, Sasanami Law Office
Toshio Kinoshita	Outside Audit & Supervisory Board Member	Representative Director of Global Professional Partners Outside Audit & Supervisory Board Member of Panasonic Corporation Outside Corporate Auditor of Weathernews Inc. Outside Director of ASATSU-DK Inc. Outside Director of Mizuho Bank, Ltd. Outside Director of TACHI-S CO., LTD.

- Notes: 1. Directors Mr. Yasuo Sato, Mr. Akio Yamamoto, and Mr. Tatsutsugu Fujihara are outside directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Mr. Tsunehiro Sasanami and Mr. Toshio Kinoshita are outside auditors as stipulated in Article 2, Item 16 of the Companies Act.
3. Audit & Supervisory Board Member Mr. Toshio Kinoshita is a certified public accountant, and has an adequate level of knowledge regarding finance and accounting.
4. The Company designated Directors Mr. Yasuo Sato, Mr. Akio Yamamoto, and Mr. Tatsutsugu Fujihara and Audit & Supervisory Board Members Mr. Tsunehiro Sasanami and Mr. Toshio Kinoshita as independent directors/auditors as defined by Tokyo Stock Exchange, Inc. and notified it of the designation.

(Reference)**Executive Officers** (as of April 1, 2018)

Position	Name	Responsibilities
President and Chief Executive Officer	Manabu Yamamoto	
Executive Vice President and Chief Operating Officer	Mitsukuni Ayabe	Supervisor, Life Innovation President and Representative Director of DENKA SEIKEN Co., Ltd.
Senior Managing Executive Officer	Norihiro Shimizu	Chief Scientific Officer (CSO) Chief R&D Officer New Business Planning & Development Dept., R&D Dept., Intellectual Property Dept.
Managing Executive Officer	Kenji Nakano	Supervisor, Infrastructure & Social Solutions Chief Compliance Officer(CCO) Secretary Dept., Internal Auditing Dept., Administrative Dept., Legal Dept., HR Dept.
	Masaharu Suzuki	Investor Relations Dept., CSR & Corporate Communications Dept., Automotive Materials & Solutions Dept. General Manager, Corporate Planning Dept. General Manager, Denka Value-Up Promotion Dept.
	Tetsuya Shinmura	Chief Technical Officer (CTO) Environment and Safety Dept., Purchasing Dept., Logistics Dept.
	Junichi Kimura	Representative, China General Manager, Life Science & Environment Products
	Toshio Imai	Representative, USA General Manager, Elastomers & Performance Plastics
	Hideki Hirano	General Manager, Omi Plant
	Executive Officer	Koichi Taguchi
	Hideki Watanabe	General Manager, Chiba Plant
	Toyoki Yokoyama	General Manager, Infrastructure & Social Solutions President and Representative Director of DENKA RENOTEC Co., Ltd.
	Koki Tabuchi	President of Denka Performance Elastomer LLC
	Shojiro Watanabe	General Manager, Electronics & Innovative Products
	Nobuyuki Yoshino	Assistant to Chief R&D Officer Innovation Center General Manager, Advanced Technologies Research Institute
	Kazuya Tokumoto	Managing Director, DCHA, DSPL, and DAPL
	Hideki Takahashi	General Manager, Life Innovation General Manager, Medical Science Dept.
	Kazuo Takahashi	General Manager, Omuta Plant
	Rimiru Hayashida	Information System Dept. General Manager, Accounting & Finance Dept.

Notes: DCHA: Denka Chemicals Holdings Asia Pacific Pte., Ltd.

DSPL: Denka Singapore Pte., Ltd.

DAPL: Denka Advantech Pte., Ltd.

(2) Directors that Retired During the Fiscal Year Under Review

Name	Date of retirement	Reason for retirement	Positions, responsibilities, and significant concurrent positions at time of retirement
Tetsuro Maeda	June 22, 2017	Term of office expired	Chairman, Board of Directors of DENKA SEIKEN Co., Ltd.

(3) Summary of Liability Limitation Agreements

Based on Article 427, Paragraph 1 of the Companies Act, the Company currently concludes liability limitation contracts with Directors Mr. Yasuo Sato, and Mr. Akio Yamamoto, and Mr. Tatsutsugu Fujihara and Audit & Supervisory Board Members Mr. Tsunehiro Sasanami and Mr. Toshio Kinoshita that limit their liability for damages of Article 423, Paragraph 1 of said Act. The limit of liability under the contract is set to a predefined amount of ¥5 million or more or the amount stipulated by laws and regulations, whichever is higher.

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

Category	Number of persons	Amount of remuneration, etc. (Millions of yen)	Breakdown					
			Cash remuneration				Stock remuneration	
			Basic remuneration		Performance-linked remuneration			
			Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)	Number of persons	Total (Millions of yen)
Directors (of which Outside Directors)	9 (3)	335 (36)	9 (3)	279 (36)	5 (-)	37 (-)	5 (-)	18 (-)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	4 (2)	79 (24)	4 (2)	79 (24)	- (-)	- (-)	- (-)	- (-)
Total (of which outside officers)	13 (5)	414 (60)	13 (5)	358 (60)	5 (-)	37 (-)	5 (-)	18 (-)

- Notes: 1. The maximum amount of cash compensation remuneration for Directors is ¥500 million per year (of which the maximum amount of remuneration for Outside Directors is ¥50 million, excluding the portions of their salaries as employees) as resolved at the 158th Ordinary General Meeting of Shareholders held on June 22, 2017.
2. 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.
3. The number of Directors as of the end of the fiscal year under review was eight (including three Outside Directors). The difference between these figures and the figures in (1) above are due to the retirement of one Director at the 158th Ordinary General Meeting of Shareholders held on June 22, 2017 as in (2) above.
4. The total amount of stock remuneration is the amount of expenses recorded for the fiscal year under review for the stock remuneration plan that allots shares of the

Company (a stock remuneration plan wherein a trust established by the Company makes acquisitions using funds contributed by the Company, and shares of the Company and cash equivalent to the disposal conversion amount of the Company's shares are allotted to Directors (excluding Outside Directors) through said trust).

(5) Outside Officers

1) Significant concurrent positions as business executors at other companies, etc. and the relationship between the Company and such companies, etc.

Director Mr. Yasuo Sato is Chairman and Director of Wisemech Corporation. There are no significant transactions between the Company and Wisemech Corporation.

Director Mr. Tatsutsugu Fujihara is the Chairman and Executive Officer of KSO Corporation. There are no significant transactions between the Company and KSO Corporation.

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

Audit & Supervisory Board Member Mr. Toshio Kinoshita is Representative Director of Global Professional Partners. There are no significant transactions between the Company and Global Professional Partners.

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

Audit & Supervisory Board Member Mr. Toshio Kinoshita is Outside Audit & Supervisory Board Member of Panasonic Corporation and Outside Corporate Auditor of Weathernews Inc. and Outside Director of ASATSU-DK Inc., Outside Director of Mizuho Bank, Ltd., and Outside Director of TACHI-S CO., LTD.

There are no significant transactions between the Company and Weathernews Inc., Asatsu-DK Inc., and TACHI-S CO., LTD.

The Company has transactions with Panasonic Corporation and Mizuho Bank, Ltd., but there are no special interest relationships.

3) Relationship with specified related parties such as major customers

Not applicable

4) Principal activities in the fiscal year ended March 31, 2018

i. Outside Directors

[Board of Directors meetings]

The Board of Directors met 13 times in the fiscal year ended March 31, 2018. Mr. Yasuo Sato, Mr. Akio Yamamoto and Mr. Tatsutsugu Fujihara attended all 13 meetings of the Board of Directors (attendance rate: 100%). Mr. Sato and Mr. Yamamoto, based on their rich experience and wide views as managers and rich international experience serving as persons responsible for business at global companies, and Mr. Fujihara, based on his rich experience and wide views as a manager, and expert knowledge of corporate finance, actively made inquiries and recommendations on the Denka Group's corporate management, including business strategies and fund management systems, etc., at overseas subsidiaries. Mr. Fujihara 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, 2018. Mr. Tsunehiro Sasanami attended all 13 meetings of the Board of Directors (attendance rate: 100%), and Mr. Toshio Kinoshita attended 11 out of the 13 meetings of the Board of Directors (attendance rate: 85%). Mr. Sasanami, based on his rich experience and expert knowledge as a lawyer, and Mr. Kinoshita, based on his experience and rich accounting knowledge as a certified public accountant in Japan and the US, actively made inquiries and made recommendations regarding operation of the Company's internal control systems and business and funding plans at overseas subsidiaries. They also 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, 2018. Mr. Tsunehiro Sasanami attended all 15 meetings of the Audit & Supervisory Board (attendance rate: 100%), and Mr. Toshio Kinoshita attended 13 out of the 15 meetings of the Audit & Supervisory Board (attendance rate: 87%). 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 Yasuo Sato	13/13	100%	-	-
Director Akio Yamamoto	13/13	100%	-	-
Director Tatsutsugu Fujihara	13/13	100%	-	-
Audit & Supervisory Board Member Tsunehiro Sasanami	13/13	100%	15/15	100%
Audit & Supervisory Board Member Toshio Kinoshita	11/13	85%	13/15	87%

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, 2018**

	Amount paid (thousands of yen)
Remuneration, etc. for the Accounting Auditor for the fiscal year ended March 31, 2018	72,000
Monetary or property benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	112,870

Notes: 1. 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, 2018.

2. The Audit and Supervisory Board of the Company, in observance of the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, has confirmed the time taken to audit each audit item compared to audit plans for previous fiscal years and comparisons with amounts for other companies as disclosed for the fiscal year ended March 31, 2017, and agrees to the fees, etc., of the Accounting Auditor under Article 399, Item 1 of the Companies Act.

3. Financial statements (including corresponding statements) of some of the Company's significant subsidiaries are audited (subject to regulations of the Companies Act and the Financial Instruments and Exchange Act; including corresponding laws and regulations overseas) by Certified Public Accountants or Audit Corporations (including persons with qualifications that correspond to these qualifications overseas) other than the Company's Accounting Auditor.

(3) **Non-audit Services**

The Company pays fees to Ernst & Young ShinNihon LLC mainly for work in the creation of comfort letters associated with the issuance of corporate bonds.

(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 make a resolution for dismissal or non-reappointment of the Accounting Auditor, and the Board of Directors will submit a proposal to the General Meeting of Shareholders based on this resolution.

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.

(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

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Account item	(Reference) 158th term	159th term	Account item	(Reference) 158th term	159th term
(Assets)	454,944	475,086	(Liabilities)	227,456	232,305
Current assets	168,902	186,467	Current liabilities	144,190	158,044
Cash and deposits	10,258	14,115	Notes and accounts payable-trade	46,811	53,625
Notes and accounts receivable-trade	85,069	95,583	Short-term loans payable	43,492	41,100
Merchandise and finished goods	42,532	43,761	Current portion of long-term loans payable	72	634
Work in process	3,745	3,669	Current portion of bonds	10,000	15,000
Raw materials and supplies	16,907	18,870	Accounts payable-other	14,229	14,677
Deferred tax assets	2,039	2,338	Income taxes payable	3,659	5,855
Other	8,809	8,595	Accrued consumption taxes	814	1,081
Allowance for doubtful accounts	(460)	(466)	Accrued expenses	9,690	10,746
			Provision for bonuses	2,880	3,002
			Other	12,539	12,322
Noncurrent assets	286,041	288,618	Noncurrent liabilities	83,266	74,261
Property, plant and equipment	213,456	209,761	Bonds payable	20,000	12,000
Buildings	39,849	39,424	Long-term loans payable	40,184	39,535
Structures	22,132	22,111	Deferred tax liabilities	5,895	6,604
Machinery and equipment	73,761	66,947	Deferred tax liabilities for land revaluation	8,405	8,403
Vehicles	577	488	Net defined benefit liability	7,774	6,002
Tools, furniture and fixtures	2,895	3,249	Provision for stock benefits	-	18
Land	63,247	63,323	Other	1,006	1,696
Lease assets	312	248			
Construction in progress	10,679	13,968	(Net assets)	227,487	242,780
Intangible assets	10,342	13,880	Shareholders' equity	199,865	212,479
Software	1,170	1,148	Capital stock	36,998	36,998
Goodwill	5,694	9,315	Capital surplus	49,284	49,391
Right of using patent	3,477	3,417	Retained earnings	123,752	129,278
Investments and other assets	62,242	64,975	Treasury stock	(10,170)	(3,189)
Investment securities	54,604	58,178	Accumulated other comprehensive income	23,700	26,584

Long-term loans receivable	664	552	Valuation difference on available-for-sale securities	14,837	17,448
Long-term prepaid expenses	2,789	2,122	Deferred gains or losses on hedges	-	(195)
Deferred tax assets	1,608	1,482	Revaluation reserve for land	10,265	10,260
Other	3,399	2,779	Foreign currency translation adjustment	1,496	1,241
Allowance for doubtful accounts	(823)	(139)	Remeasurements of defined benefit plans	(2,898)	(2,170)
			Non-controlling interests	3,922	3,717
Total	454,944	475,086	Total	454,944	475,086

Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	(Reference) 158th term		159th term	
Net sales		362,647		395,629
Cost of sales		273,263		295,583
Gross profit		89,383		100,046
Selling, general, and administrative expenses		63,539		66,394
Operating income		25,844		33,652
Non-operating income				
Interest and dividend income	1,428		1,681	
Equity in earnings of affiliates	568		1,105	
Other	640	2,637	702	3,488
Non-operating expenses				
Interest expenses	820		707	
Other	4,502	5,322	4,933	5,641
Ordinary income		23,158		31,499
Extraordinary income				
Loss on sales of investment securities	683	683	-	-
Extraordinary loss				
Loss on liquidation of business	1,356	1,356	1,928	1,928
Income before income taxes		22,486		29,571
Income taxes-current	5,133		7,280	
Income taxes-deferred	(464)	4,669	(933)	6,347
Profit		17,816		23,224
Profit (loss) attributable to non-controlling interests		(329)		188
Profit attributable to owners of parent		18,145		23,035

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Account item	(Reference) 158th term	159th term	Account item	(Reference) 158th term	159th term
(Assets)	352,757	367,469	(Liabilities)	189,854	195,866
Current assets	103,773	116,641	Current liabilities	113,660	127,358
Cash and deposits	2,926	3,175	Accounts payable-trade	26,766	33,925
Notes receivable-trade	4,446	4,493	Short-term loans payable	27,675	27,675
Accounts receivable-trade	52,307	59,233	Current portion of long-term loans payable	58	58
Merchandise and finished goods	26,767	29,461	Current portion of bonds	10,000	15,000
Raw materials and supplies	9,851	11,189	Accounts payable-other	12,454	13,054
Prepaid expenses	980	1,152	Income taxes payable	1,169	3,940
Deferred tax assets	807	1,005	Accrued consumption taxes	335	883
Short-term loans receivable	706	1,803	Accrued expenses	6,021	6,581
Other	4,986	5,134	Deposits received	27,080	23,846
Allowance for doubtful accounts	(6)	(7)	Provision for bonuses	1,523	1,590
			Other	575	803
Noncurrent assets	248,984	250,827	Noncurrent liabilities	76,194	68,507
Property, plant and equipment	167,764	163,111	Bonds payable	20,000	12,000
Buildings	27,587	26,874	Long-term loans payable	39,554	39,495
Structures	19,468	19,404	Deferred tax liabilities	6,456	6,681
Machinery and equipment	50,184	43,911	Deferred tax liabilities for land revaluation	8,405	8,403
Vehicles	422	346	Provision for retirement benefits	1,639	972
Tools, furniture and fixtures	1,967	2,203	Provision for stock benefits	-	18
Land	60,373	60,451	Long-term accounts payable-other	13	-
Construction in progress	7,760	9,919	Asset retirement obligations	126	127

			Other	-	809
Intangible assets	1,246	1,001	(Net assets)	162,903	171,603
Software	776	610	Shareholders' equity	139,320	145,526
Right of using patent	470	391	Capital stock	36,998	36,998
			Capital surplus	49,284	49,284
Investments and other assets	79,972	86,714	Legal capital surplus	49,284	49,284
Investment securities	33,252	36,351	Other capital surplus	0	0
Stocks of subsidiaries and affiliates	40,787	45,091	Retained earnings	63,199	62,424
Long-term loans receivable	2,283	2,101	Other retained earnings	63,199	62,424
			Reserve for advanced depreciation of noncurrent assets	3,835	3,823
Long-term prepaid expenses	1,908	1,413	Retained earnings brought forward	59,363	58,600
Other investments	1,742	1,757	Treasury stock	(10,161)	(3,180)
Allowance for doubtful accounts	(1)	(1)	Valuation and translation adjustments	23,582	26,076
			Valuation difference on available-for-sale securities	13,317	15,816
			Revaluation reserve for land	10,265	10,260
Total	352,757	367,469	Total	352,757	367,469

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

Non-consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	(Reference) 158th term		159th term	
Net sales		217,017		237,833
Cost of sales		161,349		172,167
Gross profit		55,667		65,665
Selling, general, and administrative expenses		42,669		44,661
Operating income		12,997		21,003
Non-operating income				
Interest and dividend income	5,177		5,255	
Other	716	5,893	768	6,023
Non-operating expenses				
Interest expenses	618		483	
Other	3,524	4,142	3,840	4,323
Ordinary income		14,748		22,703
Extraordinary income				
Gain on sales of investment securities	432	432	-	-
Extraordinary loss				
Loss on liquidation of business	1,110	1,110	1,928	1,928
Income before income taxes		14,070		20,775
Income taxes-current	2,109		5,061	
Income taxes-deferred	57	2,166	(1,018)	4,043
Profit		11,904		16,732

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

Independent Auditors' Report
(English Translation)

May 8, 2018

To the Board of Directors
Denka Co., Ltd.

Ernst & Young ShinNihon LLC

Shunji Momoi
Certified Public Accountant
Designated and Engagement Partner
Mineo Kambayashi
Certified Public Accountant
Designated and Engagement Partner
Shigeyuki Honda
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 Denka Co., Ltd. (hereinafter referred to as the "Company") for the fiscal year from April 1, 2017 to March 31, 2018.

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 Denka Co., Ltd. and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2018 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 8, 2018

To the Board of Directors
Denka Co., Ltd.

Ernst & Young ShinNihon LLC

Shunji Momoi
Certified Public Accountant
Designated and Engagement Partner
Mineo Kambayashi
Certified Public Accountant
Designated and Engagement Partner
Shigeyuki Honda
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 Denka Co., Ltd. (hereinafter referred to as the "Company") for the 159th term from April 1, 2017 to March 31, 2018.

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, 2018 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 159th term from April 1, 2017 to March 31, 2018, 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

- (1) 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.
- (2) 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, conducting audits as follows.
 - 1) 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. Concerning subsidiaries, communication was made with Directors and Audit & Supervisory Board Members, etc., of subsidiaries, and information was collected, and business reports were received from subsidiaries as necessary.
 - 2) The Audit & Supervisory Board Members also expressed opinions on the resolutions of the Board of Directors regarding the establishment of the system to ensure that the Directors' performance of their duties as stated in the Business Report 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 corporate group comprised of a joint stock company (kabushiki kaisha) and its subsidiaries, 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.
 - 3) 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.
 - 4) 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), and the business report and its accompanying supplementary schedules for the fiscal year in question.

2. Results of Audit

(1) Results of Audit of Business Report, etc., and Other Relevant Documents

- 1) 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.
- 2) 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.
- 3) 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.
- 4) We have found no matters requiring special mention with respect to the basic policies regarding the determination of policies on control of the finances and business 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 9, 2018

Audit & Supervisory Board, Denka Co., Ltd.

Full-time Audit & Supervisory Board Member
Full-time Audit & Supervisory Board Member
Audit & Supervisory Board Member
Audit & Supervisory Board Member

Shohei Tamaki
Masanori Sakamoto
Tsunehiro Sasanami
Toshio Kinoshita

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